IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND ARE NOT U.S. PERSONS.

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Confirmation of Your Representation: This offering circular is being sent to you at your request, and by accepting the e-mail and accessing the attached document, you shall be deemed to represent to each of China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行 (the **Issuer**), China Construction Bank (Asia) Corporation Limited and The Hongkong and Shanghai Banking Corporation Limited (together, the **Arrangers**) that (1) you and any customers you represent are not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the **Securities Act**)) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) that you consent to delivery of the attached and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Arrangers, the dealers named herein (the **Dealers**), the agents named herein (the **Agents**) nor their respective affiliates and their respective directors, officers, employees, representatives, agents and each person who controls the Issuer, an Arranger, a Dealer, an Agent or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. **We will provide a hard copy version to you upon request.**

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Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Arrangers or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and an Arranger or a Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached**.

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中国建设银行
China Construction Bank

CHINA CONSTRUCTION BANK CORPORATION HONG KONG BRANCH
中國建設銀行股份有限公司香港分行

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

U.S.$6,000,000,000
Medium Term Note Programme

On 29 May 2015, China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行 (the **Issuer**) established a U.S.$6,000,000,000 Medium Term Note Programme (the **Programme**) and prepared an offering circular dated 29 May 2015. This Offering Circular supersedes the offering circular dated 29 May 2015. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein save for, in the case of the terms and conditions of the Notes, any Notes issued on or after the date of this Offering Circular so as to be consolidated and form a single series with any Series (as defined under "*Terms and Conditions of the Notes*") of Notes issued before the date of this Offering Circular. Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$6,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**) for the listing of the Programme by way of debt securities to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**)) (together, **Professional Investors**) only during the 12 month period from the date of this Offering Circular on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular has been approved by the Dubai Financial Services Authority (the **DFSA**) under the DFSA's Markets Rule 2.6 and is therefore an Approved Prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012. Application has also been made to the DFSA for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of securities (the **DFSA Official List**) maintained by the DFSA and to NASDAQ Dubai for such Notes to be admitted to trading on NASDAQ Dubai.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for the listing of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, and the admission of any Notes to the Official List of, the SGX-ST are not to be taken as indications of the merits of the Issuer, its subsidiaries, its associated companies (if any), the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in the applicable Pricing Supplement which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of the Notes of such Tranche. This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in the applicable Pricing Supplement which, with respect to Notes to be listed on NASDAQ Dubai, will be delivered to the DFSA and NASDAQ Dubai before the listing of Notes of such Tranche.

The DFSA does not accept any responsibility for the content of the information included in this Offering Circular, including the accuracy or completeness of such information. The liability for the content of this Offering Circular lies with the Issuer. The DFSA has also not assessed the suitability of any Notes issued under this Programme to any particular investor or type of investor. If you do not understand the contents of this Offering Circular or are unsure whether any Notes issued under this Offering Circular are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Each Tranche of Notes of each Series (as defined in "*Form of the Notes*") in bearer form will be represented on issue by a temporary global note in bearer form (each a **Temporary Bearer Global Note**) or a permanent global note in bearer form (each a **Permanent Bearer Global Note**). Notes in registered form will initially be represented by a global note in registered form (each a **Registered Global Note** and together with any Temporary Bearer Global Notes and Permanent Bearer Global Notes, the **Global Notes** and each a **Global Note**). Registered Global Notes will be registered in the name of, or in the name of a nominee for, one or more clearing systems. Global Notes may be deposited on the issue date with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Global Notes may also be deposited with a sub-custodian for the Hong Kong Monetary Authority (the **HKMA**), as operator of the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the **CMU Service**). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Form of the Notes*".

The Issuer may agree with any Dealer (as defined herein) that the Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Hong Kong Stock Exchange) a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Bank has been rated A1 by Moody's Investors Service. The Programme has been rated "(P) A1" by Moody's Investors Service. Notes issued under the Programme may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

See "Risk Factors" beginning on page 63 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Arrangers

China Construction Bank (Asia) **HSBC**

Dealers

China Construction Bank (Asia) **HSBC**

The date of this Offering Circular is 26 September 2016.

IMPORTANT NOTICE

Each of the Issuer and the Bank having made all reasonable enquiries confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer and the Bank and its subsidiaries taken as a whole (the **Group**) and to the Notes which is material in the context of the issue and offering of the Notes (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Bank and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and of the rights attaching to the Notes); (ii) the statements contained herein relating to the Issuer, the Bank, the Group and the Notes are in every material respect true and accurate and not misleading and (iii) there are no other facts in relation to the Issuer, the Bank, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material aspect.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **HKSE Rules**) for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statements herein misleading.

No person is or has been authorised by the Issuer to give any information or to make any representations other than those contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Arrangers or the Dealers.

The Arrangers and the Dealers have not separately verified the information contained in this Offering Circular to the fullest extent permitted by law. None of the Arrangers or the Dealers makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers or the Dealers accepts any responsibility for the contents of this Offering Circular. Each of the Arrangers and the Dealers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements included or incorporated herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Offering Circular or any such financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the risks involved. The purchase of Notes by investors should be based upon their investigation, as they deem necessary. None of the Arrangers nor the Dealers undertakes to review the financial condition or affairs of the Issuer and the Bank and its subsidiaries taken as a whole (together, the **Group**) during the life of the arrangements contemplated by this Offering Circular, nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers or the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see "*Subscription and Sale*".

This Offering Circular complies with the requirements in Part 2 of the Markets Law (DIFC Law No. 1 of 2012) and Chapter 2 of the Markets Rules.

NOTICE TO RESIDENTS OF QATAR

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Stock Exchange or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar and the Qatar Financial Centre. The Notes are not and will not be traded on the Qatar Stock Exchange.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Notes may only be offered in registered form to existing account holders and accredited investors (each as defined by the Central Bank of Bahrain (the CBB)) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or the equivalent amount in any other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and the related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any related document or material be used in connection with any offer, sale or invitation to subscribe or purchase the Notes, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside of the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Notes will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the Capital Market Authority).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Offering Circular he or she should consult an authorised financial adviser.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Arrangers or the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area (including the United Kingdom), Singapore, Japan, Hong Kong, the People's Republic of China, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar. See "*Subscription and Sale*".

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial statements of the Group as at and for the years ended 31 December 2014 (the **2014 Annual Report**) and 31 December 2015 (the **2015 Annual Report**). These financial statements were prepared in accordance with the International Financial Reporting Standards (**IFRS**).

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2014 and 2015 have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong (**PricewaterhouseCoopers**) and extracted from the 2015 Annual Report as published by the Group.

The comparative financial information as at and for the year ended 31 December 2014 reported in the 2015 Annual Report was restated to reflect the acquisition of CCB Brazil Financial Holding — Investimentos e Participações Ltda. (**CCB Brazil**). The financial information included in pages F-2 to F-151 of this Offering Circular as at and for the two years ended 31 December 2013 and 2014 is extracted from the 2014 Annual Report and therefore does not reflect the acquisition of CCB Brazil. Should such financial information (as included in the Offering Circular) be restated to reflect the acquisition of CCB Brazil, the restated amounts might be different from the amounts previously reported in the consolidated financial statements as at and for the years ended 31 December 2013 and 2014, respectively. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operation.

The financial information included in pages F-152 to F-304 of this Offering Circular as at and for the year ended 31 December 2015 restates certain financial information as of and for the year ended 31 December 2014 for comparison purposes to give effect to the acquisition of CCB Brazil as at and for the year ended 31 December 2014. For more details, please see note 35(2) of the 2015 Annual Report.

The financial information included in pages F-305 to F-331 of this Offering Circular as at 31 December 2015 and as at and for the six months ended 30 June 2016 is extracted from the Bank's interim results announcement as published by the board of directors of the Bank on 25 August 2016 (the **2016 Interim Results**), and therefore has reflected the effect of the acquisition of CCB Brazil.

The unaudited consolidated interim financial information of the Group as at and for the six months ended 30 June 2016 (the **2016 Interim Financial Information**) (which include the comparative financial information for the six months ended 30 June 2015) included in the 2016 Interim Results has been extracted from the unaudited consolidated interim financial statements of the Group as at and for the six months ended 30 June 2016, which were prepared and presented in accordance with International Accounting Standard 34 "Interim Financial Reporting" (**IAS 34**) issued by the IASB and have been reviewed by PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by the Hong Kong Institute of Certified Public Accountants (**HKICPA**). However, such unaudited consolidated interim financial information from the unaudited consolidated interim financial statements of the Group as at and for the six months ended 30 June 2016 should not be relied upon to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2016 should not be taken as an indication of the expected financial condition and results of operations for the Group for the full financial year ending 31 December 2016.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to the **Bank** refer to China Construction Bank Corporation 中國建設銀行股份有限公司; all references to the **Group** refer to the Bank and its subsidiaries; references herein to **U.S. dollars** and **U.S.$** are to the lawful currency of the United States of America (the **USA** or the **U.S.**), references to **Hong Kong dollars**, **HK dollars** and **HK$** are to the lawful currency of Hong Kong, references to **Renminbi**, **RMB** and **CNY** are to the lawful currency of the People's Republic of China (the **PRC**), references to **Sterling** and **£** are to the lawful currency of the United Kingdom and references to **EUR**, **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In addition, references to **Hong Kong** are to the Hong Kong Special Administrative Region of the PRC, references to **Macau** are to the Macau Special Administrative Region of the PRC, references to **Mainland China** are to the PRC excluding Hong Kong and Macau and references to **Greater China** are to the PRC including Hong Kong and Macau.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as "will", "would", "aim", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "anticipated", "estimate", "estimating", "intend", "plan", "seeking to", "future", "objective", "should", "can", "could", "may", and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Issuer's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for Internet banking services.

TABLE OF CONTENTS

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE SERIES (AS DEFINED BELOW) OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited consolidated financial statements of the Bank, the most recently published unaudited but reviewed consolidated interim financial statements of the Bank, together with any audit or review reports prepared in connection therewith and the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Bank; and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office, as set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of The Hongkong and Shanghai Banking Corporation Limited (the **Fiscal Agent**) at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Notes and its identity.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject to those matters set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement hereto will only be valid for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$6,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as at the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in Hong Kong, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the Hong Kong foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The selected financial information presented below in the "Consolidated Statement of Financial Position" as at 31 December 2014 and 31 December 2015 are extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015 as prepared and presented in accordance with IFRS. The comparative financial information for the year ended 31 December 2014 were restated to reflect the acquisition of CCB Brazil and were extracted from the 2015 Annual Report.

In addition, this Offering Circular contains the 2016 Interim Financial Information, which were extracted from the 2016 Interim Results. The financial information as at 31 December 2015 and as at and for the six months ended 30 June 2016 has reflected the effect of the acquisition of CCB Brazil.

The unaudited consolidated interim financial information as at and for the six months ended 30 June 2016 set forth in the 2016 Interim Results (which include the comparative financial information as at and for the six months ended 30 June 2015) included in this Offering Circular has been extracted from the unaudited consolidated interim financial statements of the Group as at and for the six months ended 30 June 2016, which were prepared and presented in accordance with IAS 34 as issued by the IASB and have been reviewed by PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by HKICPA. However, such unaudited consolidated interim financial information from the unaudited consolidated interim financial statements of the Group as at and for the six months ended 30 June 2016 should not be relied upon to provide the same quality of information associated with information that has been subject to an audit.

None of the Arrangers or the Dealers makes any representation or warranty, express or implied, regarding the sufficiency of the Group's unaudited consolidated interim financial information as at and for the six months ended 30 June 2016 for an assessment of the Group's financial condition, results of operations and results. Accordingly, potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2016 should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending 31 December 2016.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

Consolidated Statement of Financial Position as at 31 December 2015

	As at 31 December 2014	As at 31 December 2015
	(Restated) (audited)	(audited)
	(RMB millions, unless otherwise stated	
Assets:		
Cash and deposits with central banks	2,610,781	2,401,544
Deposits with banks and non-bank financial institutions	266,461	352,966
Precious metals	47,931	86,549
Placements with banks and non-bank financial institutions	248,525	310,779
Financial assets at fair value through profit or loss	332,235	271,173
Positive fair value of derivatives	13,769	31,499
Financial assets held under resale agreements	273,751	310,727
Interest receivable	91,495	96,612
Loans and advances to customers	9,222,897	10,234,523
Available-for-sale financial assets	926,139	1,066,752
Held-to-maturity investments	2,298,663	2,563,980
Receivables	170,801	369,501
Interests in associates and joint ventures	3,084	4,986
Fixed assets	151,607	159,531
Land use rights	15,758	15,231
Intangible assets	2,435	2,103
Goodwill	2,253	2,140
Deferred tax assets	39,494	25,379
Other assets	26,014	43,514
Total assets	16,744,093	18,349,489
Liabilities:		
Borrowings from central banks	91,216	42,048
Deposits from banks and non-bank financial institutions	1,004,118	1,439,395
Placements from banks and non-bank financial institutions	202,402	321,712
Financial liabilities at fair value through profit or loss	296,009	302,649
Negative fair value of derivatives	12,373	27,942
Financial assets sold under repurchase agreements	181,528	268,012
Deposits from customers	12,899,153	13,668,533
Accrued staff costs	34,535	33,190
Taxes payable	62,644	49,411
Interest payable	185,874	205,684
Provisions	7,068	7,108
Debt securities issued	431,652	415,544
Deferred tax liabilities	401	624
Other liabilities	83,272	122,554
Total liabilities	15,492,245	16,904,406

	As at 31 December 2014	As at 31 December 2015
	(Restated) (audited)	(audited)
	(RMB millions, unless otherwise stated	
Equity:		
Share capital	250,011	250,011
Other equity instruments preference shares	0	19,659
Capital reserve	135,391	135,249
Investment revaluation reserve	4,066	23,058
Surplus reserve	130,515	153,032
General reserve	169,496	186,422
Retained earnings	558,705	672,154
Exchange reserve	(6,674)	(5,565)
Total equity attributable to equity shareholders of the Bank	1,241,510	1,434,020
Non-controlling interests	10,338	11,063
Total equity	1,251,848	1,445,083
Total liabilities and equity	16,744,093	18,349,489

Consolidated Statement of Financial Position as at 30 June 2016

	As at 30 June 2016	As at 31 December 2015
	(Unaudited)	(Audited)
	(RMB millions, unless otherwise stated)	
Assets:		
Cash and deposits with central banks	2,584,262	2,401,544
Deposits with banks and non-bank financial institutions	634,094	352,966
Precious metals	210,272	86,549
Placements with banks and non-bank financial institutions	280,915	310,779
Financial assets at fair value through profit or loss	365,430	271,173
Positive fair value of derivatives	41,323	31,499
Financial assets held under resale agreements	81,218	310,727
Interest receivable	104,543	96,612
Loans and advances to customers	10,861,990	10,234,523
Available-for-sale financial assets	1,259,746	1,066,752
Held-to-maturity investments	2,562,778	2,563,980
Receivables	483,786	369,501
Interests in associates and joint ventures	5,746	4,986
Fixed assets	161,362	159,531
Land use rights	14,980	15,231
Intangible assets	1,989	2,103
Goodwill	2,312	2,140
Deferred tax assets	34,312	25,379
Other assets	69,090	43,514
Total assets	19,760,148	18,349,489

	As at 30 June 2016	As at 31 December 2015
	(Unaudited)	(Audited)
	(RMB millions, unless otherwise stated)	
Liabilities:		
Borrowings from central banks	210,013	42,048
Deposits from banks and non-bank financial institutions	1,622,024	1,439,395
Placements from banks and non-bank financial institutions	340,571	321,712
Financial liabilities at fair value through profit or loss	339,357	302,649
Negative fair value of derivatives	53,173	27,942
Financial assets sold under repurchase agreements	100,505	268,012
Deposits from customers	14,675,541	13,668,533
Accrued staff costs	29,033	33,190
Taxes payable	36,667	49,411
Interest payable	205,035	205,684
Provisions	8,290	7,108
Debt securities issued	399,676	415,544
Deferred tax liabilities	343	624
Other liabilities	233,960	122,554
Total liabilities	18,254,188	16,904,406
Equity:		
Share Capital	250,011	250,011
Other equity instruments preference shares	19,659	19,659
Capital reserve	135,008	135,249
Investment revaluation reserve	16,261	23,058
Surplus reserve	153,032	153,032
General reserve	210,874	186,422
Retained earnings	712,609	672,154
Exchange reserve	(2,589)	(5,565)
Total equity attributable to equity shareholders of the Bank	1,494,865	1,434,020
Non-controlling interests	11,095	11,063
Total equity	1,505,960	1,445,083
Total liabilities and equity	19,760,148	18,349,489

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

	For the year ended 31 December	
	2014	2015
	(audited)	
	(RMB millions, unless otherwise stated)	
Interest income	739,126	770,559
Interest expense	(301,728)	(312,807)
Net interest income	437,398	457,752
Fee and commission income	112,238	121,404
Fee and commission expense	(3,721)	(7,874)
Net fee and commission income	108,517	113,530
Net trading (loss)/gain	972	3,913
Dividend income	495	733
Net gain arising from investment securities	4,045	5,075
Other operating income, net	5,313	5,684
Operating income	556,740	586,687
Operating expenses	(195,988)	(194,826)
Impairment losses on:	360,752	391,861
— Loans and advances to customers	(59,264)	(92,610)
— Others	(2,647)	(1,029)
Impairment losses	(61,911)	(93,639)
Share of profits less losses of associates and joint ventures	245	275
Profit before tax	299,086	298,497
Income tax expense	(70,839)	(69,611)
Net profit	228,247	228,886
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	(294)	51
Others	24	4
Subtotal	(270)	55
Items that may be reclassified subsequently to profit or loss		
Gains of available-for-sale financial assets arising during the period	34,391	27,721
Less: Income tax relating to available-for-sale financial assets	(8,572)	(6,956)
Reclassification adjustments included in profit or loss	(2,135)	(1,429)
Net loss on cash flow hedges	138	10
Exchange difference on translating foreign operations	(520)	1,436
Subtotal	23,302	20,782
Other comprehensive income for the year, net of tax	23,032	20,837
Total comprehensive income for the year	251,279	249,723

	For the year ended 31 December	
	2014	2015
	(audited)	
	(RMB millions, unless otherwise stated)	
Net profit attributable to:		
Equity shareholders of the Bank	227,830	228,145
Non-controlling interests	417	741
	228,247	228,886
Total comprehensive income attributable to:		
Equity shareholders of the Bank	250,562	248,311
Non-controlling interests	717	1,412
	251,279	249,723
Basic and diluted earnings per share (in RMB Yuan)	0.91	0.91

Consolidated Statement of Comprehensive Income for the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(unaudited)	
	(RMB millions, unless otherwise stated)	
Interest income	346,411	384,194
Interest expense	(135,421)	(159,575)
Net Interest income	210,990	224,619
Fee and commission income	70,907	66,520
Fee and commission expense	(3,717)	(2,875)
Net fee and commission income	67,190	63,645
Net trading gain	1,696	1,750
Dividend income	1,405	471
Net gain arising from investment securities	7,337	3,432
Other operating income, net:		
- Other operating income	46,186	18,767
- Other operating expense	(39,125)	(14,867)
Other operating income, net	7,061	3,900
Operating income	295,679	297,817
Operating expenses	(79,116)	(87,429)
	216,563	210,388
Impairment losses on:		
- Loans and advances to customers	(46,798)	(40,441)
- Others	188	(808)
Impairment losses	(46,610)	(41,249)
Share of profits less losses of associates and joint ventures	(75)	68
Profit before tax	169,878	169,207
Income tax expense	(35,975)	(36,963)
Net Profit	133,903	132,244

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	(RMB millions, unless otherwise stated)	
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
(Losses)/Gains of available-for-sale financial assets	(4,690)	5,863
Less: income tax relating to available-for-sale financial assets	1,254	(1,407)
Reclassification adjustments for losses included in profit or loss	(3,812)	(1,128)
Net gain on cash flow hedges	—	(2)
Exchange difference on translating foreign operations	2,976	(902)
Sub-total	(4,272)	2,424
Other comprehensive income for the period, net of tax	(4,216)	2,870
Total comprehensive income for the period	129,687	135,114
Net profit attributable to:		
Equity shareholders of the Bank	133,410	131,895
Non-controlling interests	493	349
	133,903	132,244
Total comprehensive income attributable to:		
Equity shareholders of the Bank	129,645	134,504
Non-controlling interests	42	610
	129,687	135,114
Basic and diluted earnings per share (in RMB Yuan)	0.53	0.53

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Issuer	China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行
Description	Medium Term Note Programme.
Arrangers	China Construction Bank (Asia) Corporation Limited and The Hongkong Shanghai Banking Corporation Limited.
Dealers	China Construction Bank (Asia) Corporation Limited, The Hongkong Shanghai Banking Corporation Limited and any other Dealers appointed in accordance with the Dealer Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are received in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Fiscal Agent	The Hongkong and Shanghai Banking Corporation Limited
Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited
CMU Lodging and Paying Agent	The Hongkong and Shanghai Banking Corporation Limited
Programme Size	Up to U.S.$6,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.

Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes.	Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.
Redemption.	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons, or pursuant to a winding-up of the Issuer following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Certain Restrictions*" above.

Taxation	All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without deduction for or on account of withholding taxes imposed by Hong Kong or the PRC or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge	The terms of any Note or Receipt or Coupon will contain a negative pledge provision as further described in Condition 4.
Events of Default	Events of Default for the Notes are set out in Condition 10.
Cross Acceleration	The terms of the Notes will contain a cross acceleration provision as further described in Condition 10(c).
Status of the Notes	The Notes and the Receipts and the Coupons relating to them will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge in Condition 4) unsecured obligations of the Issuer, ranking *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Bank, present and future.
Listing	Application has been made to list the Programme on the Hong Kong Stock Exchange. The Notes may also be listed on the Hong Kong Stock Exchange and on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies). Application has been made to the DFSA for Notes issued under the Programme during the period of 12 months from the date hereof to be admitted to the DFSA Official List and to NASDAQ Dubai for such Notes to be admitted to trading on NASDAQ Dubai.

	Approval in-principle has been received from the SGX-ST for the listing of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Ratings	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong, the PRC, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*".
United States Selling Restrictions	Regulation S, Category 1 or 2, as specified in the applicable Pricing Supplement. Whether TEFRA C or D rules apply or whether TEFRA is not applicable will be specified in the applicable Pricing Supplement.
Clearing Systems	The CMU Service, Euroclear, Clearstream, Luxembourg and/or any other clearing system as specified in the applicable Pricing Supplement. See "*Form of the Notes*".

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a Temporary Bearer Global Note or, if so specified in the applicable Pricing Supplement, a Permanent Bearer Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg or (ii) a sub-custodian for the CMU Service.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging and Paying Agent and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined in "*Terms and Conditions of the Notes*"). On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that the purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Bearer Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice (i), in the case of Notes held by a Common Depositary for Euroclear and Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii), in the case of Notes held through a sub-custodian for the CMU Service, from the relevant account holders therein to the CMU Lodging and Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have, or in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two directors of the Issuer is given to the Fiscal Agent. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non- U.S. persons outside the United States, will initially be represented by a global note in registered form (a **Registered Global Note**, together with any Bearer Global Note, the **Global Notes**). Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear, Clearstream, Luxembourg or the CMU Service and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with a Common Depositary for, and registered in the name of a common nominee of, Euroclear, Clearstream, Luxembourg and/or deposited with a sub-custodian for the CMU Service (if applicable), as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 1) as the registered holder of the Registered Global Notes. None of the Issuer, the Fiscal Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(b)(ii)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered where the Notes represented by the Registered Global Notes in definitive form or (iii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein may give notice to the Registrar or the CMU Lodging and Paying Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging and Paying Agent, as the case may be.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg and the CMU Service, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act), if any, applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or the CMU Service, each person (other than Euroclear and/or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (Hong Kong time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and/or the CMU Service on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 29 May 2015 and executed by the Issuer.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6 (except Condition 6(c)), 7, 12 or 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange), they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

APPLICABLE PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

Pricing Supplement dated [●]

China Construction Bank Corporation Hong Kong Branch
中國建設銀行股份有限公司香港分行

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the U.S.$6,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 26 September 2016. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated 26 September 2016 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the supplementary Offering Circular dated [●]] and this Pricing Supplement. In particular, investors in the Notes should read the section titled "Risk Factors" contained therein, which apply to the issue of Notes described herein.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the pricing supplement of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. In particular, investors in the Notes should read the section titled "Risk Factors" contained therein, which apply to the issue of Notes described herein.]

[*The following language applies if the Notes are to be listed on The Stock Exchange of Hong Kong Limited.*

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (together, "**Professional Investors**")) only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]

1	Issuer:	China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行
2	[(i)] Series Number:	[●]
	[(ii) Tranche Number:	[●]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]	
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	
	(i) Series:	[●]
	[(ii) Tranche:	[●]
5	[(i)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)*]
	[(ii) Net Proceeds:	[●] *(Required only for listed issues)*]
6	(i) Specified Denominations(1):	[●]
	(ii) Calculation Amount(2):	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8	Maturity Date:	[specify date (*for Fixed Rate Notes*) or *(for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]*(3)*

		[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[LIBOR/EURIBOR/HIBOR/CNH HIBOR/*specify reference rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12	Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)]
13	Listing:	[Hong Kong/NASDAQ Dubai/Singapore/Other (*specify*)/None] *(The following language applies if the Notes are to be listed on NASDAQ Dubai)*
	[(i) Listing and Admission to trading:	Application has been, or will be, made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List maintained by the Dubai Financial Services Authority and to trading on NASDAQ Dubai with effect from [●]
	(ii) Estimate of total expenses related to admission to trading:	NASDAQ Dubai [●]]

14	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate [(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/others (specify)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year[(5)] [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[(2)]
	(iv) Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*][(2)(4)]
	(v) Day Count Fraction (Condition 5(j)):	[30/360/Actual/Actual-ISDA/Actual/Actual-ICMA/ Actual/365(Fixed)/[(6)]/*specify other*] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars, Renminbi or Hong Kong dollars)*
	(vi) Determination Date(s) (Condition 5(j)):	[Not Applicable/*give details*][(7)]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[Not Applicable/*give details*]
	(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Commencement Date:	[●]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]

(v)	Business Centre(s) (Condition 5(j)):	[Not Applicable/*give details*]
(vi)	Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
(viii)	Screen Rate Determination (Condition 5(b)(iii)(B)):	
	— Reference Rate:	LIBOR/EURIBOR/HIBOR/CNH HIBOR, *Specify reference rate*
	— Interest Determination Date:	[*[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]*]
	— Relevant Screen Page:	*[For example, Reuters LIBOR 01/EURIBOR 01]*
	— Relevant Time:	*[For example, 11.00 a.m. London time/ Brussels time]*
	— Relevant Financial Centre:	*[For example London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro]*
(ix)	ISDA Determination (Condition 5(b)(iii)(A)):	
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
	— ISDA Definitions (if different from those set out in the Conditions):	[●]
(x)	Margin(s):	[+/-] [●] per cent. per annum
(xi)	Minimum Rate of Interest:	[●] per cent. per annum
(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction (Condition 5(j)):	[●]
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]

17	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii) Day Count Fraction (Condition 5(j)):	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
18	Index Linked Interest Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Index/Formula:	[*Give or annex details*]
	(ii) Party responsible for calculating the Rate(s) of Exchange (if not the Calculation Agent):	[●]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(v) Interest Determination Date(s):	[●]
	(vi) Interest Accrual Period(s):	[●]
	(vii) Specified Interest Payment Dates:	[●] *(Not applicable unless different from the Interest Payment Date(s))*
	(viii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
	(ix) Business Centre(s):	[●]
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction (Condition 5(j)):	[●]

19	Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
	(ii) Party responsible for calculating the Rate(s) of Exchange (if not the Calculation Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v) Day Count Fraction (Condition 5(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

20	Call Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iii) Notice period:	[●]
21	Put Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount]
	(iii) Notice period:	[●]

22	Final Redemption Amount of each Note:	[●] per Calculation Amount
23	Early Redemption Amount	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, where otherwise specified herein, Condition 6(d) or Condition 6(e)) or an Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	[Bearer Notes:] *[Delete as appropriate]* [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note][(8)] [Registered Notes:] [Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.]
25	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(v) and 18(ix) relate*]
26	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]

28	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:		[Not Applicable/*give details*]
29	Redenomination, renominalisation and reconventioning provisions:		[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30	Other terms or special conditions:		[Not Applicable/*give details*][9]

DISTRIBUTION

31	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Date of Subscription Agreement:	[●]
	(iii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
32	If non-syndicated, name of relevant Dealer:		[Not Applicable/*give name and address*]
33	U.S. Selling Restrictions:		Reg. S Category [1/2]; TEFRA C/TEFRA D/TEFRA Not Applicable]
34	Additional selling restrictions:		[Not Applicable/*give details*]

YIELD

35	Indication of yield	[●]

OPERATIONAL INFORMATION

36	ISIN Code:	[●]
37	Common Code:	[●]
38	CMU Instrument Number:	[●]
39	Any clearing system(s) other than Euroclear/ Clearstream, Luxembourg and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
40	Delivery:	Delivery [against/free of] payment
41	Additional Paying Agents (if any):	[●]
42	Ratings	[●]

GENERAL

43	The aggregate nominal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in US dollars):	[Not Applicable/US$[●]]
44	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong/Luxembourg:	[Not Applicable]

45	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable/Hong Kong]

[USE OF PROCEEDS

[Not Applicable/Hong Kong]

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$6,000,000,000 Medium Term Note Programme of China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行.]

[STABILISING

In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilising Manager (or persons acting on behalf of any Stabilising Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Such stabilising if commenced may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

[**MATERIAL ADVERSE CHANGE STATEMENT**

[Except as disclosed in this document, there/There][10] has been no significant change in the financial or trading position of the Issuer or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [*insert date of last published annual accounts*].]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

[The Singapore Exchange Securities Trading Limited (the **SGX-ST**) assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The approval in-principle from, and the admission of the Notes to the Official List of, the SGX-ST are not to be taken as indications of the merits of the Issuer, its subsidiaries, its associated companies (if any), the Programme or the Notes.]

[The DFSA does not accept any responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement, including the accuracy or completeness of such information. The liability for the content of this Pricing Supplement lies with the Issuer. The DFSA has also not assessed the suitability of the Notes to any particular investor or type of investor. If you do not understand the contents of this Pricing Supplement or are unsure whether the Notes are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.]

Signed on behalf of China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行

By: ________________
Duly authorised

Notes:

(1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example € 1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: ''€ 100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

(2) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest [CNY0.01 with CNY0.05 or above rounded upwards / HK$0.01 with HK$0.005 or above rounded upwards]."

(3) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(4) Only relevant where corporate (or similar) authorisation is required for the particular tranche of Notes.

(5) Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

(6) Applicable to Renminbi and Hong Kong dollar denominated Fixed Rate Notes.

(7) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(8) If the Global Note is exchangeable for definitives at the option of the holder, the Notes shall be tradable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(9) If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(10) If any change is disclosed in the Pricing Supplement, it may require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplements. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are part of a Series (as defined below) of Notes issued by China Construction Bank Corporation Hong Kong Branch (the "**Issuer**") and are issued pursuant to a fiscal agency agreement (as amended, restated or supplemented as at the Issue Date, the "**Fiscal Agency Agreement**") dated 26 September 2016 which has been entered into in relation to the Notes between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent, CMU lodging and paying agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended, restated or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 28 May 2015 executed by the Issuer in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**" (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar and Transfer Agent(s) being together referred to as the "**Agents**"). For the purposes of these terms and conditions (the "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during usual business hours at the specified offices of the Paying Agents.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of and are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

Notwithstanding that the Issuer is not a separate and independent legal person of China Construction Bank Corporation (the "**Bank**"), any obligations of the Bank under these Conditions shall be construed subject to, and in accordance with, applicable law.

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note (together with an Index Linked Interest Note, an "**Index Linked Note**"), an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

In the case of Notes represented by a Global Note or Global Certificate, interest shall be calculated in respect of any period by applying the Rate of Interest to the total aggregate outstanding nominal amount of the Notes represented by such Global Note or Global Certificate.

2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: Subject to Condition 2(f) (*Closed Periods*), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Fiscal Agency Agreement). The regulations may be changed by the Issuer, with the prior written approval of the Registrar and, to the extent reasonably expected to be prejudicial to the interests of the Noteholders, the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to a Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant other Transfer Agent (as the case may be).

(e) **Transfers Free of Charge**: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant other Transfer Agent may require) in respect of taxes or charges.

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days ending on (and including) any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 6 or (iii) during the period of seven days ending on (and including) any Record Date.

3 STATUS

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Bank, present and future.

4 NEGATIVE PLEDGE AND OTHER COVENANTS

(a) **Negative Pledge**: So long as any Note or Receipt or Coupon (in respect thereof) remains outstanding (as defined in the Fiscal Agency Agreement), the Bank will not, and will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Public External Indebtedness, or any guarantee or indemnity in respect of any Public External Indebtedness, without at the same time or prior thereto according to the Notes, Receipts and such Coupons the same security as is created or subsisting to secure any such Public External Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders, provided that the provisions of this Condition 4(a) shall not apply to (i) any security interest in existence as at the Issue Date of the relevant Series of Notes to the extent that it secures Public External Indebtedness outstanding as at such date; or (ii) any lien arising by operation of law.

(b) **NDRC Reporting**: Where the NDRC Circular applies to the Tranche of Notes to be issued, the Issuer undertakes to provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Notes to the NDRC within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Circular.

In these Conditions:

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**NDRC Circular**" means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資 [2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time;

"**Public External Indebtedness**" means any indebtedness of the Bank (or, for the purposes of Condition 10, any **Subsidiary**), or any guarantee or indemnity by the Bank of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the People's Republic of China (for the purposes hereof not including the Hong Kong and Macau Special Administrative Regions or Taiwan) ("**PRC**") and is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days; and

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Bank.

5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined by the Calculation Agent in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, if any. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) ***Screen Rate Determination for Floating Rate Notes***

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate and, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the

Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an index or formula as specified hereon.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined by the Calculation Agent in the manner specified hereon.

(e) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest, Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres specified hereon, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Calculation Amount**" means the amount by reference to which the Interest Amount, Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount are calculated as specified in the Final Terms.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(viii) if "**Actual/Actual — ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro, Hong Kong dollars, Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal

Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Fiscal Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or, if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i), its final Instalment Amount.

(b) Early Redemption:

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) (as applicable) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or Condition 6(d) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders**: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes**: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(g) **Purchases**: The Issuer, the Bank and its Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may, at the option of the Issuer, be held, reissued, resold or surrendered to the Fiscal Agent for cancellation.

(h) **Cancellation**: All Notes purchased by or on behalf of the Issuer, the Bank or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 PAYMENTS AND TALONS

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7, "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes**:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(iii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**") and in the manner provided in Condition 7(b)(iii) below.

(iii) Payments of principal or interest, as the case may be, on each Registered Note shall be made:

(x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(iii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Payment of interest or principal by the CMU Lodging and Paying Agent to the person for whose account a relevant interest in the Global Certificate is credited as being held by the CMU Service at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the relevant CMU rules) or any other relevant notification by the CMU Service shall discharge the obligations of the Issuer in respect of that payment.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in Hong Kong or any other place of payment, but without prejudice to the provisions of Condition 8 and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents appointed under the Fiscal Agency Agreement and any Calculation Agent(s) appointed in respect of any Notes act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Fiscal Agency Agreement, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes outside the United Kingdom, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Notes are issued in definitive form, for so long as the Notes are listed on the Singapore Exchange Securities Trading Limited or any successor thereto (the "**SGX-ST**") and the rules of the SGX-ST so require and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Hong Kong and the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required) in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in Renminbi) on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; or

(iii) (in the case of a payment in euro) which is a TARGET Business Day.

8 TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or Hong Kong or any political subdivision or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the PRC or Hong Kong other than the mere holding of the Note, Receipt or Coupon; or

(b) **Lawful avoidance of withholding**: to, or to a third party on behalf of, a holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(c) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means whichever is the later of (a) the date on which payment in question first becomes due and (b) if the full amount payable has not been paid on or prior to such due date, the date on which the full amount has been paid and notice to that effect has been given to the Noteholders.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8.

For the avoidance of doubt, the Issuer's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on the Notes, the Receipts or the Coupons; provided that the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by Hong Kong, the PRC or any political subdivision thereof or any taxing authority thereof or therein, with respect to the Agency Agreement or as a consequence of the issuance of the Notes, the Receipts or the Coupons.

9 PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs and is continuing, any Noteholder may give notice to the Issuer at the specified office of the Fiscal Agent that any Note held by it is and shall immediately become, due and payable at the Early Redemption Amount of such Note together with accrued interest (if any) to the date of payment without further formality:

(a) **Non-Payment**: The Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of 30 days; or

(b) **Breach of Other Obligations**: The Issuer does not perform or comply with any one or more of its other obligations in the Notes which default continues for a period of 45 days after written notice of such default shall have been given to the Issuer by the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Acceleration**: Any other present or future Public External Indebtedness of the Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds US$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank of the day of which this paragraph operates); or

(d) **Insolvency**: The Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Bank or any of its Material Subsidiaries; or

(e) **Winding-up**: An order is made or an effective resolution passed for the winding-up or dissolution or administration of the Bank or any of its Material Subsidiaries, or the Bank ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary of the Bank, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Bank or another of its Subsidiaries; or

(f) **Illegality**: It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes.

"**Material Subsidiary**" means a Subsidiary of the Bank whose total assets or total revenue as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of the Bank, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer.

None of the Agents shall be required to take any steps to ascertain whether any Event of Default has occurred and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

11 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Noteholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 66⅔ per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Fiscal Agency Agreement**: The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if:

(i) to do so could not be expected to be prejudicial to the interests of the Noteholders; or

(ii) such modification is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

12 REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes (except for the first payment of interest and if applicable, the timing for notification to the NDRC and save that for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14 NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong or, so long as Notes are listed on the SGX-ST, published on the website of the SGX-ST www.sgx.com. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate, except that if the Notes are listed on the SGX-ST, and the rules of the SGX-ST so require, notice will in any event also be published on the website of the SGX-ST.

15 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16 CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

17 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to the Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Waiver of Immunity**: The Issuer further irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

USE OF PROCEEDS

Unless otherwise specified in the Pricing Supplement, the net proceeds of each issue of the Notes will be applied by the Issuer for its funding and general corporate purposes.

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer, the Bank and the Group may be adversely affected by any of these risks. The risks described below are not the only ones relevant to the Issuer, the Bank or the Notes. The Issuer believes the risks described below represent the principal risks inherent when considering an investment in the Notes. Additional risks and uncertainties not presently known to the Issuer, or which the Issuer currently deems immaterial, may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer does not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE BANK'S BUSINESS

Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations.

In 2008, the global credit markets experienced significant dislocation and uncertainty as a result of liquidity disruptions in the United States' credit and sub-prime residential mortgage markets since the second half of 2007. These and other related events, such as the collapse of a number of financial institutions, have resulted in an economic slowdown in the United States and most economies around the world, substantial volatility in financial markets globally, fluctuations in foreign currency exchange rates and volatility and tightening of liquidity in global financial markets. In response to the adverse conditions in the financial markets and the global economy, many countries, including the PRC, had implemented fiscal measures and other stimulus packages targeted at reducing the adverse impact of the global economic crisis and reviving their economies.

The sovereign debt crisis in some European countries (including Greece, Ireland, Italy, Spain and Portugal) which began in early 2010 and the downgrading of the credit rating for the United States' sovereign debt in August 2011 and ongoing slow economic recovery in the United States, Eurozone, Japan and most other economies around the world have caused uncertainty to the global financial markets. The uncertain global economic outlook, the referendum passed on 23 June 2016 for the United Kingdom to leave the European Union, together with the withdrawal or potential withdrawal of existing monetary and fiscal stimulus put in place by various governments since the global financial crisis, including the withdrawal by the U.S. Federal Reserve of its quantitative easing programme or any significant contraction of liquidity in the PRC interbank market, may have an adverse impact on the global economy which may in turn affect the PRC. If the global financial markets experience any further turmoil or if the PRC experiences any significant economic downturn, the Bank's business, financial condition and results of operations could be adversely affected, which in turn may adversely affect its ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank has a concentration of credit exposure to certain customers and certain sectors.

As at 30 June 2016, the Bank's loans and advances to the domestic (i) manufacturing industry; (ii) transportation, storage and postal services industries; (iii) production and supply of electric power, heat, gas and water industries; and (iv) real estate industries accounted for 11.13%, 10.67%, 5.87% and 3.65% of the Bank's gross loans and advances to customers, respectively. If any of these industries in which the Bank's loans are highly concentrated experiences a significant downturn, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

Although the Bank follows its credit risk management policies when extending credit to different industry sectors, such as credit extension guidelines for different industry sectors, and although the Bank monitors its credit risks in different industries closely, any significant or extended downturn in any of these sectors may reduce the borrowing activities in these sectors, as well as increase the level of the Bank's impaired loans and related provisions for impaired loans, all of which will in turn reduce its net profit and adversely affect its business, financial condition and results of operations.

The Bank is also exposed to the fluctuations of the real estate market through its extension of personal residential mortgage loans, individual commercial property mortgage loans and home equity loans. The Bank's real estate related loans mainly include both corporate real estate loans and personal residential mortgage loans. As at 30 June 2016, domestic corporate real estate loans amounted to RMB406,194 million, representing 3.65% of the Group's gross loans and advances to customers, and its corresponding NPL ratio was 1.75%. As at 30 June 2016, domestic personal residential mortgage loans amounted to RMB3,181,677 million, representing 28.56% of the Group's gross loans and advances to customers and its corresponding NPL ratio was 0.34%. For these purposes, "domestic" loans refers to loans made to borrowers in the following geographical segments as set out in 2016 Interim Financial Information: Yangtze River Delta, Pearl River Delta, Bohai Rim, Central, Western, Northeastern and where the Head Office is located. Notwithstanding prudential measures the Bank has put in place to maintain a portfolio of high quality real estate loans with sustainable growth, including imposing stringent standards for the acceptance of new customers for personal residential mortgage loans, the PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. In the event that PRC real estate prices experience a significant prolonged decline, the Bank's asset quality will likely be negatively affected. Further, the PRC government has already implemented and continues to implement certain adjustment measures aimed at managing the fluctuations of the real estate market. These policies may have an adverse effect on the quality of loans extended to the real estate industry and may also adversely affect the quality of the Bank's mortgage loan portfolio. In addition, if the real estate market in China experiences a significant downturn, the value of the real estate securing the Bank's loans may decrease, resulting in a reduction in the amount the Bank can recover. Any of the above developments or a combination thereof may adversely affect the Bank's asset quality, business, financial condition and results of operations, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

In accordance with national policies aimed at limiting the over-development of certain industries with excess capacity, including the iron and steel, cement, electrolytic aluminium, plate glass, as well as shipbuilding industries, the Bank carefully manages its exposure to these industries and has adopted a strict policy towards extending loans to these industries in order to reduce its loan exposure and risks associated with loans to these high-risk industries.

Notwithstanding the credit measures the Bank has put in place, in the event the PRC government issues policies to further restrict such industries or there is deterioration in the production and operation of the Bank's customers from industries with overcapacity, the quality of the Bank's loans will suffer which will in turn have an adverse effect on its business, financial position and results of operations, and may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

Since 2012, with the aim of reinforcing the risk management of loans to local government financing vehicles (**LGFV**), the PRC State Council (**State Council**), the CBRC and the People's Bank of China (**PBOC**), along with several other PRC regulatory authorities promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to further optimise and strengthen their risk management measures regarding their loans to LGFV. The

Bank has implemented a series of measures such as imposing stringent controls on granting loans to the LGFV and strengthening credit related policies to manage and control the risks associated with loans to LGFV. As at 31 December 2015, the amount of loans to LGFV classified under the regulated category decreased compared to 31 December 2014. While the Bank has taken various measures to reduce the risks of default, unfavourable developments in macroeconomic conditions, adverse changes to state policies, the financial condition of local governments or other factors may adversely affect the debt repayments of these financing platforms, which may in turn adversely affect the Bank's asset quality, financial condition and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

While the Bank has introduced heightened criteria in 2009 to manage the risks associated with these loans, including stricter requirements for guarantees, it cannot be assured that these loans will not default in the event of macroeconomic instability or other policy changes introduced by the PRC government. Given their importance to the composition of the Bank's loan portfolio, the default of any portion of such loans for any reason may affect its loan quality and will adversely affect its business, financial position and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

As at 30 June 2016, the Group's gross loans and advances to customers were RMB11,137,877 million representing an increase of 6.23% from 31 December 2015; its NPL ratio as at 30 June 2016 was 1.63%, representing an increase of 0.05% as compared to the corresponding ratio as at 31 December 2015. As at 30 June 2016, the NPL ratio for domestic corporate loans was 2.67%, an increase of 0.17 percentage points from 31 December 2015, and the NPL ratio for personal loans and advances was 0.57%, an increase of 0.05 percentage points from 31 December 2015. The NPL ratio for overseas entities and subsidiaries was 0.43%, representing a decrease by 0.02 percentage points from 31 December 2015.

The Bank may be unable to realise the full value of the collateral or guarantees securing the Bank's loan portfolio.

As at 30 June 2016, the balances of the Group's unsecured loans, guaranteed loans, loans secured by tangible assets other than monetary assets and loans secured by monetary assets were RMB3,263,110 million, RMB1,922,847 million, RMB4,907,746 million and RMB1,044,174 million, respectively, accounting for 29.30%, 17.26%, 44.06% and 9.38% of the Group's gross loans and advances to customers, respectively. If there is substantial deterioration in the business condition of a borrower which adversely affects the borrower's ability to repay, the Bank may not be able to recover the amounts lent under unsecured loans, which will in turn adversely affect the Bank's financial position and results of operations, and may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. Guaranteed loans are loans that are guaranteed by affiliates of the borrower or other third parties. Notwithstanding the fact that such loans are guaranteed, the Bank's exposure to the guarantor is generally unsecured and if the financial position of the guarantor deteriorates significantly, its ability to recover such loans will correspondingly deteriorate. Furthermore, the guarantee provided by such guarantor may be determined by the court as invalid if the guarantor fails to comply with certain laws and regulations in the PRC, including the "PRC Property Law" and "PRC Security Law". A significant percentage of the Bank's loan portfolio is secured by collateral, consisting mainly of domestic assets such as properties, land use rights and securities. The value of the collateral is generally higher than the amount loaned but such value is affected by factors the Bank cannot control including those affecting the PRC economy. If the PRC economy deteriorates, it could result in a decrease in the value of the collateral which will lead to the reduction of the amount of the loan that can be recovered. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted, and the enforcement process in China may be difficult. According to a judicial interpretation issued by the Supreme Court of the PRC, effective 21 December 2005, courts may not enforce the eviction of a borrower and his dependent families out of their residence if such residence under collateral is their primary residence in the six months following the courts' decision authorising that such collateral be auctioned, sold or liquidated. As a result, it may be difficult and time-consuming for banks to take control of or liquidate the collateral securing NPLs. Furthermore, certain specified claims may enjoy priority over the Bank's rights on loan collaterals. According to the "PRC Enterprise Bankruptcy Law" promulgated on 27 August 2006 and effective as of 1 June 2007, claims raised by employees on arrears of pay as well as other fees and expenditures prior to 27 August 2006 for enterprises in bankruptcy proceedings shall be given priority over the Bank's rights to collateral, on the premise that other assets of the enterprise are not sufficient to fulfil such claims. Accordingly, if a borrower fails to repay and if the Bank is not able to timely realise the entire or sufficient part of the value of collateral, pledged assets or guarantees represented, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may not be able to maintain or reduce its current NPL ratio.

The Bank's results of operations have been negatively affected by its NPLs, which may continue to affect the Bank's current and future business performance. As at 30 June 2016, the amount of the Group's NPLs was RMB181,949 million and the NPL ratio was 1.63%, representing an increase of 0.05% as compared to the corresponding ratio as at 31 December 2015. As at 30 June 2016, the NPL ratio for domestic corporate loans was 2.67%, an increase of 0.17 percentage points from 31 December 2015, and the NPL ratio for personal loans and advances was 0.57%, an increase of 0.05 percentage points from 31 December 2015. The NPL ratio for overseas entities and subsidiaries as at 30 June 2016 was 0.43%, representing a decrease by 0.02 percentage points from 31 December 2015.

It cannot be assured that the Bank will be able to reduce or even maintain the same level in the future. This is because the quality of the Bank's loan portfolio is affected by factors which the Bank is unable to control, including any adverse changes to the PRC economic structure, deterioration in the PRC's economy, deterioration in the global economy. Adverse changes in the economic environment in the PRC as well as force majeure events including natural disasters or outbreak of diseases may all have negative impact on the Bank's customers' ability to repay the loans. Factors such as deterioration in the credit conditions of the Bank's customers' trading partners, decline in both residential and commercial property prices, an increase in the unemployment rate in China and a deterioration in the profitability of corporate borrowers will also lead to a reduction in the quality of the Bank's assets. All of these factors can lead to an increase in the Bank's NPL ratio, which will correspondingly adversely affect its business, financial condition and results of operations, and may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's allowance for impairment losses may not be adequate to cover future actual losses to its loan portfolio.

As at 30 June 2016, the Group's allowance for impairment losses on loans was RMB275,887 million, the ratio of its allowance for impairment losses to total loans extended to customers was 2.48%, and the ratio of the Group's allowance for impairment losses to NPLs was 151.63%. The amount of the allowance for impairment losses to loans is based on the Bank's current assessment of and expectations concerning various factors that may affect the quality of its loan portfolio. These factors include, among other things, the borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral and the likelihood of support from guarantors, as well as the PRC's economy, macroeconomic policies, interest rates, exchange rates and legal and regulatory environment. The above-mentioned factors are beyond the Bank's control. If the Bank's assessment of and expectations concerning these factors differ from actual developments in the future, or if the quality of its loan portfolio deteriorates, its allowance for impairment losses may not be adequate to cover its actual losses and the Bank may need to make additional provisions for impairment losses, which may adversely affect its business, financial condition and results of operations and, in turn, may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The expanding range of products and services exposes the Bank to new risks.

The Bank has expanded and intends to continue to expand the range of its products and services. As at 30 June 2016, the Group had 28 tier-one overseas branches, covering 26 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, US, UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, and Chile, and wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai, CCB Europe and CCB New Zealand. Expansion of its business activities exposes the Bank to a number of risks and challenges, including the following:

- the Bank may have limited or no experience in certain new business activities or geographies and may not be able, or may take a relatively long period, to compete effectively in these areas;

- the Bank may not be able to devote sufficient resources or management capacity to certain new business activities or geographies;

- there is no guarantee that the new business activities will meet the Bank's expectations of their profitability;

- the Bank may not be able to hire new personnel or retrain existing personnel who are able to conduct new business activities; and

- the Bank may not be able to continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If the Bank is not able to achieve the intended results in these new business areas, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. In addition, if the Bank fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, it may fail to maintain its market share or lose some of its existing customers to its competitors.

Furthermore, the Bank's international expansion into multiple jurisdictions exposes the Bank to a variety of new regulatory and business challenges and risks and has increased the complexity of its risks in a number of areas, including currency risk, interest rate risk, credit risk, regulatory and compliance risk, reputational risk and operational risk. If the Bank is unable to manage the risks resulting from its international expansion, its reputation, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is subject to liquidity risk.

The Bank regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 30 June 2016, the accumulated gap of various maturities of the Group was RMB1,505,960 million, an increase of RMB60,877 million as compared to 31 December 2015. As a result, there is a mismatch between the maturities of the Bank's liabilities and assets. Customer deposits have historically been the main source of the Bank's funding. Generally, the Bank's short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, it cannot be assured that this will continue to be the case. If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank may have no choice but to seek other sources of funding to meet its funding requirements. It cannot be assured that the Bank can source financing based on normal commercial terms when necessary. Furthermore, the Bank's ability to obtain additional funds may also be affected by other factors including factors that the Bank may find difficult to control or be totally incapable of controlling, such as the deterioration of overall market conditions, severe disturbance to the financial market or a bleak outlook for industries where it has substantial credit exposure. All of these factors may result in adverse effects on the Bank's liquidity, business, financial position and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The formal implementation of the deposit insurance scheme may adversely affect the Bank's deposit-taking business and financial position.

The "Deposit Insurance Regulation" formulated by the State Council came into effect on 1 May 2015, which will result in the formal establishment of a deposit insurance scheme in the PRC. The Deposit Insurance Regulations requires that the commercial banks and other deposit-taking banking financial institutions established in the PRC shall take out deposit insurance and pay deposit insurance premiums to relevant deposit insurance fund management institutions, with such premiums to be used as deposit insurance funds to compensate depositors in the event of the liquidation or similar event of any PRC bank. Under the deposit insurance scheme, upon the liquidation or similar event of any PRC bank, the maximum compensation that a depositor may receive on the total principal and accrued interest deposited with such PRC bank will be capped at RMB500,000.

The deposit insurance premiums to be paid by the Bank in accordance with the Deposit Insurance Regulations and other relevant laws and regulations will increase the Bank's operating costs and capital requirements. Furthermore, the deposit insurance scheme may increase competition among PRC banks for deposits as some depositors may consider spreading out their deposits with different PRC banks. This may result deposits currently held with the Bank being transferred by depositors to other PRC banks as well as the Bank having to offer higher interest rates to retain existing, and attract new, depositors, which may have an adverse effect on the Bank's business, financial position and operating results.

The Bank is subject to credit risks with respect to certain off-balance sheet commitments and guarantees.

In the normal course of the Bank's business, the Bank makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including providing bank acceptances, guarantees, letters of credit and other credit commitments. As at 30 June 2016, the balance of the Group's credit commitments was RMB2,652,755 million. The Bank is subject to credit risks on its commitments and guarantees because certain of its commitments and guarantees may need to be fulfilled as a result of the Bank's customers' default. If the Bank is not able to obtain payment from its customers in respect of these commitments and guarantees or enforce its contracts with them, the Bank's business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is subject to risks associated with its hedging activities and other derivative transactions.

The Bank has entered into derivative transactions for hedging purposes as well as conducted derivative transactions on behalf of its customers. Accordingly, the Bank faces market and operational risks associated with these transactions. At present, the regulation of China's derivative market remains in the development stage and requires further improvement and this increases the risks of the derivative transactions the Bank enters into. Further, the Bank's capabilities in monitoring, analysing and reporting these transactions are subject to limitations in its information technology developments. Accordingly, the Bank's business, financial position and results of operations may be adversely affected given the volatility of the prices of these derivatives, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Changes in accounting policy may impact the Bank's financial condition and results of operations.

Some of China's generally accepted accounting standards are currently undergoing gradual improvement and relevant regulatory institutions are constantly adjusting specific accounting policies applicable to the banking sector. Changes in specific accounting policies may affect the Bank's financial position. The new "Accounting Standards for Enterprises" promulgated by the PRC Ministry of Finance (**MOF**) in February 2006 with effect from 1 January 2007 has been implemented by the Bank.

Going forward, the Bank may be required to revise its accounting policies and estimates according to the amendment of domestic and international accounting standards, the interpretation and guidance of promulgations and other regulatory changes. If the Bank is required to implement significant changes to the handling of certain financial items or the alteration of accounting estimates, it may have adverse effects on its business, financial condition and results of operations. Such developments may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's provisioning policies and loan classification may be different in certain respects from those applicable to banks in certain other countries or regions.

The Bank determines a level of allowance for impairment losses and recognise any related provisions made in a year using the concept of impairment under International Accounting Standards and their interpretations (**IAS 39**). The Bank's provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IAS 39. As a result, the Bank's allowance for impairment losses, as determined under the provisioning policies, may differ from those that would be reported if it was incorporated in those countries or regions.

The Bank classifies its loans as "normal", "special mention", "sub standard", "doubtful" and "loss" by using the five-category classification system according to requirements of the CBRC. The Bank's five-category classification system may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, it may reflect a different degree of risk than what would be reported if the Bank was incorporated in those countries or regions.

The Bank's business, financial position and results of operations may be affected by its policies regarding provisioning and loan classification. If the Bank's approach to provisioning policies and/or loan classification proves not to be adequate, the Bank's business, financial position and results of operations may be negatively affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Implementation of IFRS 9 in 2018 and interpretive guidance on its application will require the Bank to change its provisioning practice.

The Bank assesses its loans and investment assets for impairment under IAS 39, as amended from time to time. The International Accounting Standards Board (**IASB**) published IFRS 9 "Financial Instruments" (replacement of IAS 39) in July 2014, which proposed the introduction of an expected loss impairment model to replace the existing incurred loss model. Future implementation of IFRS 9 and interpretive guidance on the application of IFRS 9 may require the Bank to change its current provisioning practice and may, as a result, affect the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

It cannot be assured that the Bank's risk management and internal control policies and procedures will be effective in completely managing and avoiding all of its risks.

In recent years, the Bank has achieved progress in terms of risk management by improving its policies and procedures. However, as these policies and procedures are relatively new, the Bank will require additional time to fully measure the impact of, and evaluate its compliance with, these policies and procedures. Moreover, the Bank's staff will require time to adjust to these policies and procedures and it cannot be assured that the Bank's staff will be able to consistently follow or correctly apply these new policies and procedures. In addition, the Bank's risk management capabilities are limited by the information, tools and technologies available to the Bank. Furthermore, the Bank's ability to control market risk and liquidity risk is constrained by the current PRC laws and regulations that restrict the types of financial instruments and investments the Bank may hold. If the Bank is unable to effectively implement the enhanced risk management and internal control policies and procedures, or if the intended results of such policies and procedures are not achieved in a timely manner, its asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's business is highly dependent on the proper functioning and improvement of its information technology systems.

The Bank's business is highly dependent on the ability of its information technology systems to accurately process large numbers of transactions across numerous markets and products in a timely manner. The proper functioning of the Bank's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between the Bank's various branch outlets and its main data processing centre, is critical to its business and its ability to compete effectively. The Bank's data centres provide backup data that could be used in the event of a system breakdown or a failure of the Bank's primary systems, and have established alternative communications networks where available. However, the Bank does not operate all of its backup systems on a real-time basis and it cannot be assured that the Bank's business activities would not be substantially disrupted if there was a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, software flaws, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorised access to information or systems, or intentional destruction or loss or corruption of data, software, hardware or other computer equipment, could have an adverse effect on the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by the Bank through its existing information technology systems may not be timely or sufficient for the Bank to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. As a result, the Bank is making and intends to continue making investments to improve or upgrade its information technology systems. Any substantial failure to improve or upgrade the Bank's information technology systems effectively or on a timely basis could adversely affect its competitiveness, business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may not be able to detect and prevent fraud or other misconduct committed by its employees or third parties on a timely basis.

The Bank may suffer from economic loss, penalties from regulatory institutions and severe damage to its reputation as a result of fraud or other misconduct committed by the Bank's employees or third parties. Types of misconduct conducted by the Bank's employees in the past include, among other things, theft, embezzlement or misappropriation of customers' funds; mishandling of customer deposits and settlement of payment transactions; improper extensions of credit; improper accounting; fraud; and acceptance of bribes. Types of misconduct by third parties which may affect the Bank include, among other things, fraud, theft, robbery and certain armed crimes. In addition, the Bank's employees may commit errors that could subject the Bank to financial claims as well as regulatory actions. While the Bank is constantly strengthening its inspection efforts and increasing its precautionary measures to prevent misconduct by employees and third parties, given the Bank's significant number of branch outlets, it cannot be assured that the Bank can identify and prevent all fraudulent behaviours of misconduct or that the preventive measures the Bank has adopted will be effective in every circumstance. As at 30 June 2016, the Bank had a total of 14,938 domestic operating outlets. It cannot be assured that any fraud or other misconduct committed by the Bank's employees or third parties, whether involving past acts that have gone undetected or future acts, will not have an adverse effect on the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation.

The Bank is required to comply with applicable anti-money-laundering, anti-terrorism laws and other regulations in the PRC, Hong Kong and other jurisdictions where the Bank has operations. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities or by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Bank may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Bank may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank, which could harm its business and reputation, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank does not possess the relevant land use right certificates or building ownership certificates for some of the properties it holds, and it is subject to risks that its leases over certain properties may not be renewed.

The Bank leases a significant number of properties in the PRC, primarily as business premises for its branch outlets. It cannot be assured that all lessors of the Bank's leased business premises have the relevant land use right certificates or building ownership certificates. As a result, third parties may be able to challenge the validity of the Bank's leases. In addition, it cannot be assured that the Bank will be able to renew its leases on acceptable terms upon their expiration. If any of the Bank's leases were terminated as a result of challenges by third parties or failure of the lessors to renew them upon expiration, the Bank may be forced to relocate affected branch outlets and, if it fails to find suitable replacement sites on acceptable terms, its business, financial condition and results of operations may be adversely affected. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, the Bank occupies certain parcels of land and buildings for which it does not have the relevant land use right certificates or building ownership certificates. The Bank is in the process of applying for the relevant land use right and building ownership certificates that the Bank does not yet hold. However, it cannot be assured that the Bank's ownership rights would not be adversely affected in respect of any parcels of land or buildings for which the Bank was unable to obtain the relevant certificates.

The Bank may face situations where it cannot meet the capital adequacy requirements imposed by the relevant PRC regulators or as a G-SIB pursuant to the Basel Capital Accord.

According to the "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" formulated by the CBRC in 2004 and amended in July 2007, the minimum capital adequacy ratio and core capital adequacy ratio for commercial banks are 8% and 4%, respectively. According to the "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" (**CBRC Capital Regulations**) formulated by the CBRC to implement the Basel Capital Accord in June 2012 and effected on 1 January 2013, the capital adequacy ratio of different tiers of a commercial bank shall not be lower than the following minimum requirements at any point in time: (i) the core tier 1 capital adequacy ratio shall not be lower than 5%; (ii) the tier 1 capital adequacy ratio shall not be lower than 6%; and (iii) the capital adequacy ratio shall not be lower than 8%. In addition, the Bank as a domestic systemically important bank will also be required to maintain a further 1% capital surcharge above prevailing core tier 1 capital requirements. Since January 2013, the Bank calculated its capital adequacy ratio in accordance with these measures. As at 30 June 2016, the Group's core capital adequacy ratio was 12.64% and the capital adequacy ratio was 15.58%, and therefore, in compliance with the CBRC Capital Regulations.

In recent years, the CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in China. In 2010, the CBRC began regulating the capital adequacy of commercial banks, and implemented separate regulatory target requirements for separate banks. Furthermore, the Financial Stability Board identified the Bank as a globally systemically important bank (**G-SIB**) in November 2015. As a G-SIB, the Bank is required to satisfy heightened capital adequacy ratios pursuant to Basel III. As at 30 June 2016, the Bank's core capital adequacy ratio was 12.66% and the capital adequacy ratio was 15.43%, and therefore, in compliance with the applicable regulatory requirements.

Although the Bank has already implemented medium to long term capital management policies to strengthen capital management and its capability to maintain growth, some regulatory developments may affect the Bank's ability to continually comply with capital adequacy requirements, including the decline in asset quality, the decline in value of its investments, the raising of minimum capital adequacy ratios by the CBRC and the changes in calculations of capital adequacy ratios by the CBRC.

In order to support the steady growth and development, the Bank may need to raise more capital to ensure that its capital complies with or exceeds the minimum regulatory requirement. In its future plans to raise capital, the Bank may issue any share securities that can contribute towards core tier 1 capital or additional tier 1 capital or any debt securities that can contribute towards tier 2 capital. On 12 December 2014, the Board of Directors of the Bank reviewed and approved the *Proposal on the Plan of Issuance of Domestic Preference Shares by China Construction Bank Corporation and the Proposal on the Plan of Issuance of Offshore Preference Shares by China Construction Bank Corporation*, pursuant to which, the Bank proposed to issue preference shares with an aggregate of no more than RMB80 billion (inclusive) or its equivalent in domestic and offshore markets, which include the issuance of domestic preference shares of no more than RMB60 billion (inclusive) and the issuance of offshore preference shares of no more than RMB20 billion (inclusive) or its equivalent. On 5 November 2015, the Bank received approval from the CBRC for the issuance of up to 200 million offshore preference shares, and on 3 December 2015, the Bank received approval from the China Securities Regulatory Commission for the same. Pursuant to the approvals of relevant regulatory authorities and *inter alia* the shareholders resolutions, the Bank issued U.S.$3.05 billion in the aggregate principal amount of 4.65% non-cumulative perpetual offshore preference shares on 16 December 2015, and the listing of the offshore preference shares on the Hong Kong Stock Exchange became effective on 17 December 2015. On 13 May 2015, the Bank issued US$2,000,000,000 in the aggregate principal amount of 3.875 per cent. tier 2 dated capital bonds due 2025. In December 2015, the Bank issued RMB24 billion in the aggregate principal amount of 4 per cent. tier 2 capital bonds due 2025 in the domestic interbank market. The net proceeds from the issue of such bonds will be used to boost the tier 2 capital of the Bank in accordance with the applicable laws and for the purposes approved by the regulatory authorities. On 22 December 2015, the Bank issued RMB24 billion tier 2 capital bonds (the **RMB Bonds**) in the domestic interbank bond market with a coupon rate of 4.00 per cent. The maturity period is 10 years, and the Bank has a redemption right at the end of the fifth year. The proceeds from the issuance of the RMB Bonds will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws and as approved by the regulatory authorities. Any share securities issued by the Bank (including any preference shares) may dilute the interest and benefits of its shareholders.

The Bank's capital-raising ability may be restricted by the Bank's future business, financial and operational results, the Bank's credit rating, necessary regulatory approvals, overall market conditions including PRC and global economic, political and other conditions at the time of capital raising.

If the Bank fails to meet the capital adequacy requirements, the CBRC may require the Bank to take corrective measures, including, for example, restricting the growth of its loans and other assets or restricting its declaration or distribution of dividends. These measures could adversely affect the Bank's reputation, business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities. The Bank is also subject to the supervision and inspection of domestic regulators and overseas regulators in jurisdictions where it operates.

The Bank is subject to regular and irregular supervision and inspection by China's regulatory institutions, including the MOF, the PBOC, the CBRC, the China Securities Regulatory Commission (**CSRC**), the China Insurance Regulatory Commission (**CIRC**), the State Administration of Taxation (**SAT**), the State Administration of Industry & Commerce (**SAIC**), the State Administration of Foreign Exchange (**SAFE**) and the National Audit Office (**NAO**).

The Bank is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities. It cannot be assured that the Bank will be able to meet these operational requirements and guidelines in the future at all times, or that no sanction will be imposed on the Bank in the future if the Bank fails to do so. If sanctions are imposed on the Bank for the breaches of these or other operational requirements and guidelines, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Furthermore, the Bank may also be subject to inspection and supervision of overseas regulatory institutions in overseas jurisdictions where it operates. The Bank's overseas branches, subsidiaries and representative offices must follow local laws, regulations and the regulatory requirements of relevant local regulatory institutions of their respective jurisdictions. It cannot be assured that the Bank's overseas branches, subsidiaries and representative offices will be able to meet the applicable laws and regulatory requirements at all times. If the Bank is not able to meet these requirements, there may be an adverse impact on the Bank's business in these jurisdictions. Some of these inspections have led to penalties and other sanctions imposed on the Bank as a result of non-compliance. Although none of the penalties and sanctions imposed on the Bank has had a material adverse impact on the Bank's operations, financial position, and business performance, it cannot be assured that future inspections by regulatory institutions will not result in penalties or sanctions which may adversely affect the Bank's operations, reputation, business, financial position and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may be subject to OFAC penalties if it conducts transactions in violation of OFAC regulations.

The United States currently imposes various economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control (**OFAC**) and which apply only to U.S. persons and, in certain cases, to foreign subsidiaries of U.S. persons or to transactions involving certain items subject to U.S. jurisdiction. Similar sanctions are administered by the United Kingdom, the European Union, United Nations Security Council and other applicable jurisdictions. These sanctions are intended to address a variety of policy concerns, among other things, denying certain countries, and certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes. Countries which are currently subject to sanctions for different reasons include but are not limited to Crimea region of Ukraine, Cuba, Iran, Libya, North Korea, Syria and Sudan. The Bank does not believe that these sanctions are applicable to any of the Group's activities. However, if the Group engages in any prohibited transactions by any means or it was otherwise determined that any of the Group's transactions violated applicable sanctions regulations, the Group could be subject to penalties and its reputation and ability to conduct future business in the U.S. or other relevant jurisdictions or with U.S. persons or other relevant persons could be adversely affected. As the Bank's business, financial condition and results of operations may be adversely affected, the Bank's ability to service the Notes and to satisfy its other obligations under the Notes may also be negatively affected.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The highly competitive nature of the PRC banking industry could adversely affect the Bank's profitability.

The PRC banking industry is intensely competitive. The Bank competes primarily with the other domestic commercial banks and financial institutions, as well as foreign-invested financial institutions. These commercial banks and financial institutions compete with the Bank for substantially the same loan, deposit and fee from customers.

Following the removal of regulatory restrictions on their geographical presence, customer base and operating licence in China in December 2006 as part of China's WTO accession commitments, the Bank has experienced increased challenges from foreign-invested commercial banks. Furthermore, the "Mainland and Hong Kong Closer Economic Partnership Arrangement", which permits smaller Hong Kong banks to operate in China, has also increased the competition in China's banking industry.

The increased competitive pressures resulting from the above and other factors may adversely affect the Bank's business and prospects, as well as the Bank's business, financial condition and results of operations by, among other things:

- reducing the Bank's market share in its principal products and services;
- affecting the growth of the Bank's loan portfolio or deposit base and other products and services;
- decreasing the Bank's interest income or increasing its interest expense, thereby decreasing its net interest margin;

- reducing the Bank's fee and commission income;
- increasing the Bank's non-interest expenses, such as marketing expenses;
- deteriorating the Bank's asset quality; and
- increasing the turnover of senior management and qualified professional personnel.

The Bank may not always be able to maintain its competitive advantage or successfully compete in all the business areas in which it currently or will in the future operate. The adverse developments described above may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may also face competition for funds from other forms of investment alternatives as the PRC capital market continues to develop. For example, as the PRC capital market continues to develop and become a more viable and attractive investment alternative, the Bank's deposit customers may elect to transfer their funds into bonds, equities and other capital market instruments, which may reduce the Bank's deposit base and adversely affect the Bank's business, financial condition and results of operations. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's businesses are highly regulated which may be adversely affected by future regulatory changes.

The Bank's business and operations are directly affected by changes in China's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which the Bank can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not adversely affect the Bank's business, financial condition and result of operations nor can the Bank assure that it will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Bank's activities and could also have a significant impact on the Bank's business. The adverse developments described above may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The PBOC has increased the reserve requirement ratio for commercial banks over the years, which has been increased from 7.5% in 2006 to 20% in May 2012, and has issued a circular in August 2011 requiring commercial banks to bring three kinds of margin deposits including bank acceptances, letters of guarantee and letters of credit into the depository scope of required reserve. In 2014, the PBOC implemented "Oriented Reduction of Reserve Requirement Ratio" measures several times, including reducing the reserve requirement ratio by 0.5% specifically for those commercial banks satisfying certain requirements since 16 June 2014. The reserve requirement refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The PBOC may further adjust the reserve requirement ratio or revise its calculation basis in the future. Increases in the bank reserve requirement ratio or expansion of the calculation basis of the reserve requirement may negatively impact the amount of funds available for loans to businesses by the Bank and other commercial banks in China and therefore may have adversely affect the Bank's ability to earn interest income, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The growth rate of the PRC banking market may not be sustainable.

The Bank expects the banking market in the PRC to expand as a result of anticipated growth in the PRC economy, increases in household wealth, continued social welfare improvement, demographic changes and the opening of the PRC banking market to foreign participants. The prospective impact on the PRC banking industry of certain trends and events, such as the pace of economic growth in the PRC and the ongoing reform of the social welfare system is currently not clear. Consequently, it cannot be assured that the growth and development of the PRC banking market will be sustainable.

Fluctuations in interest rates may adversely affect the Bank's lending business and its financial condition.

As with most commercial banks, the Bank's results of operations depend to a great extent on the Bank's net interest income. For the six months ended 30 June 2016, net interest income represented 71.36% of the Group's operating income. Fluctuations in interest rates could affect the Bank's financial condition and profitability in different ways. For example, a decrease in interest rates may reduce the Bank's interest income and yields from interest-earning assets. An increase in interest rates may decrease the value of the Bank's investment debt securities portfolio and raise the Bank's funding costs. In addition, an increase in interest rates may reduce overall demand for loans, and, accordingly, reduce the Bank's origination of new loans, as well as increase the risk of customer default. Interest rate fluctuations will also affect the market value of and return on derivative financial instruments. Volatility in interest rates may also result in a gap between the Bank's interest rate sensitive assets and interest rate sensitive liabilities.

In addition, increasing competition in the banking industry and further deregulation of interest rates by the PBOC may result in more volatility in market interest rates. If the interest rates the Bank pays for its deposits increase to a greater extent than the interest rates it receives for its loans, the Bank's net interest margin will narrow, leading to a reduction in its net interest income. Increases in interest rates might also affect borrowers' financial condition and hence their ability to repay loans. As a result, fluctuations in interest rates may adversely affect the Bank's lending operations, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

PRC regulations impose limitations on the types of investments the Bank may make and, as a result, the Bank has limited abilities to seek optimal investment returns, to diversify its investment portfolio and to hedge the risks of its Renminbi-denominated assets.

As a result of the PRC regulatory restrictions, substantially all of the Renminbi-denominated investment assets of PRC commercial banks are concentrated in the limited types of investments permitted by the PRC government. These permitted investments include PRC treasury bonds, finance bonds issued by PRC policy banks, notes issued by PBOC, and subordinated bonds. These restrictions on the Bank's ability to diversify its investment portfolio limit its ability to seek an optimal return. The restrictions also expose the Bank to significantly greater risk of investment loss in the event a particular type of investment the Bank holds suffers a decrease in value. For example, a general increase in interest rates may result in a significant decline in the value of the fixed income debt securities held by the Bank. In addition, due to the limited hedging tools available, the Bank's ability to manage market and credit risks relating to Renminbi-denominated assets is limited, and any resulting decline in the value of its Renminbi-denominated assets will adversely affect the Bank's financial condition and results of operations. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's results of operations may be adversely affected if the PBOC further expedites the deregulation of interest rates.

In recent years, the PBOC has adopted reform measures to liberalise China's interest rate regime. For example in 2002, the PBOC substantially liberalised interest rates for foreign currency-denominated loans and deposits. In October 2004, the PBOC eliminated restrictions in respect of the maximum interest rate for RMB-denominated loans and the minimum interest rate for RMB-denominated deposits. In June 2012, PBOC lowered the one-year Renminbi benchmark deposit and loan interest rates each by 0.25 percentage points. At the same time, the PBOC also adjusted the upper limit of the floating range for deposit interest rates and the lower limit of the floating range for loan interest rates.

On 19 July 2013, the PBOC published the "Notice on Furthering Market-based Interest Rate Reform" pursuant to which, other than the restriction that commercial banks in China cannot set interest rates for RMB-denominated residential mortgage loans below 70% of the relevant PBOC benchmark rate (since 27 October 2008), restrictions on the loan interest rates were fully liberalised. According to existing PBOC regulations, RMB-denominated deposits in commercial banks in China remain subject to restrictions and the interest rate for RMB-denominated deposits cannot be set above 110% of the relevant PBOC benchmark rate. On 25 October 2013, the PBOC introduced a new prime lending rate, officially known as the "loan prime rate", which is based on a weighted average of lending rates from nine commercial banks. In 2015, the PBOC made consecutive interest rates cuts and removed the deposit interest rate ceiling, giving rise to greater competitions among banks and general shrinking of returns in the bond and monetary markets. The PBOC may further liberalise the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in China's banking industry will likely intensify as China's commercial banks seek to offer more attractive interest rates to customers. Further adjustments by the PBOC to the benchmark interest rates or liberalisation by the PBOC may result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby adversely affecting the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The effectiveness of the Bank's credit risk management system is affected by the quality and scope of information available in the PRC.

National credit information databases developed by the PBOC have been in operation since January 2006. However, as the information infrastructure in China is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Bank's credit applicants. Therefore, the Bank's assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information, and the Bank's ability to effectively manage the Bank's credit risk may be adversely affected. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Certain facts and statistics and information relating to the Bank and the Group are derived from publications not independently verified by the Bank, the Arrangers and Dealers or any of their respective directors, employees, representatives, affiliates or advisers.

Certain facts and statistics in this Offering Circular relating to the PRC, its economy and its banking industry are derived from various official and publicly available sources generally believed to be reliable. While the Bank has taken reasonable care to ensure that the facts and statistics or information relating to the Bank and the Group presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Bank, the Arrangers and Dealers or any of their respective directors, employees, representatives, affiliates or advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice or other reasons, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions and government policies could affect the Bank's financial condition and results of operations.

A substantial majority of the Bank's businesses, assets and operations are located in China. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

China's economy has historically been a planned economy. A substantial portion of productive assets in China is still owned by the PRC government. The PRC government also exercises significant control over China's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. These measures are aimed at benefiting the overall economy of the PRC, but some of them may have negative effects on certain industries, including the commercial banking industry. For example, the Bank's operating results may be adversely affected by government control over capital investments or changes in, interpretation of, and application of applicable tax regulations.

The PRC government is entitled to implement macroeconomic control measures to regulate the economy of China. China's GDP growth maintained its rapid pace for years before it slowed down due to the recent global financial crisis. In response to the global financial crisis and market volatility, the PRC government implemented a series of macroeconomic measures and relatively loose monetary policies from the second half of 2008, including a RMB4 trillion economic stimulus package and lower benchmark interest rates. Some of the measures may have effects on the Bank's business, financial condition, results of operations and asset quality. The PRC government may take measures to prevent the economy of China from overheating following the success of the above economic stimulus measures, including restraining investment in industries with excess production capacity, adjusting its tax policy on real estate, raising benchmark interest rates, raising deposit reserve rate or issuing administrative guidelines to control bank lending. Furthermore, there is a risk of a "double dip" recession in the global economy, including the PRC's economy, and there are signs that the growth of the PRC economy may slow down, therefore the PRC government may again implement its macroeconomic control measures accordingly. As the PRC government continues to regulate the economy by using monetary and fiscal policies, the Bank's business, financial condition and results of operations may be continuously affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Interpretation of PRC laws and regulations may involve uncertainty.

The Bank is organised under the laws of the PRC. The PRC legal system is based on written statutes. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations may be subject to different interpretation and inconsistently enforced. In addition, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Bank and the Noteholders.

Noteholders may experience difficulties in effecting service of legal process and enforcing judgments against the Bank and its directors and officers.

The Bank is a company incorporated under the laws of the PRC, and substantially all of its assets and its subsidiaries are located in the PRC. In addition, most of the Bank's directors and officers reside within the PRC, and the assets of its directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon most of the Bank's directors and officers. On 14 July 2006, Hong Kong and the PRC entered into the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court

Agreements Between Parties Concerned" (the **Agreement**), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial proceeding according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Agreement in which a Hong Kong court or a PRC court is expressly designated as the court having exclusive jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for the Noteholders to effect service of process against the Bank's assets or its directors and officers in the PRC in order to seek recognition and enforcement for foreign judgments in the PRC.

Furthermore, the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, Japan or most other Western countries. Hence, the recognition and enforcement in China of a judgment issued by a court in any of these jurisdictions in relation to any matter not subject to a binding jurisdiction provision may be difficult or impossible.

The Bank is subject to PRC government controls on currency conversion and future movements in exchange rates.

The Bank receives a substantial majority of its revenues in RMB, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet the Bank's demands for foreign currency.

The value of the RMB against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in Chinese and international political and economic conditions. Since 1994, China had adopted a market-based, managed and unified floating exchange rate regime to determine the exchange rate of RMB with reference to the exchange rate determined by the PBOC based on the interbank exchange rates and the prevailing rate of the international financial market on the previous business day. Thereafter, the official exchange rate of RMB against the U.S. dollar remained stable. On 21 July 2005, the PRC government adopted a more flexible market-based and managed floating exchange rate regime with reference to a basket of currencies when the exchange rate of RMB against the U.S. dollar recorded a one-off increase of 2%. Under the new system, the exchange rate of RMB was allowed to fluctuate within a regulated band. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, China announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate and widen the daily fluctuation band for the U.S.$/RMB exchange rate in April 2012 and in March 2014.

The Bank is also currently required to obtain the approval of SAFE before converting significant sums of foreign currencies into RMB. All of these factors could adversely affect the Bank's business, financial condition, results of operations and compliance with capital adequacy ratios and operational ratios, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in China may have an adverse effect on the Bank's business operations, financial condition and results of operations.

Any future force majeure events, such as occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or

SARS, and swine flu caused by H1N1 virus, (**H1N1 Flu**), or avian influenza caused by H7N9 virus (**H7N9 Flu**) may adversely affect the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of the Bank's assets, business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. Moreover, China has experienced natural disasters such as earthquakes, floods and drought in the past few years. For example, in May 2008, April 2010 and April 2013, China experienced earthquakes with reported magnitudes of 8.0, 7.1 and 7.0 on the Richter scale in Sichuan province, Qinghai Province and Sichuan province respectively, resulting in the death of tens of thousands of people. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn the Bank's business. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 Flu, H7N9 Flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 Flu, H7N9 Flu or other epidemics, will not seriously interrupt the Bank's operations or those of the Bank's customers, which may have an adverse effect on the Bank's business, financial condition and results of operations.

RISKS RELATING TO THE NOTES

Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited.

This Offering Circular incorporates the most recently published unaudited but reviewed interim consolidated financial statements of the Bank published from time to time after the date of this Offering Circular in each case together with any review reports prepared in connection therewith, as well as the most recently published unaudited and unreviewed consolidated quarterly interim reports, published subsequent to the most recently published consolidated financial statements of the Bank. The Bank publishes its consolidated quarterly interim reports in respect of the three months ended 31 March and 30 September of each financial year. A copy of the quarterly interim reports can be found on the website of the Hong Kong Stock Exchange.

The quarterly interim financial information have not been and will not be audited or reviewed by the Bank's independent auditors and were and will be prepared in accordance with IAS 34. The quarterly interim financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations. The quarterly interim financial information should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Certain Series of Notes may be complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as standalone investments but rather purchase such complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the their overall portfolios. A potential investor should not invest in such Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how such Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are subordinated to all secured debt of each of the Issuer and the Bank.

Each tranche of Notes will be unsecured and will rank at least equally with all other unsecured and unsubordinated indebtedness (except for creditors whose claims are preferred by laws and rank ahead of the holders of the Notes and subject to Condition 4) that each of the Issuer and the Bank has issued or may issue. Payments under the Notes are effectively subordinated to all secured debt of each of the Issuer and the Bank to the extent of the value of the assets securing such debt.

As a result of such security interests given to the Issuer's and the Bank's secured lenders, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Issuer and the Bank, the affected assets of the Issuer and the Bank may not be used to pay the Noteholders until after:

- all secured claims against the affected entity have been fully paid; and
- if the affected entity is a subsidiary of the Bank, all other claims against such subsidiary, including trade payables, have been fully paid.

In the event that the Issuer failed to fully perform its obligations under the Notes, performance by the Bank of such obligations may be subject to registration or verification of the PRC government authorities.

According to the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and the circular issued by the PBOC named "Reply on the Issues Regarding the Civil Liabilities of the Branches of Commercial Banks" (關於對商業銀行分支機構民事責任問題的覆函), in the event that a branch of a commercial bank fails to fully perform the obligations to the extent of the assets of the branch, such commercial bank shall fulfil such obligations to the extent that the branch has failed to perform them.

Therefore, in the event the Issuer is unable to or does not perform its obligations under the Notes, the Bank will assume all obligations of the Issuer with respect to the payments under the Notes. The remittance of funds outside the PRC by the Bank in order to perform these obligations may be subject to registration or verification of the SAFE.

There could be conflicts of interest arising out of the different roles played by the Bank and its subsidiaries, and the Bank's other activities may affect the value of the Notes.

The Bank's subsidiary is appointed as an Arranger and Dealer for the Programme. The Bank or its subsidiaries may also issue other competing financial products which may affect the value of the

Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Bank and its subsidiaries in connection with the Notes and the economic interests in each role may be adverse to the investors' interests in the Notes. Although the Bank has internal control policies and procedures to minimise any potential conflict of interest, the Bank owes no duty to investors to avoid such conflicts.

Credit Ratings may not reflect all risks and any credit rating of the Notes may be downgraded or withdrawn.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. As of 2 March 2016, the Bank has been assigned a rating of "A1" with negative outlook by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the Issuer to perform their respective obligations under the Notes, and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. The Issuer is not obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

The Financial Institutions (Resolution) Ordinance (No. 23 of 2016) may override the contractual terms of the Notes.

In early 2014, the Hong Kong government launched the initial stage of a public consultation on establishing a "resolution regime" for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. A consultation response paper dated 9 October 2015 (the Response Paper) was published concluding the two consultations and summarising the key comments received and the authorities' responses and proposals in relation to those comments. The Response Paper also discusses certain further issues which remain under development internationally. On 22 June 2016, the Financial Institutions (Resolution) Bill was passed by the Legislative Council of Hong Kong and enacted as the Financial Institutions (Resolution) Ordinance (No. 23 of 2016) on 30 June 2016 but has not yet commenced operation as at the date of this Offering Circular. The Financial Institutions (Resolution) Ordinance will come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Hong Kong Government Gazette.

The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing financial institution in Hong Kong. In particular, it has been envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include but are not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Notes, which may inter alia be in addition to any write off pursuant to the contractual provisions relating to loss absorption of the Notes (if any), and powers to amend or alter the contractual provisions of the Notes. Although the Financial Institutions (Resolution) Ordinance has not commenced operation as at the date of this Offering Circular, Noteholders will be subject to and bound by the Financial Institutions (Resolution) Ordinance once it comes into operation.

Investors shall pay attention to any modification and waivers.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series. The Terms and Conditions of the Notes also provide that the Issuer may permit a modification of, or a waiver or authorisation of any breach or proposed breach of or a failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

The Terms and Conditions also provide that the Issuer may permit or agree to (i) any modification of any of the provisions of the Fiscal Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Fiscal Agency Agreement) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Fiscal Agency Agreement, that is in the opinion of the parties to the Fiscal Agency Agreement, not materially prejudicial to the interests of the Noteholders.

Investors shall be aware of the effect of change of law.

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law, or administrative practice after the date of this Offering Circular.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or lodged with the CMU (each of Euroclear, Clearstream, Luxembourg, and the CMU, a **Clearing System**). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg, or, as the case may be, to the relevant paying agent, in the case of the CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. In relation to any issue of Notes in registered form, definitive Certificates will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

There are risks related to the structure of a particular issue of Notes.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then-prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

If the Issuer does not satisfy its obligations under the Notes, Noteholders' remedies will be limited

Payment of principal of the Notes may be accelerated only in the event of certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "*Terms and Conditions of the Notes — Events of Default and Enforcement*".

Investment in the Notes is subject to risks related to the market generally.

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest (where applicable) on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes, and/or (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest and/or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law and its implementation rules which took effect on 1 January 2008, any gain realised on the transfer of the Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong for the avoidance of double taxation, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes.

Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the Notes (such enterprise income tax is currently levied at the rate of 10 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of the Notes reside that reduces or exempts the relevant tax), the value of their investment in the Notes may be materially and adversely affected.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in RMB (the **RMB Notes**) may be issued under the Programme. RMB Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into or out of the PRC which may adversely affect the liquidity of RMB Notes.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transaction. These transactions are known as current account items. Currently, participating banks in various countries, including Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of RMB trade transactions. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 7 April 2011, SAFE promulgated the “Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi” (the **SAFE Circular**), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant Ministry of Commerce (**MOFCOM**) to the relevant local branch of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that foreign debts borrowed, and foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the PBOC promulgated the “Administrative Measures on Renminbi Settlement of Foreign Direct Investment” (外商直接投資人民幣結算業務管理辦法) (the **PBOC RMB FDI Measures**) as part of the implementation of the PBOC’s detailed foreign direct investment (**FDI**) accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures, which provides more detailed rules relating to cross-border Renminbi direct investments and settlement. On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures（關於簡化跨境人民幣業務流程和完善有關政策的通知） (the **2013 PBOC Circular**), which sought to improve the efficiency of the cross-border Renminbi settlement process. For example, where automatic fund remittance occurs, the bank can debit the amount into the relevant account first and subsequently verify the relevant transaction. PBOC further issued the Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors (關於境外投資者投資境內金融機構人民幣結算有關事項的通知) on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC.

On 3 December 2013, the MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商務部關於跨境人民幣直接投資有關問題的公告) (the **MOFCOM Circular**), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

The reforms which are being introduced and will be introduced in the Shanghai Free Trade Zone (the **Shanghai FTZ**) aim to upgrade cross-border trade, liberalise foreign exchange control, improve convenient cross-border use of Renminbi and promote the internationalisation of Renminbi. However, given the infancy stage of the Shanghai FTZ, how the reforms will be implemented and whether (and if so when) the reforms will be rolled out throughout China remain uncertain.

To support the development of the Shanghai FTZ, the Shanghai Head Office of the PBOC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ (關於支持中國(上海)自由貿易試驗區擴大人民幣跨境使用的通知) (the **PBOC Shanghai FTZ Circular**) on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor's instruction. In respect of FDI in industries that are not on the "negative list" of the Shanghai FTZ, the MOFCOM approval previously required is replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to the Shanghai FTZ.

As the SAFE Circular, the PBOC RMB FDI Measures, the MOFCOM Circular and the PBOC Shanghai FTZ Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to liberalise control over cross-border remittances of RMB in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes.

As a result of the restrictions imposed by the PRC government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBOC has also established Renminbi clearing and settlement mechanism for participating banks in various countries, through settlement agreements on the clearing of Renminbi business (the **Settlement Agreements**) with financial institutions in a number of financial centres and cities (each, a **Renminbi Clearing Bank**) and these Renminbi Clearing Banks have been permitted to engage in the settlement of Renminbi trade transactions.

However, the current size of Renminbi denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to RMB Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

An investment in RMB Notes is subject to interest rate risks.

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes.

Investors may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than described in the Conditions, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

CAPITALISATION

The following table sets forth the Bank's capitalisation and indebtedness as at 30 June 2016. For additional information, see the Bank's financial statements and notes thereto incorporated by reference into this Offering Circular.

This table should be read in conjunction with the consolidated financial statements of the Bank and related notes thereto incorporated by reference into this Offering Circular.

	As at 30 June 2016
	(unaudited)
	(CNY in millions)
Debt Borrowings[1]	18,254,188
Total debt	18,254,188
Equity	
Share capital	250,011
Capital reserve	135,008
General reserve	210,874
Retained earnings	712,609
Other reserves[2]	166,704
Minority interest	11,095
Total equity	1,505,960
Total capitalisation [3]	19,760,148

Notes:

(1) Borrowings include borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, negative fair value of derivatives, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs, taxes payable, interest payable, provisions, debt securities issued, deferred tax liabilities and other liabilities.

(2) Other reserves comprise the surplus reserve, investment revaluation reserve and exchange reserve.

(3) Total capitalisation equals the sum of total debt and total equity.

Unless otherwise disclosed in this Offering Circular, there has not been any material change in the Bank's capitalisation and indebtedness since 30 June 2016.

DESCRIPTION OF THE HONG KONG BRANCH

Business Activities

The Hong Kong branch of the Bank was established in 1995. It was the first branch of the Bank outside Mainland China. Today the Hong Kong branch of the Bank, specialising in wholesale banking business, offers a wide range of products to corporate customers in trade finance, remittance, foreign exchange, money market, derivatives, deposits taking, loans, project and structured finance, loan syndications and financial advisory services. As at 30 June 2016, its amount of gross loans and advances was HK$201,505 million. As at the same date, its amount of total deposits was HK$291,612 million, and its amount of total assets was HK$489,994 million. In the six months ended 30 June 2016, it generated HK$3,793 million of interest income and HK$220 million of fee and commission income.

The Hong Kong branch of the Bank offers a wide range of corporate and commercial banking products and services in Hong Kong. The Hong Kong branch of the Bank provides services including conventional transactional, foreign exchange, loans, investments and RMB services, while corporate and commercial banking includes a wide variety of products and services in trade financing, working capital and trade lending, foreign exchange and investment banking.

The Hong Kong branch of the Bank receives extensive support from the Bank in terms of funding, settlement, information technology (IT) and client resources. The wide-ranging collaboration between the Hong Kong branch and the Bank enables the Hong Kong branch to better serve its customers, maximise cross selling efforts, expand its product range and capture the emerging business opportunities in Hong Kong and the PRC.

The Hong Kong branch of the Bank does not have any employees. The personnel team of China Construction Bank (Asia) Corporation Limited (**CCBA**) currently performs functions and provides services and support to both the Hong Kong branch of the Bank and CCBA. CCBA receives fees from the Hong Kong branch of the Bank in exchange for such services and support, determined on an arm's length basis.

Hong Kong Banking Industry Regulatory Regime

The banking industry in Hong Kong is regulated under the provisions of the Banking Ordinance (Cap.

155) of Hong Kong (the **Banking Ordinance**) and subject to the powers and functions ascribed by the Banking Ordinance to the HKMA. The Banking Ordinance provides that only banks which have been granted a banking license (**license**) by the HKMA may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks (**licensed banks**).

The provisions of the Banking Ordinance are implemented by the HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The HKMA supervises licensed banks through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to the HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, unless the HKMA permits returns to be made at less frequent intervals;

- the HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary in the interests of the depositors or potential depositors of the licensed bank concerned. Such information shall be submitted within such period and in such manner as the HKMA may require. The HKMA may also require a report by a licensed bank's auditors (approved by the HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;

- licensed banks may be required to provide information to the HKMA regarding companies in which they have an aggregate of 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), with common features in their names or a concert party arrangement to promote the licensed bank's business;

- licensed banks are obliged to report to the HKMA immediately of their likelihood of becoming unable to meet their obligations;

- the HKMA may direct a licensed bank to appoint an auditor to report to the HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as the HKMA may reasonably require; and

- the HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank. Such inspections are carried out by the HKMA on a regular basis.

OVERVIEW

The Bank is a leading commercial bank in China providing a comprehensive range of banking products and financial services. The Bank was incorporated as a joint stock company in the PRC on 17 September 2004 and its business licence number is 100000000039122. The registered address of the Bank is No. 25, Finance Street, Xicheng District, Beijing 100033, China and its telephone number is +86 10 6621 5533. Headquartered in Beijing, the Bank provides convenient and quality banking services to its customers through an extensive network comprised of nationwide branches, self-service facilities and an electronic banking service platform. The Bank operates principally in mainland China with branches in all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in mainland China. The Bank's principal business activities include corporate banking, personal banking, treasury, investment banking and overseas business. Within the Bank's corporate banking business, the Bank offers a broad range of products and services to corporations, government agencies and financial institutions, including infrastructure loans, working capital loans, syndicated loans, supply-chain financing, loans to medium-sized enterprises (**SMEs**), trade financing, loans through the Bank's e-banking platform and merger and acquisition financing. The Bank also offers corporate deposits under various terms and commission/fee based services, including agency services, cost and advisory services, institutional business, asset custodial business, and treasury management and settlement business. The Bank provides a broad range of personal banking products and services under well recognised brands, including residential mortgage loans, entrusted housing provident fund mortgage loan services and bank card services. The Bank's treasury operations primarily consist of money market trading activities, investment portfolio management and agency treasury transactions. The Bank conducts its treasury services mainly through its trading centres in Beijing and Hong Kong. The Bank conducts its investment banking business through the investment banking department at the head office and branch levels as well as through CCB International Capital Limited (**CCB International**). The Bank offers a comprehensive and diversified suite of financial services to its customers which includes, among others, financial advisory services, equity capital financing, debt financing, asset securitisation and wealth management services. Leveraging its vast resources and geographic advantages in the Chinese domestic market, the Bank is committed to providing a world-wide banking and financial services platform to service the overseas banking needs of its domestic corporate and personal banking customers and the domestic banking needs of its overseas corporate and personal banking customers seeking to trade with or invest in China. The Group adheres to a positive and steady international operation and overseas development strategy, leading to a steady expansion of its overseas network. On 29 August 2014, the Bank completed its purchase of its 72% interest in Banco Industrial e Comercial S.A. (**BIC**) in Brazil. In accordance with local laws and regulations, the Bank initiated the offer to purchase the remaining tradable shares of BIC in August 2015, and completed the transaction in December 2015 with its shareholding increased to 99.05%, which was followed by the delisting of BIC from the exchange and its renaming as China Construction Bank (Brasil) Banco Múltiplo S/A (**CCB Brasil**). In May 2015, Chile Branch became the first RMB clearing bank in South America. In June 2015, Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe were successively opened. Cape Town Branch (under Johannesburg Branch) commenced business in September 2015. London Branch commenced business in October 2015. Zurich Branch was established and designated as the RMB clearing bank in November 2015, and Dubai International Financial Centre Branch received its official banking licence and commenced business in November 2015. As at 30 June 2016, the Group had 28 tier-one overseas branches, covering 26 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, US, UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, and Chile, and wholly-owned operating subsidiaries including China Construction Bank (Asia) Corporation Limited (CCB Asia), China Construction Bank (London) Limited (CCB London), China Construction Bank (Russia)

Limited Liability Company (CCB Russia), China Construction Bank (Dubai) Limited (CCB Dubai), CCB Europe and China Construction Bank (New Zealand) Limited (CCB New Zealand). The Group's overseas entities covered 26 countries and regions.

As at 30 June 2016, the Group's total assets, total liabilities and total equity were RMB19,760,148 million (including gross loans and advances to customers of RMB11,137,877 million), RMB18,254,188 million (including total deposits from customers of RMB14,675,541 million) and RMB1,505,960 million, respectively. For the year ended 31 December 2015, the Group's net interest income was RMB457,752 million, representing an increase of 4.65% over the same period in 2014 and the profit before tax was RMB298,497 million, representing a decrease of 0.20% over the same period in 2014. For the six months ended 30 June 2016, the Group's net interest income was RMB210,990 million, representing a decrease of 6.07% over the same period in 2015 and the profit before tax was RMB169,878 million, representing an increase of 0.40% over the same period in 2015. The NPL ratio of the Group as at 30 June 2016 was 1.63%, representing an increase of 0.05% as compared to the corresponding ratio as at 31 December 2015. As at 30 June 2016, the NPL ratio for domestic corporate loans was 2.67%, an increase of 0.17 percentage points from 31 December 2015, and the NPL ratio for personal loans and advances was 0.57%, an increase of 0.05 percentage points over 2015. As at 30 June 2016, the NPL ratio for overseas entities and subsidiaries was 0.43%, representing a decrease by 0.02 percentage points from 31 December 2015. As at 30 June 2016, the Group's total capital ratio was 15.09% and common equity tier one ratio was 13.06%, representing a decrease of 0.30% and 0.07%, respectively, as compared to the corresponding ratio as at 31 December 2015. In the first half of 2016, the Bank proactively optimised the structure of on and off-balance sheet businesses and accelerated the development of businesses with less capital occupation and higher return. The decline in the Bank's total capital ratio was mainly due to the slower growth rate of total capital after deductions than that of risk-weighted assets, as a result of the distribution of dividends in 2015 and the decrease of unqualified subordinated debt securities that could be included in capital.

In 2015, faced with a complex business environment, the Group continued to serve the real economy, focused on deepening reform, accelerated business transformation and development and strengthened risk management in accordance with its strategic vision of "integration, multifunction and intensiveness", resulting in the balanced development of the Group's business scope, quality and profitability. The Group maintained a stable market position and its core indicators and market capitalisation continued to be in the leading position among peers. The Group formulated its Transformation and Development Plan of China Construction Bank in 2014, which proposed to accelerate its transformation into a comprehensive banking group and a multi-functional service, intensive growth, innovative and intelligent bank. In accordance with the need to enhance the Group's capacity to serve the PRC's national development, to prevent financial risks and to compete internationally, the Group specified seven key points of transformation, including promoting the management assets and liabilities, strengthening and developing its wholesale business, accelerating the development of its retail business, improving the quality of electronic banking business, enhancing its asset management business in a comprehensive way for its customers, strengthening the competitiveness of subsidiaries and accelerating the expansion of international business and overseas operations.

In the first half of 2016, the Group received 122 accolades from renowned local and international institutions. In 2015, the Group ranked 2nd by tier-one capital in "Top 1000 World Banks" in 2015 by The Banker; the second place in "Global 2000" published by Forbes; and was awarded "Best Bank in China" from the U.S. magazine Global Finance, and Hong Kong magazines The Asset and Corporate Treasurer. In addition, the Group won numerous awards from major domestic and foreign media for its achievements in fields including corporate governance, corporate social responsibilities, risk management, corporate credit, retail business, investment custodial business, underwriting of debt securities, credit card, housing finance and information technology.

OVERVIEW OF CHINA'S BANKING INDUSTRY

China's banking industry has grown rapidly in the past decade, primarily driven by the rapid development of China's economy. From 2010 to 2015, total RMB-denominated loans and deposits of China's financial institutions grew at a CAGR of 14.4% and 13.6%, respectively, and total RMB-denominated loans grew from RMB47.9 trillion as of 31 December 2010 to RMB94.0 trillion as of 31 December 2015, while total RMB-denominated deposits grew from RMB71.8 trillion as of 31 December 2010 to RMB 135.7 trillion as of 31 December 2015. The following table sets forth total RMB and foreign currency-denominated loans and deposits of China's financial institutions as of the dates indicated.

	As of 31 December						CAGR
	2010	2011	2012	2013	2014	2015	(2010-2015)
Total RMB-denominated loans (in billions of RMB)	47,920	54,795	62,991	71,896	81,677	93,954	14.4%
Total RMB-denominated deposits (in billions of RMB)	71,824	80,937	91,755	104,385	113,864	135,702	13.6%
Total foreign currency-denominated loans (in billions of US$)	453	539	684	777	835	830	12.9%
Total foreign currency-denominated deposits (in billions of US$)	229	275	406	439	573	627	22.3%

Source: PBOC

In line with rising national income levels, personal deposits have achieved rapid growth and have been the most important source of funding for China's banking industry. From 2010 to 2015, the CAGRs of domestic personal RMB-denominated time deposits and demand deposits were 13.3% and 10.3%, respectively. The following table sets forth data of domestic personal RMB-denominated time deposits and demand deposits as of the dates indicated.

	As of 31 December						CAGR
	2010	2011	2012	2013	2014	2015	(2010-2015)
Personal RMB-denominated time deposits (in billions of RMB)	18,404	21,047	24,792	28,332	31,980	34,321	13.3%
Personal RMB-denominated demand deposits (in billions of RMB)	12,434	13,758	15,827	17,805	18,271	20,287	10.3%

Source: PBOC

In addition to the traditional corporate loan business, personal loan business and fee- and commission-based products and services of China's banking industry have achieved significant growth in recent years. On one hand, RMB-denominated personal loans grew at a CAGR of 19.1% from 2010 to 2015, according to the CBRC. On the other hand, the proportion of non-interest income of PRC commercial banks grew from 17.5% in 2010 to 23.7% in 2015, according to the CBRC. China's sustained economic growth and rising national income levels are expected to further increase the demand for personal banking products and services, demonstrating the growth potential of China's banking industry.

As of 31 December 2015, total assets of China's banking institutions amounted to RMB199.3 trillion, representing a year-on-year growth of 15.7%. In 2015, PRC commercial banks realised an aggregate net profit of RMB1.6 trillion, representing a year-on-year growth of 2.4%. In 2015, PRC commercial banks had an average return on assets of 1.10%, representing a year-on-year decrease of 0.13 percentage points, and an average return on equity of 14.98%, representing a year-on-year decrease of 2.61 percentage points. As of 31 December 2015, the balance of NPLs for PRC commercial banks amounted to RMB1.3 trillion, the NPL ratio was 1.67% and the allowance coverage ratio was 181.18%.

COMPETITIVE LANDSCAPE IN CHINA'S BANKING INDUSTRY

Overall Competitive Landscape

Currently, China's banking industry consists of large commercial banks such as Agricultural Bank of China, Bank of China, Bank of Communications, Industrial and Commercial Bank of China and the Bank (collectively, **Large Commercial Banks**), nationwide joint-stock commercial banks, city commercial banks, rural financial institutions, foreign banking institutions and other banking institutions. Large Commercial Banks continue to play a dominant role in China's banking system and have advantages in market share and number of outlets. Nationwide joint-stock commercial banks are also becoming increasingly important with a continued increase in their market share. In addition, city commercial banks operate a variety of commercial banking businesses within the permitted scope and have demonstrated regional advantages. Private capital has started investing heavily in the banking industry. Meanwhile, the scope of foreign banks' Renminbi businesses has been further opened up.

The following table sets forth certain information on China's banking industry by the type of banking institutions as of and for the year ended 31 December 2015.

	As of or for the year ended 31 December 2015						
	Number of legal entity institutions	Total assets		Total shareholders' equity		Net profit	
		Total amount	Market share (%)	Total amount	Market share (%)	Total amount	Market share (%)
	(in billions of RMB, except the number of institutions and percentages)						
Large Commercial Banks [1] . . .	5	78,163.0	39.2%	6,122.8	40.3%	892.5	45.2%
Nationwide joint-stock commercial banks	12	36,988.0	18.6	2,321.2	15.3	337.3	17.1
City commercial banks	133	22,680.2	11.4	1,548.1	10:2	199.4	10.1
Rural financial institutions[2] . . .	2,303	24,650.8	12.4	1,783.2	11.7	223.4	11.3
Foreign banking institutions . . .	40	2,680.8	1.3	351.1	2.3	15.3	0.8
Other banking institutions[3] . . .	1,768	34,272.6	17.2	2,808.2	20.2	270.9	15.5
Total	4,261	199,345.4	100.0%	15,205.3	100.0%	1,973.8	100.0%

Source: CBRC Annual Report 2015.

(1) Consisting of Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, Bank of Communications and the Bank.

(2) Consisting of rural credit cooperatives, rural commercial banks and rural cooperative banks.

(3) Consisting of policy banks, emerging rural financial institutions (including village and township banks, loan companies and rural mutual cooperatives), privately owned banks and other non-banking financial institutions (including financial asset management companies, Sino-German Bausparkasse, trust companies, finance companies of corporate groups, financial leasing companies, money brokerage firms, auto financing companies and consumer finance companies).

Large Commercial Banks

The Bank, together with Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and Bank of Communications, hold an important position in China's banking system, and have established significant competitive advantages in terms of total assets, funding source and the number of establishments. As of and for the year ended 31 December 2015, Large Commercial Banks together accounted for 39.2% of the total assets, 40.3% of the total shareholders' equity and 45.2% of the total net profit of all banking institutions in China.

The following table sets forth the number of establishments of the Large Commercial Banks as of 31 December 2015.

	As of 31 December 2015
Agricultural Bank of China	23,682
Industrial and Commercial Bank of China	17,498
China Construction Bank	14,945
Bank of China	11,633
Bank of Communications	3,449
Total	71,207

Source: 2015 annual reports of the Large Commercial Banks

The following table sets forth the total assets, total loans and total deposits of the Large Commercial Banks as of 31 March 2016.

	As of 31 March 2016		
	Total assets	Total loans(1)	Total deposits
	(in billions of RMB)		
Industrial and Commercial Bank of China	22,209.8	11,933.5	16,281.9
China Construction Bank	18,349.5	10,485.1	13,668.5
Agricultural Bank of China	17,791.4	8,909.9	13,538.4
Bank of China	16,815.6	9,135.9	11,729.2
Bank of Communications	7,155.4	3,722.0	4,484.8
Total	82,321.7	44,186.4	59,702.8

Source: 2016 first quarter reports of the Large Commercial Banks

(1) As of 31 March 2016, China Merchants Bank had total loans of RMB2,932.8 billion, ranking sixth among PRC commercial banks.

Nationwide Joint-stock Commercial Banks

Nationwide joint-stock commercial banks play an important role in China's banking industry. As of 31 December 2015, there were 12 nationwide joint-stock commercial banks with licences to engage in nationwide commercial banking activities in China, including China Merchants Bank, China CITIC Bank, Hua Xia Bank, China Everbright Bank, Shanghai Pudong Development Bank, China Minsheng Bank, Industrial Bank, China Guangfa Bank, Ping An Bank, China Zheshang Bank, China Bohai Bank and Hengfeng Bank. As of and for the year ended 31 December 2015, nationwide joint-stock commercial banks together accounted for 18.6% of the total assets, 15.3% of the total shareholders' equity and 17.1% of the total net profit of all banking institutions in China.

City Commercial Banks

City commercial banks are generally permitted to engage in commercial banking activities within their respective designated geographical areas. Some of the city commercial banks have established branches in other cities. As regional financial institutions, city commercial banks are also important components of China's banking industry. As of 31 December 2015, there were 133 city commercial banks in China. As of and for the year ended 31 December 2015, city commercial banks together accounted for 11.4% of the total assets, 10.2% of the total shareholders' equity and 10.1% of the total net profit of all banking institutions in China.

Rural Financial Institutions

Rural financial institutions include rural credit cooperatives, rural commercial banks and rural cooperative banks. Compared with Large Commercial Banks and nationwide joint-stock commercial banks, they mainly provide limited banking products and services to enterprises and residents in the County Areas, including personal deposits, loans and settlement services. As of 31 December 2015, there were 2,303 rural financial institutions in China. As of and for the year ended 31 December 2015, rural financial institutions together accounted for 12.4% of the total assets, 11.7% of the total shareholders' equity and 11.3% of the total net profit of all banking institutions in China.

Foreign Banking Institutions

Foreign banking institutions include representative offices and branches and sub-branches of foreign-owned and joint-venture banks and locally-incorporated subsidiaries of foreign banks. As of 31 December 2015, there were 40 legal entities of foreign banks incorporated in China. As of and for the year ended 31 December 2015, foreign banking institutions together accounted for 1.3% of the total assets, 2.3% of the total shareholders' equity and 0.8% of the total net profit of all banking institutions in China.

Other Banking Institutions

Other banking institutions include policy banks, emerging rural financial institutions (including village and township banks, loan companies and rural mutual cooperatives), privately owned banks and other non-banking financial institutions (including financial asset management companies, Sino-German Bausparkasse, trust companies, finance companies of corporate groups, financial leasing companies, money brokerage firms, auto financing companies and consumer finance companies). As of and for the year ended 31 December 2015, these banking institutions together accounted for 17.2% of the total assets, 20.2% of the total shareholders' equity and 15.5% of the total net profit of all banking institutions in China.

THE BANK'S COMPETITIVE STRENGTHS

The Bank believes its strengths, as set out below, provide a stable and effective platform through which it will be able to maintain its competitive advantage in China's banking industry:

Large customer base and established relationships

The Bank has a quality corporate customer base and large personal banking customer base. The Group continued to expand its customer base. As at 31 December 2015, the Bank had provided banking services to 3.9256 million corporate customers and 341 million personal banking customers. As at 30 June 2016, the number of private banking customers with financial assets above RMB10 million had increased by 10.77%, and the amount of customers' financial assets under management with the Bank increased by 13.77% as compared to 31 December 2015. As at 30 June 2016, the number of personal online banking customers and corporate online banking customers increased by 6.31% and 10.17%, respectively as compared to 31 December 2015.

Extensive distribution network and a diversified service channel

The Bank has an extensive distribution network. Through branches, customer self-service equipment, specialised service entities across the country and an electronic banking service platform, the Bank provides customers with convenient and high-quality banking services. As at 30 June 2016, the Bank had a total of 14,938 operating outlets in the PRC, including its head office, 37 tier-one branches, 336 tier-two branches, 12,325 sub-branches, 2,238 entities under sub-branches and a specialised credit card centre at the head office. As at 30 June 2016, the number of operating outlets increased by 21 from 31 December 2015. As at 30 June 2016, the Bank had 306 specialised private banking entities. As at 30 June 2016, there were 95,128 ATMs with cash services in operation, an increase of 3,628 ATMs, or 3.97% as compared to 31 December 2015. There were 25,902 self-service banks in operation, an increase of 1,208 self-service banks, or 4.89%. The Bank's extensive distribution network and diversified service channels provide it with the competitive measures and resources for sustainable development.

Leading positions in key products and services, pioneering new product and service development

In 2015, to be in line with the Bank's objective of establishing an "innovative bank", the Bank continuously improved its product innovation capability, vigorously supporting transformation and development. The Bank carried out innovation of merger and acquisition (**M&A**) loans, supported the economic transformation and upgrading as well as the resolution of overcapacity, and improved its capability to support enterprise M&A. The Bank integrated its resources to push forward comprehensive financial service schemes for strategic group clients, offering comprehensive financial service solutions tailored for them. The Bank initiated service mode innovation of bank medical cards, establishing a more mature mode that was able to meet customers' needs with existing technical conditions. Based upon big data technology, the Bank launched "Xinyidai" for small and micro enterprises, refining the small and micro enterprises big data credit product system. The Bank offered cross-bank smart money collection and integrated cross-bank money collection channels, smoothing the process as well as presenting various choices of signing and authorising. By introducing the "Suixinyong" application, the Bank realised functions such as over-the-air issuing, off-line card transaction, inquiring, electronic cash recharging and industry application recharging, featuring convenient card activation and secure transaction. The Bank formulated comprehensive service solutions to housing reform finance and initiated new operations for provident housing fund loans, providing one-stop services for individual housing loan of housing provident fund (combined) customers. The Bank launched Long Card Cloud QuickPass to migrate the security management function of mobile payment from mobile hardware to Cloud platform, realising quick and secure mobile payment of simulated IC cards. The Bank launched market member bond lending, carrying forward bond lending transactions with market members. The Bank presented three brands comprising "Jiandantong, Jianpiaotong and Jianxintong", to provide financing services for companies contracted with foreign projects as well as those exporting whole set equipment. The Bank introduced WeChat-based "E Shenche" and "E Jiesuan" to adapt to the fast-growing Internet financial needs, and strengthened the Group's internal cooperation by collaborating with CCB Pension to provide an all-round solution for pension insurance fund business. For the six months ended 30 June 2016, the Bank finished 318 product innovation and 64 innovative duplication projects.

Given the innovation of products and services of the Bank, from 1 January 2015 to 31 December 2015, the Group's net income from fees and commissions increased by 4.62% to RMB113,530 million as compared to 2014. For the year end ended 31 December 2015, the Group's net income from fees and commissions accounted for 19.35% of its total operating income. For the six months ended 30 June 2016, the Group's net income from fees and commissions accounted for 22.72% of its total operating income.

Prudent risk management and internal control practices

The Bank continues to promote a risk management system reform and has established an overall risk management framework which reflects the Bank's philosophy that value should be created upon a sound risk management system. As one of the first banks in China to centralise the Bank's risk management through the development of a comparatively independent and vertical risk management system, the Bank has implemented a "Parallel Operation" system to separate the roles of risk managers and customer managers. The Bank has also assigned designated credit reviewers and adopted a comparatively independent and vertically managed internal audit system.

Advanced financial management capabilities and financial controls

The Bank is one of the first domestic banks to establish a resource allocation and performance evaluation assessment system on the basis of an economic value-added approach. The Bank has further centralised its financial management and promoted an overall cost control system, while increasing the Bank's research efforts on strategic cost management. In addition, the Bank followed the successful experience of leading global banks and developed an internal fund transfer pricing (**FTP**) system, an enterprise resource planning (**ERP**) system and a management accounting system.

The Bank believes that its advanced financial management capabilities and sound financial controls have allowed the Bank to implement development strategies effectively, optimise resource allocation and improve overall operating efficiency.

Effective strategic co-operation

The Bank's strategic investor, Temasek Holdings (Private) Limited, has shared its experience with the Bank in relation to SMEs' business operation, human resource management, money market trading and other areas. The Bank has cooperated with Bank of America Corporation (**Bank of America**), in a number of areas including personal banking business, risk management, corporate governance, information technology and human resources.

Experienced management team

The Bank's Chairman, Mr. Wang Hongzhang, and the Bank's vice chairman and president, Mr. Wang Zuji and other senior management team members, have extensive management experience in the banking and financial sector in China. Under their leadership, the Bank's operations have further strengthened in recent years. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the Group's return on average assets were 1.42%, 1.30% and 1.41%, respectively, and its return on average equity were 19.74%, 17.27% and 17.80%, respectively, one of the highest among domestic and international peers. For these purposes, return on average assets is calculated based on the net profit divided by the average amount of beginning balance and ending balance of assets, and return on average equity is calculated based on the net profit attributable to equity shareholders of the Bank divided by the weighted average net assets.

THE BANK'S PRINCIPAL BUSINESS ACTIVITIES

The Bank's principal businesses activities include corporate banking, personal banking, treasury business, investment banking and overseas operations.

The following tables set forth, for the periods indicated, the profit before tax of each of the Bank's major business segments:

	Year ended 31 December 2014		Year ended 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate banking	151,886	50.79	108,184	36.24
Personal banking	80,553	26.93	115,184	38.59
Treasury business	64,696	21.63	70,388	23.58
Other businesses	1,951	0.65	4,741	1.59
Profit before tax	299,086	100.00	298,497	100.00

	Six months ended 30 June 2016		Six months ended 30 June 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate banking	67,214	39.57	72,477	42.84
Personal banking	59,945	35.29	55,098	32.56
Treasury business	41,459	24.40	36,892	21.80
Others	1,260	0.74	4,740	2.80
Profit before tax	169,878	100.00	169,207	100.00

CORPORATE BANKING

Overview

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the Group's corporate banking operations represented 50.79%, 36.24% and 39.57%, respectively, of its profit before tax. The Bank offers a broad range of corporate banking products and services for corporations, government agencies and financial institutions. As at 30 June 2016, the Group had RMB5,840,309 million of domestic corporate loans and advances, representing 52.44% of the Group's gross loans and advances to customers, RMB517,300 million of domestic discounted bills outstanding, representing 4.64% of the Group's gross loans and advances to customers, and RMB7,535,432 million of domestic corporate deposits, representing 51.35% of the Group's total deposits from customers.

Key Products and Services

Corporate loans products

Corporate loans have historically been the largest component of the Group's loan portfolio. As at 30 June 2016, the balance of domestic corporate loans and advances amounted to RMB5,840,309 million, representing an increase of 1.09% compared to 31 December 2015. The Group's corporate loan products mainly comprise medium to long-term loans and short-term loans. As at 30 June 2016, the Group's domestic medium to long-term loans and short-term loans amounted to RMB3,990,414 million and RMB1,849,895 million, representing 35.83% and 16.61%, respectively, of its total corporate loans and advances.

Infrastructure loans

The Bank provides various infrastructure loan products to meet the funding requirements relating to the construction and expansion of its customers' infrastructure projects. The continuing expansion of the PRC economy has led to an increase in the number of new large-scale infrastructure projects which have resulted in an increased demand for infrastructure loans. As at 30 June 2016, loans to infrastructure sectors amounted to RMB2,782,579 million, representing an increase of RMB74,794 million compared to 31 December 2015.

Working capital loans

The Bank offers working capital loans primarily to provide liquidity for the Bank's customers' regular business production and operational turnover needs and for their temporary funding needs. The Bank's working capital loans are mainly granted to its high quality customers to supplement their infrastructure loans. The Bank also provides working capital loans to SMEs.

Syndicated loans

The Bank has provided to customers various syndicated loan products including, among others, direct external syndicated loans, internal syndicated loans and transferable syndicated loan products. The Bank has maintained strong growth in its syndicated loan businesses.

Other corporate loan products

The Bank offers various other corporate loan products, including trade finance facilities, supply-chain financing and merger and acquisition financing. In March 2009, the Bank became one of the first commercial banks in China approved to undertake merger and acquisition financing business pursuant to the Guidelines to M&A Loan Risk Management of Commercial Banks issued by the CBRC and the Bank was one of the first to launch corporate merger and acquisition financing products aimed to facilitate the financing needs of the Bank's customers' merger and acquisition transactions by providing a comprehensive set of financial resources.

The expansion of loans to SMEs is an important measure of the Bank to realise its strategic transformation of corporate banking business. As at 30 June 2016, the Group had 288 credit factories for small enterprises. As at 30 June 2016, according to the policy on SMEs jointly issued in 2011 by four PRC ministries and commissions including the Ministry of Industry and Information Technology, as well as the latest regulatory requirements issued by the CBRC, loans to small- and micro-sized enterprises amounted to RMB1,334,564 million, an increase of RMB56,685 million or 4.44% as compared to 31 December 2015, and the number of credit customers for small- and micro-sized enterprises reached 275,306, an increase of 23,362 as compared to 31 December 2015.

Discounted bills

Discounted bills are bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months purchased by the Bank from its customers at a discount. The Bank provides discounted bills as part of its comprehensive financing solution for its corporate customers. As at 30 June 2016, the Group had outstanding domestic discounted bills of RMB456,687 million.

Corporate deposit products

In accordance with interest rate policies issued by the PBOC, the Bank offers a variety of time and demand deposit products to its corporate and institutional customers. In addition, the Bank also accepts negotiated deposits from customers including insurance companies, the National Social Security Fund and the Postal Savings Bank of China, whereby interest rates and other conditions are separately negotiated between them and the Bank. As at 30 June 2016, the Group's domestic corporate deposits amounted to RMB7,535,432 million, an increase of 9.35% compared to 31 December 2015.

Commission/fee based products and services

The Bank provides its corporate customers with a broad range of commission/fee based products and services. The Group's net fee and commission income from corporate banking business for the year ended 31 December 2015 reached RMB42,032 million, which was stable over the same period last year.

Agency services

The Bank acts as an agent at the request of its clients in providing payment disbursement, collection, settlement, clearance and other agency services to corporations and government agencies. The key products and services the Bank provides include agency treasury settlement, agency premium collection and payment and entrusted loans. The Bank also acts as payroll agent as well as the agent to collect utilities, telecommunication and taxes payment and surcharges. In addition, in terms of the number of budget units it served, the volume of agency disbursement and related fee income, the Bank continued to be the market leader. The Bank is a major correspondent bank for China Development Bank. The Bank also distributes products and services on behalf of insurance companies and securities firms and provides payment and fee collection services to public utility and telecommunications companies. In addition, the Bank provides entrusted lending services to its corporate customers. The Bank charges a fee for providing entrusted lending services and does not take the credit risk with respect to these loans. In addition to generating fee income, the Bank's agency services also help the Bank develop and enhance its relationships with its customers.

Cost and advisory services

Cost advisory services include project consultancy services, cost evaluation and control services and project funding monitoring services for infrastructure projects. In 2008, the Bank launched the "Project Funding Monitoring Business", which is an extension of its project cost consulting services and integrates its project cost consulting platform with its credit risk management platform. The Bank provides funding monitoring services for projects through its professional project cost consultant team, along with its investment management team. The Bank's 36 tier-one branches have grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, one branch has grade-B qualification and 223 tier-two branches set up specialised units for cost advisory service. In the first half of 2016, the Bank continued to improve its market position and brand image by reinforcing fundamental management, pushing forward business transformation, improving specialised institutions and innovating businesses and products. For the year ended 31 December 2015, income from cost advisory service amounted to RMB7,427 million. For the six months ended 30 June 2016, income from cost advisory service amounted to RMB3,676 million.

Institutional business

The Bank has promoted its updated "Minben Tongda" comprehensive financial services brand, which focuses on providing service to customers in the education, health, culture and environmental protection sectors. The Bank and Jilin University jointly sponsored the first edition of "CCB Cup" of

"Internet Plus" Innovation and Entrepreneurship Competition for Chinese University Students, signed strategic cooperation agreements with Huazhong University of Science and Technology, explored "Internet Plus" applications and innovations in financial services for schools and hospitals, which culminated in the Bank-Hospital and Bank-School Mobile Internet Financial Cooperation Plan. It also became the first bank among its peers to study and launch the Comprehensive Financial Service Plan Regarding Pension System Reform of Public Institutions. In the first half of 2016, the Bank won the bidding of time deposits of local treasuries as cash manager for a cumulative amount of RMB160.9 billion. It ranked first among peer banks in terms of the number of customers of the central finance authorised payment and non-tax revenue collection agency service. The issuance of civil service bank cards in central fiscal budget units continued to be first in the market.

International business

The Bank offers international settlement products and services including import letters of credit, export letters of credit, import collection, export collection, outward remittance, inward remittance and guarantees. The Bank has been approved by the PBOC as the Hong Kong dollar settlement bank and approved by the China Foreign Exchange Trade System as the U.S. dollar agency settlement bank in the interbank foreign currency markets. The Bank was one of the first PRC banks to provide cross-border trade RMB settlement services and this pioneer status has allowed it to be one of the market leaders of this service.

In 2015, the Bank further expanded its RMB clearing network, as the Bank became the RMB clearing bank in Swiss and Chile after becoming the RMB clearing bank in London. RQFII, RQDII and Mainland- Hong Kong mutual recognition of funds operations continued to grow. The Bank successfully issued RMB1 billion two-year offshore RMB bonds in London, which was the first RMB bond product listed on the London Stock Exchange. It also launched "comprehensive financial services for crossborder e-commerce", built a "cross-border e-remittance" platform, and provided end-to-end online auto receipt and payment, settlement and sales of foreign exchange and income/expense declaration services for cross-border e-commerce customers through the direct contact with the local "single window" of international trade. It also innovated "cross-border e-payment", an online payment tool and met e-commerce customers' needs for cross-border payment through virtual bank cards. The Bank took the lead in providing services to special economic areas, with its Shanghai Free Trade Zone Branch proactively offering businesses relating to free trade accounts and holding the largest deposit and loan portfolios among competitors. The Xinjiang Khorgos Border Cooperation Centre Sub-branch became the first to launch innovative offshore RMB business, delivering the best performance in all major indicators.

Asset custodial business

The Bank's offering of asset custodial services is among the most comprehensive in China, including securities investment funds, QDII, Qualified Foreign Institutional Investors (**QFII**), RMB Qualified Foreign Institutional Investors (**RQFII**), social security funds, corporate annuity funds, trust properties, insurance assets, entrusted investment assets of securities companies, basic pension insurance personal account funds, industrial investment funds and banking wealth management products. In 2013, the Bank obtained the qualification to provide custodial service to the first bond index exchange-traded funds (**ETF**) and cross-border ETF for U.S. stocks in the PRC. The Bank also became one of the first Chinese-funded custodial banks of RQFII from Singapore. The Bank became the first batch of banks to conduct agency business for Mainland-Hong Kong mutual recognition of funds operations and was the first to offer "bond transaction plus custodian" services to overseas institutions for direct entry into the interbank bond market. As at 30 June 2016, the Bank's assets under custody amounted to RMB 8.39 trillion, representing an increase of 17.02% from 31 December 2015. As at 30 June 2016, insurance assets under custody totalled RMB2.27 trillion, an increase of 48.37% from 31 December 2015.

Pension Business

In 2007, the Bank was approved to be the trustee and custodian for corporate annuity funds and was authorised to offer related services including annuity planning, consulting, corporate annuity custodian and personal account management. The Bank innovatively launched an occupational annuity service plan for public institutions, enterprise annuity tax planning and consultancy, and insurance security mode supplementary pension products. The Bank's "Yangyi" series covered all types of pension markets in general.

Treasury management and settlement business

The Bank was one of the first domestic commercial banks to provide cash management services for its corporate clients. In recent years, the Bank's cash management services expanded rapidly as the Bank introduced various new cash management products, such as "Yudao (禹道)-Smart Win Cash Management", which covers major service lines including account settlement services, fees receipt and payment services, liquidity management services, investment and financing management services, information and reporting services, industry-focused solutions and on-line banking services. The Bank has a range of cash management products and tailor-made industry specific cash management solutions for multinational corporations, large and medium sized enterprises, government agencies and financial institutions. In addition, through its internet and other electronic channels, as well as its customer-oriented branch network, the Bank has been able to provide comprehensive cash management services to its customers.

Customer Base

As a leading provider of capital for some of the key industries in China such as infrastructure, energy, transportation and telecommunication, the Bank has maintained close relationships with leading corporations in industries that are strategically important to China's economy and with major government agencies and financial institutions.

The Bank has focused and will continue to focus on customers in industries strategically important to China's economy. Most of these large companies in China's strategic industries are state-owned enterprises or state-controlled joint stock companies. Private enterprises have become important customers to the Bank, as in recent years, they have experienced significant growth in China and have become a major sector in China's economy. The Bank also focuses on expanding its range of high-quality SME customers.

Marketing

Based on its customer-focused philosophy, the Bank employs both industry-wide and localised marketing strategies tailored to specific regions, customers and products. The Bank's head office formulates its overall corporate business development based on industry, geographical region, customer and product considerations. The Bank's tier-one branches then develop detailed marketing plans according to these guidelines tailored to local market needs.

The Bank's corporate banking marketing channel primarily involves corporate and institutional customer managers, branch outlets and electronic banking channels which include on-line banking and phone- banking. The Bank's corporate and institutional customer managers are its key marketing channel for its corporate banking business. They are responsible for exploring new market opportunities, promoting the Bank's banking products, coordinating and accessing the Bank's bank-wide resources to provide a package of personalised and comprehensive financial services to the Bank's corporate and institutional customers.

The Bank's branch outlets offer the physical venue for the Bank to provide services to corporate and institutional customers. Through the Bank's branch outlets, the Bank promotes and sells its products, mainly providing payment and settlement services and SME corporate customer services, and developing the Bank's corporate liabilities business and commission/fee based business.

With the aim to improve customer experience, the Bank also provides its customers with e-banking channels such as the Bank's cash management service system, corporate online banking, customer hotline service centre and mobile phone banking platform, thereby providing greater access for the Bank's customers. The Bank's e-commerce finance platform — "e.ccb.com" which provided corporate clients with financing products such as order financing, guaranteed joint loans and collateralised loans, continued to deepen its involvement in causes relating to "agriculture, farmers and rural areas", promoted the use of credit card bonus points for direct shopping and air ticket booking for business travel, partnered with Microsoft to set up a flagship store, and carried out joint marketing, thus realising a rapid development. As at 30 June 2016, the Group's corporate online banking customers reached 4.42 million, representing an increase of 10.17% compared to 31 December 2015 and mobile phone banking customers reached 202.57 million. In 2015, the Bank launched overseas corporate online banking in ten overseas institutions including Toronto, New Zealand and others, with further expanded service channels for overseas institutions.

The Bank seeks to provide differentiated products and services to the Bank's important customers to meet their specific banking needs. The Bank's head office generally coordinates client coverage and marketing efforts for the Bank's largest corporate customers to ensure consistency and quality of service. The Bank's senior management at the headquarters and branch level are often directly involved in and lead in these marketing efforts. The Bank's branches in key cities provide differentiated, high quality, professional and integrated products and services to meet the Bank's customers' specific banking needs. By providing integrated financial solutions to the Bank's customers and improving the Bank's cross-selling synergies among the Bank's products and services, the Bank aims to further increase overall customer satisfaction and optimise value for the Bank's customers.

For SMEs, the Bank has established a specialised and standard marketing system that allows the Bank to further integrate the Bank's resources of products, distribution channels and brands to provide more efficient services with controlled risks.

PERSONAL BANKING

Overview

The Bank provides a broad advances to customers rose to RMB3,885,451 million, which accounted for 34.89% of the Group's gross loans and advances to customers; and the Group's domestic personal deposits rose to RMB6,707,162 million. The Group's profit before tax derived from personal banking for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 amounted to RMB80,553 million, RMB115,184 million and RMB59,945 million, respectively, representing 26.93%, 38.59% and 35.29% of the Group's total profit before tax for the same period.

Key Products and Services

The Bank provides a broad range of products and services including personal deposits, personal loans and other related financial services for its personal banking customers based on their needs. The Bank also provides bank card services and private banking for its personal banking customers. The Bank is committed to providing comprehensive banking services to its personal banking customers and is focused on creating and improving its personal banking product chain and value chain. The Bank sets out below its key personal banking products and services.

Personal deposits

The Bank provides its personal banking customers with a broad range of demand and time deposit services denominated in Renminbi and other foreign currencies. Personal demand deposit products include demand savings deposits and demand pledged deposits.

Personal time deposit products include time savings deposits, education savings deposits and personal notification deposits. Personal deposits provide the Bank with a stable funding source. As at 30 June 2016, domestic personal deposits of the Bank was RMB6,707,162 million, an increase of 5.34% from 31 December 2015.

Personal loans

The Bank's personal loans are designed to meet the credit requirements of its personal customers. The Bank's personal loan products include residential mortgage loans, personal consumer loans, personal business loans and personal agriculture-related loans. As at 30 June 2016, the total domestic personal loans of the Bank amounted to RMB3,885,451 million, representing an increase of 12.08% from 31 December 2015. As at 30 June 2016, the NPL ratio for domestic personal loans and advances was 0.57%, an increase of 0.05 percentage points from 31 December 2015.

Residential mortgage loans

The Bank provides residential mortgage loans to individuals to finance the purchase and construction of their residential properties. Residential mortgage loans include new home residential mortgage loans, residential refinancing mortgages, home equity loans to refinance residential property and fixed-rate residential mortgage loans. As at 30 June 2016, the Group's domestic personal residential mortgage loans rose by 14.70% from 31 December 2015 to RMB3,181,677 million.

The Bank appraises the value of the residential property regularly and clearly stipulates that the loan cannot be used for securities trading purpose.

Home savings services

In February 2004, the Bank formed Sino-German Bausparkasse Corporation Limited ("**Sino-German Bausparkasse**") with Bausparkasse Schwaebisch Hall, a German home savings bank. As at 31 December 2015, the Bank held a 75.10% equity interest in Sino-German Bausparkasse. The Bank's home savings bank products allow the Bank's customers to make scheduled deposits for the purpose of obtaining residential mortgage loans in the future. Sino-German Bausparkasse has improved the Bank's ability to develop more personal housing financing products.

Personal consumer loans

The Bank's personal consumer loans primarily consist of personal credit lines and automobile loans which usually have a maturity of up to five years. Personal credit lines are granted for general purposes based on the borrowers' credit history and the value of collateral provided. The Bank's automobile loans are primarily secured by the purchased automobile and residential properties. As at 30 June 2016, the Bank had domestic personal consumer loans of RMB61,882 million, representing 0.56% of the Group's gross loans and advances to customers.

Other personal loans

The Bank's other personal loan products primarily consist of personal business loans, personal agriculture-related loans and other personal loans. In 2009, the Bank introduced personal business loans for private business owners involved in various specialised markets. The Bank also introduced personal agriculture-related loans to farmers on a trial basis in line with the PRC government's policy of supporting economic development of rural areas. The Bank also introduced a series of personal loan products, including the "Easy Education Loan" for personal education, the "Fortune Loan" for personal banking customers, the "Refurbishment Loan" for home renovations and the "ShanRong e-loans" personal micro-credit revolving loans for consumption financing needs.

Bank card business

The Bank offers a variety of bank card products comprising credit card and debit card to its customers under the registered "Long Card" ("龍卡") brand. As at 30 June 2016, the Bank had issued 87.89 million credit cards and 793 million debit cards. For the year ended 31 December 2015, the Group's fee and commission income from bank card fees increased to RMB34,960 million from RMB30,569 million for the same period in 2014, representing an increase of 14.36%. For the six months ended 30 June 2016, the Group's fee and commission income from bank card fees increased to RMB17,785 million, representing an increase of 6.27% from the same period in 2015.

Since the Bank is a member of China Unionpay, its customers can complete transactions through ATMs and point-of-sale terminals connected to the China Unionpay network. China Unionpay is responsible for establishing and operating a nationwide, interbank bank card information exchange and transaction network for its members. The Bank is one of the founding members of China Unionpay. The Bank joined the MasterCard network in 1990 and the Visa network in 1991. The Bank's dual-currency debit cards and dual-currency credit cards are also accepted outside of China through its association with the MasterCard and Visa networks. In August 2009, the Bank further joined the JCB international credit card network.

Credit cards

Through the credit card centre in Shanghai established in December 2002, which centrally manages the Bank's credit card business, the Bank seeks to enhance its operational efficiency, improve its risk management and maintain a consistent level of customer service quality. The Bank has also established credit card departments in most of its tier-one branches to manage its operations locally. As approved by the CBRC and accepted by the Shanghai Banking Regulatory Bureau in 2008, the Bank's credit card centre was upgraded to a branch-level sales institution and obtained its business license in 2009. As at 30 June 2016, the Bank had issued 87.89 million credit cards. The total spending amount from the Bank's credit cards was RMB2,218,263 million in the year ended 31 December 2015. The total spending amount from the Bank's credit cards was RMB1.15 trillion for the six months ended 30 June 2016. As at 30 June 2016, the Bank's credit card loan balance reached RMB396,064 million. As such, the Bank is ranked as one of the top banks in respect of total number of credit card customers, transaction volume and asset quality.

The Bank's credit cards are accepted through its own network and through the China Unionpay network which are located in the PRC and various other countries and are also accepted overseas through the Bank's association with the Visa and MasterCard networks. The Bank has established five product lines including standard cards (標準卡), co-branded cards (三名卡) (being cards co-branded with primary cities (名城), well-known enterprises (名企) and top-tier universities (名校), specialty cards (特色卡), public welfare cards (公益卡) and corporate cards (商務卡), which primarily target mid- to high-end customers and cover various marketing channels. The Bank also issues diamond cards, which target high-end customers and issued specialised car-owner credit cards to car owners. The Bank has also launched consumer products including e-Pay Long Card, Tencent e-Pay Long Card, and Family Love Card, credit products such as "Fenqitong", and mobile payment services based on the Internet including Apple Pay, HCE Cloud Pay, and Samsung Pay. The Bank has increased its use of new electronic channels such as mobile phone, WeChat and QR code to promote the use of its credit card products. The Bank has introduced the Long Card electronic payment wallet and "one-click payment" for cross-border internet purchases. The Bank has also introduced the "Mobile Long Card" mobile app allowing payments to be made with authorised merchants.

The Bank accelerated the construction of its "Smart Customer Service" platform as a comprehensive customer service platform and upgraded its SMS and online banking system to improve customer experience.

Debit cards

In 2015, the Bank strengthened its cooperation with key industries such as social security, medical and health care, public transport, community finance and culture and education. It also promoted the application of financial IC debit cards and e-cash Quick Pass. As at 30 June 2016, the Bank issued 793 million debit cards in aggregate, representing an increase of 54 million cards from 31 December 2015. Total spending through the Bank's debit cards amounted to RMB6.67 trillion in the year ended 31 December 2015, representing an increase of 30.97% over the same period in 2014. Total spending through the Bank's debit cards amounted to RMB4.81 trillion for the six months ended 30 June 2016. As at 30 June 2016, the Bank issued 365 million financial IC debit cards in total, representing an increase of 55 million cards compared to 31 December 2015. As at 30 June 2016, the Bank issued 38.91 million express settlement cards targeted at individual business proprietors for their payment and settlement demands, representing an increase of 7.64 million cards compared to 31 December 2015.

Private Banking

The Bank provides a broad range private banking products and services and integrated solutions and to its high value customers, including family trust financial advisory services, asset allocation consultancy services, investment immigration, marital property preservation and family wealth inheritance. As at 30 June 2016, the number of private banking customers with financial assets above RMB10 million grew by 10.77% and the total amount of customers' assets increased by 13.77% as compared to 31 December 2015.

Entrusted housing financing services

The Bank acts as an agent to national housing fund management departments to collect housing provident funds and housing maintenance funds and provide individual housing provident funds mortgages. The Bank is one of the earliest banks and the largest in China approved to engage in the housing provident fund management business. The Bank maintains sound business cooperation with local administrative centres of housing provident funds across China from which it takes deposits as a steady funding source. By implementing national policies on supporting the construction of homes and providing financing to mid- and low-income households, the Bank is able to capture such specialised market opportunities. As at 30 June 2016, the Bank's personal provident housing fund loans amounted to RMB1,704,115 million, and its housing fund deposits amounted to RMB631,153 million. Through innovative financial services, the Bank has launched new products and services including small amount cross-bank payments for housing provident funds, housing provident fund e-channel, housing provident fund co-named card and entrusted housing provident fund withdrawal for repayment of loans.

Customer Base

As at 31 December 2015, the Bank had 3.93 million corporate customers and 341 million personal customers. In particular, the number of private banking customers with financial assets above RMB10 million increased by 23.08% and the total amount of customers' financial assets increased by 32.94%, compared with 2014. As at 30 June 2016, the number of private banking customers with financial assets above RMB10 million increased by 10.77% and the total amount of customers' financial assets increased by 13.77% compared to 31 December 2015.

As at 30 June 2016, the Bank had 306 specialised private banking entities. The Bank has successfully established dedicated telephone banking services for its high-end customers, creating a high-end customer service network with a focus on wealth management and private banking services.

Marketing

The Bank's head office generally formulates marketing initiatives and sets marketing guidelines for the Bank's bank-wide personal banking products. The Bank's tier-one branches develop detailed marketing plans to implement these initiatives based on the economic and market conditions of their respective geographical regions. The Bank conducts its marketing activities mainly through its branch network, which the Bank supplements with specialised sales centres for specific products such as personal wealth management centres and residential mortgage loan centres. As at 30 June 2016, the Bank had 306 specialised private banking entities. It also conducts personal banking product marketing through e-banking channels, such as online banking, telephone banking and mobile phone banking.

The Bank offers different products and services and adopts different marketing strategies to cater for different customer groups' needs. For high value customers, the Bank focuses on building a one-to-one customer manager marketing relationship to develop a more focused marketing strategy for promoting its products. For mass market customers, the Bank adopts a mass marketing strategy focusing on its outlets, taking initiatives in product and service marketing through introduction by its lobby managers, on-site promotion of its products and media advertising campaigns. The Bank also adopts an interactive marketing strategy for its personal banking business, whereby its personal loan department and corporate banking department cooperate to take a proactive approach in exploring business opportunities in residential mortgage loans while granting real estate development loans. In addition, the Bank focuses on cross-selling its personal banking products such as promoting its credit cards and wealth management cards to its residential mortgage loan customers. The Bank also sells various loan products to the holders of its wealth management cards and credit cards.

Personal electronic banking

The Bank generates income from personal electronic banking business primarily through facilitating transactions for the Bank's personal banking customers through electronic means. As at 30 June 2016, the Bank's personal online banking service had 221.95 million individual customers, representing an increase of 6.31% compared to 31 December 2015. For the six months ended 30 June 2016, the electronic banking service fees earned by the Bank was RMB4,594 million compared to RMB3,382 million from the same period in 2015. For the six months ended 30 June 2016, the transaction volume for personal online banking was RMB19.60 trillion.

TREASURY BUSINESS

The Bank's treasury operations primarily consist of its money market activities, the management of its investment portfolio, treasury transactions on behalf of its customers, bond underwriting and development of treasury products. The Group's treasury business recorded a profit before tax of RMB70,388 million in the year ended 31 December 2015, representing 23.58% of its total profit before tax. The Group's treasury business recorded a profit before tax of RMB41,459 million for the six months ended 30 June 2016, representing 24.40% of its total profit before tax.

Key products and services

Money market activities

The Bank's money market activities primarily consist of (i) repurchase and reverse repurchase with the PBOC; (ii) borrowings from and loans to other domestic and foreign banks and non-bank financial institutions, often referred to as the interbank money market activities; (iii) purchase of securities under resale agreements, often referred to as repurchase and reverse repurchase transactions via the interbank market, bond repurchase pledge or buy-out, sell-out of RMB-denominated treasury bonds, policy bank bonds and central bank bonds; and (iv) money market transactions with major international banks such as foreign currency fund lending, foreign currency denominated bond repurchase and foreign exchange swap on the international financial markets.

The Bank is an active participant in the interbank money market, one of the first market-makers in the interbank market and one of the sixteen Shanghai Interbank Offered Rate quotation banks approved by the PBOC. As at 30 June 2016, the Group's deposits and placements with banks and non-bank financial institutions amounted to RMB915,009 million, representing 4.63% of the Group's total assets. As at the same date, the deposits and placements from banks and non-bank financial institutions with the Group amounted to RMB1,962,595 million, representing 10.75% of the Group's total liabilities.

Investment portfolio management

The Bank's investment portfolio mainly targets bond investment. The Bank classifies its portfolio as: (i) trading financial assets; (ii) debt securities classified as receivables; (iii) available-for-sale financial assets; and (iv) held-to-maturity investments. Trading financial assets are primarily used in proprietary trading, while debt securities are classified as receivables, available-for-sale financial assets and held-to-maturity investments are used in proprietary investment.

As at 30 June 2016, debt securities classified as receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments represented 10.36%, 7.82%, 26.96% and 54.86% of the Group's investment portfolio, respectively.

Proprietary trading

The Bank conducts short-term proprietary trading in order to gain short-term spread income and avoid market risk. Proprietary trading mainly includes treasury bonds, central bank notes, policy bank bonds, short-term debentures issued by large-scale prime enterprises, mid-term notes, foreign exchange trading and precious metal trading. Additionally, the Bank hedges its investment risk through financial derivative trading, which mainly includes interest rate swap contracts and foreign exchange spot, forward, swap and option contracts. Apart from hedging of its risks, the Bank generally does not hold financial derivatives for short-term gain.

Proprietary investment

The Bank manages its investment portfolio to maximise its investment return. The Bank determines the average investment term of its investment portfolio, duration and investment return objective based on its judgment on risk factors such as interest rates, exchange rates and credit risks. The Bank's RMB- denominated securities investments primarily include government bonds, central bank notes, policy financial bonds, commercial bank bonds, short-term debentures, corporate bonds and asset-backed securities. The Bank's foreign currency denominated securities investments are primarily in sovereign bonds, financial institution bonds, corporate bonds and investment grade asset-backed securities.

Treasury transactions on behalf of customers

The Bank's treasury transactions on behalf of its customers mainly include agency foreign exchange derivatives trading, agency precious metal business, bond settlement agency business, agency sale and purchase of foreign exchange and foreign exchange trading. Foreign exchange purchases and sales and foreign exchange trading grew steadily. The Bank improved its service capability of foreign exchange settlement and sales through electronic banking channel, and launched its foreign exchange purchasing project. The Bank also optimised its corporate online banking foreign exchange settlement module for the convenience of its corporate customers.

Innovation and development of treasury products

The Bank focused on the innovation of precious metal products with diversified product lines and introduced new products including gold accumulation plans and silver leasing. For the year ended 31 December 2015, the Bank's precious metal trading volume reached a total of 54,263.84 tones. For the six months ended 30 June 2016, the Bank's precious metal trading volume reached a total of 34,000 tonnes.

INVESTMENT BANKING BUSINESS

The Bank conducts investment banking business through the investment banking department at its head office and branch levels as well as its subsidiary, CCB International, providing customers with financial service packages such as short-term debentures, international bonds, trust benefit vouchers, asset securitisation, project financing, outbound initial public offerings (**IPOs**) and refinancing, equity investment, financial advisory and wealth management services. The Bank's substantial customer base, extensive marketing network, strong funding capability and research and development strength lay a foundation for the development of its investment banking business.

Key products and services

Financial advisory service

The Bank's financial advisory business refers to its provision of consultation, analysis and solution design services to customers in respect of investment and financing, capital operation, asset management, debt management and corporate diagnosis based on the customers' requirements with an aim to assist them in reducing financing cost, increasing funding utilisation efficiency and optimising financial management. Furthermore, the Bank focused on providing its customers with product portfolios consisting of both investment banking and commercial banking products. In 2009, the Bank took the industry lead in launching FITS (Financial Total Solution), a comprehensive financial solution also known as "Feichi". Depending on different situations and financial needs, FITS combines products and vehicles such as traditional commercial banking, new investment banking, various funds and bank wealth management programmes in order to provide comprehensive and diversified financial services plans. For the year ended 31 December 2015, income from financial advisory services totalled RMB4,352 million. For the six months ended 30 June 2016, income from financial advisory services totalled RMB2,178 million.

Equity financing service

Through CCB International and the Bank's overseas branches and subsidiaries, the Bank provides enterprises with equity financing services such as listing sponsorship and underwriting services for their overseas capital markets IPOs and refinancing services and strategic investor introduction services in Hong Kong and Singapore. Separately the Bank also cooperates with the Bank's business partners, including domestic and overseas securities companies to provide equity financing related services, such as domestic and overseas listing guidance, sponsorship, underwriting and financial advisory services.

Bond financing service

The Bank provides composite bond financing services for clients including short-term debentures, and mid-term notes. The Bank is an active underwriter in the domestic bond market and it is also a Class A underwriter in the MOF treasury bond underwriting syndicate. The Bank is a primary dealer in the PBOC open market. The Bank is also a financial bond underwriter for financial institutions. For the year ended 31 December 2015, the underwriting volume of debt securities of the Bank for non-financial enterprises amounted to RMB531,609 million. For the six months ended 30 June 2016, the underwriting volume of debt securities of the Bank for non-financial enterprises amounted to RMB 286,372 million.

Asset securitisation

The Bank was among the first commercial banks approved to undertake asset securitisation business. In 2005, the Bank issued the first residential mortgage-backed securities in China with a size of RMB3.0 billion. The Bank has developed a specialised information system for its securitisation products and the Bank has extensive experience in the development of securitisation products and the execution of such transactions.

Wealth management business

The Bank has designed and launched various wealth management products according to customer needs to provide wealth management services to customers. The Bank has widened its wealth management product distribution channels and increased its distribution of high yield debt and equity wealth management products. These wealth management products play an important role in securing the Bank's customers, particularly high-end customers. For the year ended 31 December 2015, the Bank issued 6,084 batches of wealth management products with a total amount of RMB6,290,433 million. For the six months ended 30 June 2016, the Bank issued 3,135 batches of wealth management products with a total amount of RMB3,665,884 million. As at 30 June 2016, the Bank's outstanding balance from wealth management products was RMB1,948,059 million.

Customer base

The Bank's prime corporate and personal customers from its commercial banking business have formed a solid customer base for developing its investment banking business through the years. Most domestic PRC conglomerates and top quality corporates have established extensive and close business relationships with the Bank. The Bank believes that there remains potential for its investment banking business in the areas of bond financing, equity financing, asset securitisation, financial advisory, wealth management and trust services. The Bank also proactively strives to provide equity financing and equity investment services to SMEs that present promising growth. The Bank's personal banking customers, especially its high net worth and high-end clients, will also help the Bank expand its wealth management business and ensure the successful offering of its wealth management products.

Marketing

The Bank's major marketing model for the investment banking business involves cooperation between the head office, domestic and overseas offices and different business lines. A key strategy of the Bank's bank-wide marketing efforts is to combine the marketing efforts of the investment banking business and commercial banking business.

OVERSEAS BUSINESS

As at 30 June 2016, the Group had 28 tier-one overseas branches, covering 26 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, US, UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, and Chile, and wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai, CCB Europe and CCB New Zealand.

As at 30 June 2016, the total assets of the Group's overseas entities were RMB1,248,832 million, representing an increase of 8.64% from 31 December 2015. For the year ended 31 December 2015, the Group's profit before tax of the Group's overseas entities was RMB5,310 million, representing a decrease of 16.26% over the same period in 2014. For the six months ended 30 June 2016, the Group's profit before tax of the Group's overseas entities was RMB3,967 million, representing an increase of 30.84% over the same period in 2015.

In May 2015, Chile Branch became the first RMB clearing bank in South America. In June 2015, Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe were successively opened. Cape Town Branch (under Johannesburg Branch) commenced business in September 2015. London Branch commenced business in October 2015. Zurich Branch was established and designated as the RMB clearing bank in November 2015, and Dubai International Financial Centre Branch received its official banking licence and commenced business in November 2015. The Zurich Branch and Chile Branch were officially opened on 14 January 2016 and 20 June 2016, respectively.

MAJOR SUBSIDIARIES

In 2009, the Bank established the equity investment and strategy cooperation department to coordinate and manage its subsidiaries. According to the 2015 Financial Statements, major subsidiaries of the Bank as at 31 December 2015 are set out below:

Name of subsidiary	Principal activities
CCB Financial Leasing Corporation Limited	Financial leasing
CCB Life Insurance Company Limited	Insurance
Jianxin Trust Corporation Limited	Trust business
CCB Trust Co, Limited	Trust business
China Construction Bank (London) Limited	Commercial banking
CCB Pension Management Corporation Limited	Pension Management
China Construction Bank (Europe) SA	Commercial banking
Sino-German Bausparkasse Corporation Limited	House savings bank
China Construction Bank (Russia) Limited	Commercial banking
Golden Fountain Finance Limited	Investment
China Construction Bank (Dubai) Limited	Commercial banking
CCB Principal Asset Management Corporation Limited	Fund management services
CCB International (Holdings) Limited	Investment
China Construction Bank (Asia) Corporation Limited	Commercial banking
CCB Futures Company Limited	Futures
China Construction (New Zealand) Commercial Banking Limited	Commercial banking
CCB Overseas Holdings Limited	Investment
CCB Properties Holdings Limited	Investment
CCB Financial Holdings Limited	Investment
CCB Brazil Financial Holding — Investimentos e Participacoes Ltda	Investment

INTEGRATED OPERATION SUBSIDIARIES

The Group's integrated operation strategy is to accelerate the development of insurance, trust, investment banking, mutual funds, leasing, securities and other non-banking businesses, while developing banking as its core business. The Group endeavours to build an operating framework that covers interconnected markets and complementary businesses, with diversified income and decentralised and controllable risk, and realise customer-oriented functions selection, to provide customers with integrated and diversified financial services.

As at 31 December 2015, the Group owned several domestic subsidiaries in the non-banking financial sector, including CCB Principal Asset Management Corporation Limited (**CCB Principal Asset Management**), CCB Financial Leasing Corporation Limited (**CCB Financial Leasing**), CCB Trust Co., Ltd. (**CCB Trust**), CCB Life Insurance Company Limited (**CCB Life**), CCB Futures Co., Ltd. (**CCB Futures**), CCB International and CCB Pension Management Co., Ltd. (**CCB Pension**).

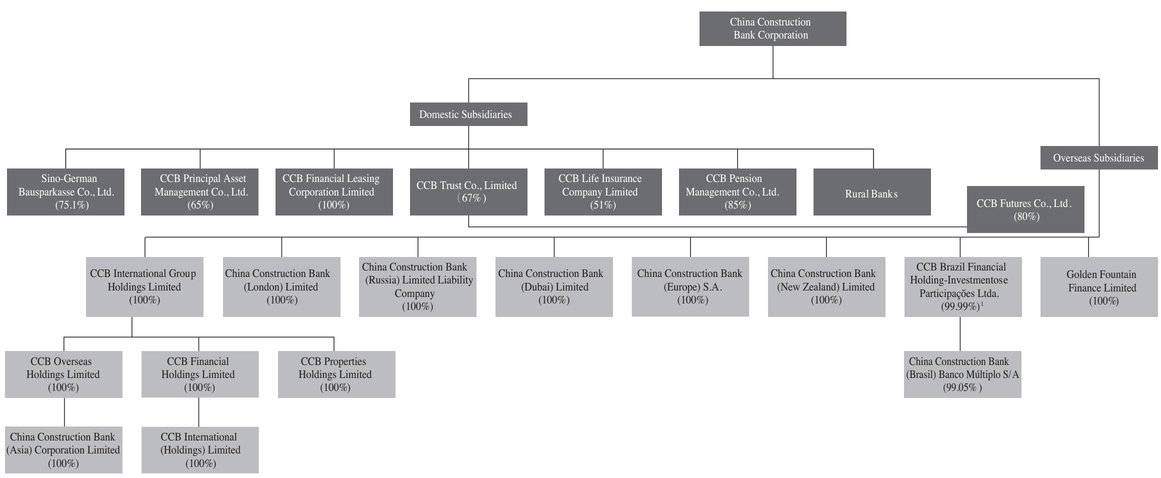
The Group set up several banking entities providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks. In 2013, Sino-German Bausparkasse developed its housing credit business and achieved significant results in selling housing savings products. As at 31 December 2015, total assets of Sino-German Bausparkasse were RMB27,805 million. As at 31 December 2015, the 27 rural banks established to provide efficient financial services for "agriculture, farmers and rural areas" had total assets in operation of RMB15,819 million.

CCB Pension, registered in Beijing and officially opened to business on 4 November 2015, with a registered capital of RMB2.3 billion, of which the Bank and National Council for Social Security Fund hold 85% and 15% of its shares respectively. CCB Pension is mainly engaged in businesses including investment management of national social security fund, businesses related to management of enterprise annuity fund, trusted management of capital for old age security, pension advisory for above businesses and other businesses as approved by banking regulators under the State Council. As at 31 December 2015, total assets of CCB Pension were RMB2,310 million.

As at 30 June 2016, the total assets of the integrated operation subsidiaries were RMB342,385 million, up 28.44% from 31 December 2015. For these purposes, integrated operation subsidiaries refers to the following subsidiaries as set out in 2015 Financial Statements: CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures, CCB International, CCB Pension, Sino-German Bausparkasse and 27 rural banks. Net profit of the domestic subsidiaries for the six months ended 30 June 2016 was RMB2,777 million, an increase of 27.72% over the same period in 2015.

ORGANISATIONAL STRUCTURE

The following chart shows the Bank's group structure as at 30 June 2016:



1. The Bank directly holds 99.99% shares of CCB Brazil Financial Holding-Investimentos e Participações Ltda. As at 31 December 2015, Sunny Silver Investment Limited (BVI), under its wholly-owned subsidiary CCB International, had invested BRL 1 to this company.

2. As at 30 June 2016, the Bank has set up a total of 27 rural banks. For more information, please refer to the rural banks listed in "Branches and Subsidiaries-Subsidiaries" of the 2015 Annual Report.

Issuance of Preference Shares

On 12 December 2014, the Board of Directors of the Bank reviewed and approved the Proposal on the Plan of Issuance of Domestic Preference Shares by China Construction Bank Corporation and the Proposal on the Plan of Issuance of Offshore Preference Shares by China Construction Bank Corporation, pursuant to which, the Bank proposed to issue preference shares with an aggregate of no more than RMB80 billion (inclusive) or its equivalent in domestic and offshore markets, which include the issuance of domestic preference shares of no more than RMB60 billion (inclusive) and the issuance of offshore preference shares of no more than RMB20 billion (inclusive) or its equivalent. On 5 November 2015, the Bank received approval from the CBRC for the issuance of up to 200 million offshore preference shares, and on 3 December 2015, the Bank received approval from the China Securities Regulatory Commission for the same. Pursuant to the approvals of relevant regulatory authorities and *inter alia* the shareholders resolutions, the Bank issued U.S.$3.05 billion in the aggregate principal amount of 4.65% non-cumulative perpetual offshore preference shares on 16 December 2015, and the listing of the offshore preference shares on the Hong Kong Stock Exchange became effective on 17 December 2015.

Issuance of Tier 2 Dated Capital Bonds

On 13 May 2015, the Bank issued US$2,000,000,000 in the aggregate principal amount of 3.875 per cent. Tier 2 dated capital bonds due 2025. In December 2015, the Bank issued RMB24 billion in the aggregate principal amount of 4 per cent. Tier 2 capital bonds due 2025 in the domestic interbank market. The net proceeds from the issue of such bonds will be used to boost the Tier 2 capital of the Bank in accordance with the applicable laws and for the purposes approved by the regulatory authorities.

Issuance of Tier 2 Capital Bonds

On 22 December 2015, the Bank issued RMB24 billion tier 2 capital bonds (the **RMB Bonds**) in the domestic interbank bond market with a coupon rate of 4.00%. The maturity period is 10 years, and the Bank has a redemption right at the end of the fifth year. The proceeds from the issuance of the RMB Bonds will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws and as approved by the regulatory authorities.

RISK MANAGEMENT AND INTERNAL CONTROL

OVERVIEW

In the year ended 31 December 2015, the Bank continued to improve its comprehensive risk management quality and strengthened risk management and control at the Group level. By taking the opportunity of advancing the implementation of the advanced measurement approach of capital management, the Bank improved its overall business development, product innovation and risk management capability.

RISK MANAGEMENT FRAMEWORK

The Bank's board of directors carries out their responsibilities according to the articles of association and other related regulatory requirements. The Bank's board of directors established the risk management committee to be responsible for formulating risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. As the core component of the risk management structure, the Board deliberates and approves the statements of risk appetite regularly, and delivers and communicates its risk appetite through corresponding capital management policies, risk management policies and business policies, to ensure that the business operation of the Bank adheres to its risk appetite. The board of supervisors has overseen the establishment of the overall risk management system and the carrying out of risk management responsibilities by the board of directors and senior management. Senior management is responsible for carrying out the risk management strategies established by the board of directors and the implementation of the overall risk management of the Group.

Senior management appoints the chief risk officer who assists the president with the corresponding risk management work. The Risk Management Department is responsible for the overall business risk management. The Credit Management Department is responsible for the overall credit risk management. Credit Approval Department is the comprehensive management department responsible for the credit granting and approval of the overall credit business. The Asset and Liability Management Department is responsible for the management of liquidity risk and interest rate risk of banking book. The Internal Control and Compliance Department is responsible for internal control management, compliance risk and operational risk management. Other specialised departments are responsible for other respective risks.

The Bank attaches importance to executing, monitoring and re-examining risk appetite. The Bank strengthens the policy guidance of risk selection and allocation of risky assets by implementing communication mechanism of risk appetite. It monitors, analyses and reports execution of risk appetite quarterly. Taking into consideration the changes in risk trends under the "new normal" macro-economic condition in the PRC, the Bank has initiated a re-examination and revision of the risk appetite of the Group. Subsidiaries implement risk management requirements of the Group through corporate governance mechanism, establish and improve internal risk appetite, risk management system and risk policies.

CREDIT RISK MANAGEMENT

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

In the first half of 2016, the Bank made more efforts to dispose of non-performing assets, and continued to optimise the risk quantification models, improve and optimise system and process, and improve the effectiveness of credit risk management.

Refine the management of approval lines. The Bank endeavoured to improve its risk management and control capability and level, by establishing the differentiated mechanism for comprehensive credit facility assessment and credit approval, improving the differentiated credit facility approval and authorisation system, refining the client credit rating work, and effectively carrying out the comprehensive credit facility re-verification and annual review. The Bank established the credit approval review system, and provided assistance and support for key branches. The Bank also reinforced the offsite monitoring work, and made endeavours to improve the management and control of credit approval in relation to key risk areas.

Prompt implementation of multi-dimensional stress tests. The Bank continued to assess the adverse impact that may be caused by the economic recession on quality of assets, and improve the forward-looking management and control of systemic risks, by conducting multi-dimensional stress tests such as the stress test under the financial sector assessment programme. The Bank actively carried out the stress tests under the enhanced prudential standards for foreign banking organisations, by adopting the U.S. regulatory standards and internationally advanced banking stress testing technologies. The Bank comprehensively assessed the adverse impact on the business development of the Group caused by the macro-economy and external environment, and improved the Group's capability of predicting, preventing and early controlling risks.

Re-examination and optimisation of measurement models. The Bank optimised the credit rating models applicable to clients in the manufacture, wholesale, retail and construction industries, and the models to rate the risk caps for local governments and small businesses. The automatic approval and decision-making system based on application rating cards has been applied to individual housing loans, individual consumer loans, individual auto loans and credit card business. By developing and applying the retail risk measurement tools centred on retail rating cards and retail score pools, the Bank improved its market responding speed, and maintained its leading position in respect of the overall quality of assets of retail business. The Bank has adopted the third generation model for measurement of exposure at default and loss given default, and rated all debts under non-retail facilities of the entire bank through relevant systems, in accordance with the advanced internal ratings-based approach as required by the advanced capital management method.

Making the best efforts to dispose of non-performing assets. By taking various measures such as expert diagnosis, list-based management and parent-subsidiary rating linkage, the Bank made more efforts to recover and revive non-performing assets and increase the percentage of recovered or revived non-performing assets in the total non-performing assets to be disposed of. The Bank also made more efforts to recover written-off assets and entrusted assets. The Bank developed innovative measures for disposal of non-performing assets to expand the channel of such disposal. The Bank made full use of audit results in the relevant steps of transfers by batch and writing-off of non-performing debts, and ensured that non-performing assets were effectively managed on a daily basis and properly disposed of in accordance of applicable laws and regulations.

Concentration of Credit Risks

In line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, revitalising existing credit assets and innovating products, etc. As at 30 June 2016, the total outstanding loans provided by the Group to its largest single borrower represented 5.11% of its net capital, and the total outstanding loans to its 10 largest clients represented 13.70% of its net capital.

Concentration of loans

	As at 30 June 2016	As at 31 December 2015	As at 31 December 2014
Proportion of loans to the single largest customer (%)	5.11	5.67	5.05
Proportion of loans to the ten largest customers (%)	13.70	14.46	13.42

Concentration of Borrowers

As at 30 June 2016, the Bank's ten largest single borrowers as at the date indicated are as follows:

	As at 30 June 2016		
	Industry	Amount	% of total loans
		(In millions of RMB, except percentages)	
Customer A	Transportation, storage and postal services	86,730	0.78
Customer B	Transportation, storage and postal services	26,767	0.24
Customer C	Transportation, storage and postal services	19,300	0.17
Customer D	Transportation, storage and postal services	18,068	0.16
Customer E	Transportation, storage and postal services	17,376	0.16
Customer F	Transportation, storage and postal services	14,648	0.13
Customer G	Transportation, storage and postal services	13,290	0.12
Customer H	Transportation, storage and postal services	12,150	0.11
Customer I.	Water, environment and public utility management	12,093	0.11
Customer J.	Transportation, storage and postal services	12,088	0.11
Total		232,510	2.09

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that a commercial bank is unable to promptly obtain sufficient funds at a reasonable cost to pay off debts when due, perform other payment obligations and otherwise finance its normal business.

In the first half of 2016, the entire banking system generally had plenty of liquidity, as the PBOC lowered the statutory deposit reserve ratio, enhanced financing support for "three-agricultural" sectors and micro and small businesses, and regulated liquidity by using a combination of tools including open market operations, short-term liquidity operations (SLO) and mid-term lending facilities (MLF). The Group had successfully kept its liquidity within a reasonable range and maintained normal payments and settlements, by taking active countermeasures based on its level of liquidity, implementing coordinated management of liquidity for the entire Group, adjusting the use of products having material impact on liquidity such as bond investments, assets sold under agreements to repurchase, interbank deposits and interbank investments, and improving forecasts of major cash flows.

The Group conducted quarterly liquidity risk stress tests, and ad hoc special stress tests when necessary, taking into account the change of external operation environment and regulatory requirements, in order to test the risk bearing capacity of the Bank in low-probability extreme events. The results of such stress tests showed that in stressed conditions, though the liquidity risk would be at an elevated level, it would still be controllable.

The table below shows the liquidity ratio in RMB and foreign currencies and the loan-to-deposit ratio as at the indicated dates:

(%)	Regulatory standard	As at 30 June 2016	As at 31 December 2015	As at 31 December 2014
Liquidity ratio[1] RMB	>25	44.29	44.17	48.88
Foreign currency	>25	47.06	59.84	57.03
Loan-to-deposit ratio[2] RMB . . .		68.52	69.80	67.53

1. The liquidity ratio is equal to liquidity assets divided by liquidity liabilities, as calculated in accordance with requirements of the CBRC.

2. According to the requirements of the CBRC, the calculation of loan-to-deposit ratio for 2016 and subsequent years shall be based on the loans and deposits in relation to domestic legal persons, and the calculation of loan-to-deposit ratio in respect of years prior to 2016 shall be based on the loans and deposits in relation to legal persons.

The table below shows the liquidity coverage ratio of the Group in the second quarter of 2016:

No.	(RMB million yuan, except for percentage)	Amount before conversion	Amount after conversion
Qualified high-quality liquid assets			
1	Qualified high-quality liquid assets		3,715,872
Cash outflow			
2	Retail deposits, deposits from small corporate clients, including:	7,411,531	721,248
3	Stable deposits	393,435	19,438
4	Less stable deposits	7,018,095	701,810
5	Unsecured wholesale financing, including:	8,173,113	2,801,929
6	Deposits from depositors with business connection (excluding correspondence business)	5,170,627	1,282,242
7	Deposits from depositors without business connection (all counterparties)	2,970,243	1,487,445
8	Unsecured debts	32,242	32,242
9	Financing secured by mortgage/pledge		—
10	Other items, including	1,483,018	167,531
11	Cash outflow related to derivatives and other collaterals	34,097	34,097
12	Cash outflow related to loss of financing under debt instruments secured by mortgage/pledge	1,757	1,757
13	Credit facilities and liquidity facilities	1,447,163	131,677
14	Other contractual financing obligations	—	—
15	Contingent financing obligations	1,796,647	284,048
16	**Expected total cash outflow**		3,974,756
Cash inflow			
17	Borrowings secured by mortgage/pledge (including reverse repurchase and borrowing of securities)	79,572	79,572
18	Cash inflow from payments under normal performance of contracts	1,248,617	826,381
19	Other cash inflow	33,543	31,905
20	**Expected total cash inflow**	1,361,731	937,858
			Adjusted value
21	Qualified high-quality liquid assets		3,715,872
22	**Net cash out flow**		3,036,898
23	**Liquidity coverage ratio (%)[1]**		122.39%

1. The monthly average of a quarter is calculated in accordance with the regulatory requirements, definitions and accounting principles applicable in such period.

The Group regularly monitors the maturity gap of various asset and liability items, and assesses the liquidity risk in different periods. As at 30 June 2016, the aggregate maturity gaps of the Group was RMB1,505,960 million, up RMB60,877 million as compared to the end of the last year. Although the Group had a real time repayment negative gap of RMB7,916,877 million, the Group still had a wide and solid client base with high demand deposit rate and steady growth of deposit amount. It is expected that the Group will have stable sources of capital and maintain a stable liquidity level in the future.

MARKET RISK MANAGEMENT

Market risk is the risk of loss in respect of the Bank's on- and off-balance sheet activities, arising from adverse movement in market rates, including interest rates, foreign exchange rates, commodity prices, and stock prices.

In the first half of 2016, the Group continued to improve its market risk management and control system, and developed innovative management methods to improve its policies for management and control of market risk. The Group improved its risk management monitoring on directly-operated centres, strengthened the risk management foundations of multi-functional banking business, and made further efforts to promote risk management and control for wealth management services and financial institutional business. The Group enhanced market risk monitoring and early-warning, and actively developed on-site inspections and walk-through testing to relieve risks in advance. The Group closely tracked changes in the financial market, and formulated contingency plans to effectively cope with major market risk events. The Group promoted proactive risk management which was characterised by managing the whole business process, strengthened management of trading business at the Group level, and continued to carry out risk assessment and post-assessment work in relation to new products. The Group enhanced the development of information technology management tools and optimised the counterparty risk management system for derivative transactions to improve the effectiveness of monitoring and early detection of counterparty credit risk. The Group enhanced the use, optimisation, and inspection of the trading management system of the financial market business to solidly boost capacity of the system to support its business.

Value at Risk Analysis

The Bank has separated on and off-balance sheet activities into two major categories, trading book and banking book. The Bank performs Value-at-Risk (**VaR**) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaR of RMB and foreign currency trading portfolio on a daily basis (at a confidence level of 99% and with a holding period of one-day).

The VaR analysis on the Bank's trading portfolio as at 30 June 2016 and 2015 is as follows:

	2016				**2015**			
(In millions of RMB)	**As at 30 June**	**Average**	**Maximum**	**Minimum**	**As at 30 June**	**Average**	**Maximum**	**Minimum**
Risk valuation of trading portfolio.	91	181	265	91	68	76	197	49
— Interest rate risk	58	46	72	24	48	37	172	17
— Foreign exchange risk . .	64	177	247	64	64	62	104	13
— Commodity risk	5	20	60	—	3	2	9	—

Interest Rate Risk Management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Re-pricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities are the primary sources of interest rate risk for the Bank while yield curve risk and option risk have relatively less impact on interest rate risk. The overall objective of the Bank's interest rate risk management is to minimise the decrease of net interest income caused by interest rate changes while keeping interest rate risk within a tolerable level in accordance with the Bank's risk appetite and risk management capabilities.

In the first half of 2016, the Bank actively pursued the strategy in response to the interest rate liberalization reform and effectively improved the market and differentiated pricing capability of the Bank by enhancing the pricing incentive constraining mechanism, managing the pricing in relation to key products and clients, and paying attention to the balance of volume and price. The Bank measured interest rate risk using various methods including interest rate sensitivity gap, net interest income sensitivity analysis and stress tests. The Bank also conducted regular analysis and prediction of net interest income and made reasonable arrangements in respect of maturity structure and product structure of asset and liability portfolio to ensure that the overall interest rate risk was within the designated boundary.

Net interest income sensitivity analysis

Net interest income sensitivity analysis is based on two scenarios. The first is to assume that the interest rate for deposits with the PBOC stays constant, and all yield curves rise or fall by 100 basis points in a parallel way; the second is to assume that the interest rates for deposits with the PBOC and demand deposits stay constant, while the other yield curves rise or fall by 100 basis points in a parallel way.

The interest rate sensitivity of the Group's net interest income as at 30 June 2016 and 31 December 2015 is set out below:

	Change in net interest income			
(In millions of RMB)	**Rise by 100 basis points**	**Fall by 100 basis points**	**Rise by 100 basis points (demand deposit rates being constant)**	**Fall by 100 basis points (demand deposit rates being constant)**
As at 30 June 2016	(58,686)	58,868	26,343	(26,343)
As at 31 December 2015	(40,586)	40,586	40,443	(40,443)

Foreign Exchange Risk Management

Foreign exchange rate risk is the risk of impact of adverse movement in foreign exchange rates on a bank's financial position. The Bank is exposed to foreign exchange rate risk primarily because of the currency mismatch of assets and liabilities held by the Bank that are denominated in currencies other than RMB and the position held by the Bank as a market maker in the financial markets. The Bank avoided exchange rate risk by matching its assets and liabilities, controlled exchange rate risk by setting limits, hedged exchange rate risk by using derivative financial instruments and transferred exchange rate risk by reasonable product pricing.

In the first half of 2016, the Group continued to optimise the method of measuring risk exposure of capital debts, and improve the systemic coverage and measurement accuracy in respect of new organisations. The Group promptly followed up on the impact caused by the British EU Referendum, and conducted exchange rate risk analysis in this respect. The result of such analysis showed that the Group had small exposure in euro and pound sterling, and the exchange rate risk caused by the EU Referendum was controllable.

Currency concentrations

The Group's currency concentrations as at 31 December 2015 and 30 June 2016 are set out below:

	As at 30 June 2016				**As at 31 December 2015**			
(In millions of RMB)	**US$ (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**	**US$ (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	1,025,655	240,736	233,679	1,500,070	963,701	242,240	182,060	1,388,001
Spot liabilities	(947,163)	(258,274)	(205,208)	(1,410,645)	(770,728)	(270,351)	(158,982)	(1,200,061)
Forward purchases	2,014,155	73,709	228,712	2,316,576	1,481,023	108,489	190,402	1,779,914
Forward sales	(2,096,100)	(18,613)	(248,310)	(2,363,023)	(1,659,618)	(52,594)	(201,843)	(1,914,055)
Net options position	(106)	—	—	(106)	478	—	—	478
Net long position	(3,559)	37,558	8,873	42,872	14,856	27,784	11,637	54,277

As at 30 June 2016, the net exposure of exchange rate risk of the Group was RMB42,872 million, down RMB11,405 million as compared to 30 December 2015.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or flawed internal processes, people and systems, or from external events.

In the first half of 2016, the Group continued to enhance the management of operation risk. By taking advantage of the new generation of core system, the Group continued to improve the percentage and capability of machine control of incompatible functions in order to reinforce the check and balance among different functions. The Group made full use of key risk indicators to provide monitoring, early warning and risk notice functions in respect of operation risk associated with key steps, continued to conduct overall self-assessment of business continuity management, and supervised and urged organisations at all levels to further enhance management of business continuity.

Anti-Money Laundering

The Group strictly executed anti-money laundering (**AML**) laws and regulations to continuously promote the AML ability and effectiveness by applying the risk-based approach.

In the first half of 2016, the Group fully complied with applicable laws, regulations and regulatory rules in relation to anti-money laundering and anti-terrorist financing. It further enhanced its anti-money laundering compliance system and internal control system by reinforcing the client admission and "know-your-client" requirements, improving the risk assessment indicator system, and optimising the rules to identify suspicious transactions. The Group also actively carried out anti-money laundering trainings and awareness-raising programs, and continued to improve the effectiveness and capability of anti-money laundering and anti-terrorist financing work.

Reputation Risk Management

Reputation risk is the potential or existing risk of a negative impact on, or damage to, the banks' overall image, reputation and brand value, which arises when commercial banks' operational, managerial and other behaviours or contingencies are noticed or reported by the media.

In the first half of 2016, the Group continued to improve the reputation risk management system and mechanism, and improve the group-wide capability of managing reputation risk. The Group carried out reputation risk self-examination work within the Group, emphasised on identification and early warning of reputation risk and making of emergency plans in respect of reputation risk, and enhanced the management of sources of such risk. The Group established the joint meeting for treatment of reputation risk, in order to properly respond to events with reputation risks in a coordinated manner and effectively protect the reputation of its brand. The Group created innovative press and publicity approaches and developed new channels and platforms to broadcast the CCB "good stories" to the general public and create a good publicity environment.

Consolidated Management

Consolidated management is the comprehensive and continuous management and control over the Group's and its subsidiaries' corporate governance, capital and finance, in order to identify, measure, monitor and assess the overall risks of the Group as a whole.

In the first half of 2016, the Bank continued to improve the group consolidation management capability and prevent cross-border and cross-industry operation risk in accordance with the Guidelines for Management and Supervision of Consolidation of Financial Statements of Commercial Banks issued by CBRC. The Group conducted self-assessment in respect of consolidation management, and continued to improve the comprehensive risk management system and optimise the coordinated business work mechanism. The Group enhanced the management of group assets, and continued to monitor and analyse the capital adequacy of the Group. The Group enhanced the monitoring of the liquidity risk limitation indicators for the entire Group, and comprehensively coordinated the capital operation of the Group. The Group optimised the plan for management of annual industry quota and continued to prepare the concentration risk monitoring reports. The Group also enhanced the management of internal transactions and organised the internal control assessment in relation to overseas entities and subsidiaries.

Internal Audit

The Bank maintains a relatively independent internal audit system subject to vertical management. The internal audit is designed to facilitate the construction of a robust risk management system, internal control system and corporate governance procedure, to assess the effectiveness of the internal control system, risk management system and corporate governance procedure, the profitability of operating activities, and the economic accountability of relevant personnel, and to provide relevant improvement proposals.

In the first half of 2016, the Bank organised and implemented a series of systemic audits in light of the business transformation and change of economic and financial conditions, including the dynamic audit and investigation on basic management of credit and lending business, the dynamic audit and investigation on key businesses for strategic transformation, the audit and investigation on expansion of profitability space, the audit and investigation on characteristics of financial activities of client base, the audit on management of main business of overseas entities, and the economic accountability audit. Each auditing organisation also promptly conducted discretionary audits in light of the actual local conditions, which complemented and further expanded audit coverage. Internal audit not only deepened its own transformation and development, but also focused on the integration with the operation and management of the Bank. The Bank enhanced early identification and forward-looking disclosure of risk, and continued to improve the quality of auditing proposals and facilitate process optimisation, mechanism perfection and solution of problems. The Bank made more efforts to carry out follow-up rectification and accountability identification work following audits, so that the auditing work can effectively serve the transformation and development of the Bank.

Internal Control

According to the requirements regarding the standard system of enterprises internal control, the Board is responsible for establishing, improving and effectively implementing internal control, evaluating the effectiveness of internal control and faithfully disclosing the report of internal control evaluation. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

The objectives of the internal control of the Bank are to reasonably ensure its operation and management in compliance with laws and regulations, assets safety, the accuracy and integrity of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Bank to achieve its development strategies. Due to its inherent limitations, internal control only provides reasonable assurance regarding the achievement of above objectives. In addition, as the changes of situation may lead to improper internal control or lower compliance with the internal control policy and procedure, there exists certain risk in the estimation of the effectiveness of future internal control based on the evaluation results of internal control.

Pursuant to the identification standards of material deficiencies in the internal control of financial report of the Bank, at the base date of the internal control assessment report, there was no material deficiency in the internal control of financial report. The Board held that the Bank conducted an effective internal control of financial report covering all the major aspects, in compliance with the requirements regarding the standard system of enterprises internal control and other relevant regulations.

Pursuant to the identification standards of material deficiencies in the internal control of non-financial report of the Bank, at the base date of the internal control assessment report, no material deficiency was detected in the internal control of non-financial report.

The audit opinion of internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control of the financial report.

PricewaterhouseCoopers Zhong Tian LLP audited the effectiveness of internal control over the financial reporting of the Bank, and presented an internal control audit report with unqualified opinion, stating that the Bank conducted effective internal control over the financial reporting covering all the major aspects in accordance with the Basic Standard for Enterprises Internal Control and relevant regulatory requirements.

GENERAL

As of the date of this Offering Circular, the Bank's board of directors is comprised of 15 members. There are five independent non-executive directors, six non-executive directors and four executive directors. The Bank's directors are elected at shareholder general meetings for a term of three years, which is renewable upon re-election. The chairman and the vice chairman of the board of directors are elected by simple majority of the board of directors. Mr. Wang Hongzhang is the Bank's chairman, and responsible for the business strategy and overall development. Mr. Wang Zuji is the Bank's president, and is responsible for overseeing the day-to-day management of the Bank's business and operations. The president is appointed by the board of directors, is responsible for the board of directors, and performs duties pursuant to the Bank's articles of association and the board of directors' authorisation.

Each the Bank's directors, supervisors and senior management has disclosed to the Bank at the time of appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments, the identity of the public companies or organisations and an indication of the time involved. As at 31 December 2016, Mr. Zhang Long, director of the Bank, held 235,400 A-shares of the Bank, and Ms. Margaret Leung Ko May Yee, director of the Bank, held 100,000 H-shares of the Bank. Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu, the supervisors of the Bank, indirectly held 12,366 H-shares, 15,739 H-shares and 3,971 H-shares of the Bank respectively, by participating in the employee stock incentive plan before they were appointed as supervisors. Save as disclosed above, as at 30 June 2016, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange.

The following table sets forth information regarding the Bank's directors, supervisors and senior management. The Bank's directors, supervisors and members of senior management all meet the qualification requirements for their respective positions. Their qualifications have been reviewed and approved by the PRC banking regulatory authorities. Non-executive directors holding positions in the corporate shareholders do not receive compensation directly from the Bank.

Directors

The following table sets forth certain information concerning the Bank's directors as at the date of this Offering Circular.

Name	Position
Wang Hongzhang	Chairman, executive director
Wang Zuji	Vice chairman, executive director, president
Pang Xiusheng	Executive director, executive vice president
Zhang Gengsheng	Executive director, executive vice president
Li Jun	Non-executive director
Hao Aiqun	Non-executive director
Guo Yanpeng	Non-executive director
Dong Shi	Non-executive director
Zhang Long	Independent non-executive director
Chung Shui Ming Timpson	Independent non-executive director
Wim Kok	Independent non-executive director
Murray Horn	Independent non-executive director

Notwithstanding the disclosures mentioned in "Directors, Supervisors and Senior Management — General" section, no potential conflicts of interest exist between the obligations of the directors named above towards the Bank and their own interests or other obligations. The business address of each of the directors named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Wang Hongzhang

Chairman, executive director

Mr. Wang has served as chairman and executive director since January 2012. From November 2003 to November 2011, Mr. Wang was chief disciplinary officer of the PBOC. From June 2000 to November 2003, Mr. Wang was the president of Chengdu Branch of the PBOC and administrator of Sichuan Branch of the SAFE. From April 1996 to June 2000, Mr. Wang was deputy director-general of the Supervision Bureau and director-general of the internal auditing department of the PBOC. From November 1989 to April 1996, Mr. Wang served on various positions including assistant president of Qingdao Branch, deputy director of the General Administration Office, deputy director of the Finance Planning Department and general manager of the banking business department of Industrial and Commercial Bank of China. From January 1984 to November 1989, Mr. Wang worked in the Industrial and Commercial Credit Department and the General Administration Office of Industrial and Commercial Bank of China. From September 1978 to January 1984, Mr. Wang worked in the Credit Bureau, Savings Bureau and Industrial and Commercial Credit Department of the PBOC. Mr. Wang is a senior economist and a certified public accountant. Mr. Wang graduated from Liaoning Finance and Economics College with a bachelor's degree in finance in 1978, and obtained his master's degree in economics from Dongbei University of Finance and Economics in 1997.

Wang Zuji

Vice chairman, executive director, president

Mr. Wang has served as vice chairman, executive director and president since July 2015. From September 2012 to May 2015, Mr. Wang was vice chairman of China Insurance Regulatory Commission. From January 2008 to September 2012, Mr. Wang was vice governor of People's Government of Jilin Province. From April 2006 to January 2008, Mr. Wang was assistant of the governor of People's Government of Jilin Province, director of Development and Reform Commission of People's Government of Jilin Province and concurrently director of Leadership Team Office of Revitalising Jilin Old Industrial Base. From May 2005 to April 2006, Mr. Wang was assistant of the governor of People's Government of Jilin Province and director-general of State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province. From February 2005 to May 2005, Mr. Wang was assistant of the governor of People's Government of Jilin Province. From January 2004 to February 2005, Mr. Wang was director of Comprehensive Planning Department of China Development Bank. From March 2003 to January 2004, Mr. Wang was director of Business Development Department of China Development Bank. From January 2000 to March 2003, Mr. Wang was president of Changchun Branch of China Development Bank. From January 1997 to January 2000, Mr. Wang was the deputy director of Loan Department II (North-east Loan Department) of China Development Bank. Mr. Wang obtained an economic doctorate degree from Jilin University.

Pang Xiusheng

Executive director, executive vice president

Mr. Pang has served as executive director since August 2015 and executive vice president of the Bank since February 2010. Mr. Pang served as a member of the senior management of the Bank from December 2009 to February 2010 and chief financial officer of the Bank from April 2006 to December 2009, and served concurrently as chief financial officer of the Bank from December 2009 to March 2011 and from September 2013 to June 2014. He served as executive vice chairman of the Bank's asset and liability committee from March 2006 to April 2006, director of the Bank's restructuring office from May 2005 to March 2006, general manager of Zhejiang Branch of the Bank from June 2003 to May 2005, and acting as the head of Zhejiang Branch of the Bank from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and finance department, and general manager of planning and finance department of the Bank from September 1995 to April 2003. Mr. Pang is a senior economist, and a recipient of a special grant by PRC government. He graduated from postgraduate programme in technological economics from Harbin Industrial University in 1995.

Zhang Gengsheng

Executive director, executive vice president

Mr. Zhang has served as executive director since August 2015 and concurrently as chairman of CCB Life since May 2013. Mr. Zhang has served as executive vice president of the Bank since April 2013. Mr. Zhang served as a member of senior management of the Bank from December 2010 to April 2013. Mr. Zhang was general manager of the group clients department (banking business department) and executive vice president of the Beijing Branch of the Bank from October 2006 to December 2010, general manager of the banking business department at the head office and the group clients department (banking business department) of the Bank from March 2004 to October 2006, deputy general manager of the banking business department at the head office of the Bank from June 2000 to March 2004 (in charge of overall management from March 2003), president of the Three Gorges

Branch of the Bank from September 1998 to June 2000, and executive vice president of the Three Gorges Branch of the Bank from December 1996 to September 1998. Mr. Zhang is a senior economist. He obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1984 and an Executive MBA degree from Peking University in 2010.

Li Jun

Non-executive director

Mr. Li has served as director since September 2015. Mr. Li had served as nonexecutive director of Industrial and Commercial Bank of China Limited from December 2008 to March 2015. He previously served as assistant of the representative of Beijing Representative Office of the Bank of Credit and Commerce International, deputy representative of BNP Paribas China Representative Office, consultant of the International Banking Department of Banco Bilbao Vizcaya Argentaria, deputy director of the Research Centre of China Technology Trust and Investment Company, general manager of the Research Department of China Sci-Tech Securities, and professor of the Finance Department of the School of Economics and Management of the University of Science and Technology Beijing. At present, Mr. Li serves as non-executive director of Shenwan Hongyuan Group Co. Ltd. and Shenwan Hongyuan Securities Co. Ltd.. He graduated from University of Madrid in Spain in November 1995 and received a Doctorate degree in Economic Management. Mr. Li is currently an employee of Huijin, the Bank's substantial shareholder.

Hao Aiqun

Non-executive director

Ms. Hao has served as director since July 2015. Ms. Hao served as deputy director of the Non-bank Financial Institutions Department of the CBRC from April 2003 to July 2015, and concurrently deputy director and inspector of the Banking Supervision Department I of the CBRC. Ms. Hao was consecutively deputy division-chief and division-chief of the Supervision Bureau, researcher of the Cooperation Bureau, and deputy inspector and deputy director of the Non-bank Financial Institutions Department of the PBOC from April 1983 to March 2003. Ms. Hao obtained a bachelor's degree in Finance from Central University of Finance and Economics in July 1982. Ms. Hao is a certified public accountant and a senior economist. Ms. Hao is currently an employee of Huijin, the Bank's substantial shareholder.

Guo Yanpeng

Non-executive director

Mr. Guo has served as director since January 2014. Mr. Guo was deputy director-general of the MOF from October 2009 to January 2014. Mr. Guo was chairman of Trade Union of the MOF from December 2005 to October 2009, deputy director and director of Organisational Department of the MOF from September 1998 to December 2005, chief officer and research associate of the MOF from May 1995 to September 1998. Mr. Guo obtained his college diploma in international economics from Correspondence Institute of the Party School of the Central Committee of CPC in December 1997. Mr. Guo is currently an employee of Huijin, the Bank's substantial shareholder.

Dong Shi

Non-executive director

Mr. Dong has served as director since September 2011. Mr. Dong served as director of both China Reinsurance (Group) Corporation and China Reinsurance Asset Management Co., Ltd. from October 2008 to August 2011. Mr. Dong served consecutively as assistant special inspector of the State Council, division-chief of the Supervisory Committee of Central Enterprises Working Commission and deputy director-general of the Foreign Affairs Bureau under the State-owned Assets Supervision and Administration Commission from August 1998 to September 2008. Mr. Dong was deputy division-chief at the Supervision Bureau of the PBOC from July 1988 to July 1998. Mr. Dong made a study visit to the Federal Reserve of the United States in 1994 and studied at RMIT University in Australia in 1996. Mr. Dong is a senior economist and an accountant. Mr. Dong graduated from Zhengzhou University with a bachelor's degree in finance in 1988 and obtained his master's degree in economic law from Renmin University of China in 2002. Mr. Dong is currently an employee of Huijin, the Bank's substantial shareholder.

Zhang Long

Independent non-executive director

Mr. Zhang has served as director since January 2014. Mr. Zhang is currently chairman of Zhongbao Ruixin Investment Co., Ltd. and independent director of CICC Fund Management Co. Ltd.. Mr. Zhang was president of Inner Mongolia Ruifeng Mining Industries Co., Ltd. from 2007 to 2009, secretary to the board of directors of the Bank from December 2006 to May 2007, and controller of Investment and Wealth Management Banking of the Bank from May 2006 to May 2007. He was executive vice chairman of the Bank's Investment and Wealth Management Banking Committee from March 2006 to May 2006, general manager of Credit Approval Department and head of Management Mechanism Reform Office of the Bank from December 2004 to March 2006. He served consecutively as deputy head and head of Office of Credit Management Committee of the Bank, head of Credit Approval Office under Risk Control & Management Committee of the Bank and general manager of Credit Approval Department of the Bank from August 1998 to December 2004. Mr. Zhang was regional economist and investment officer of Asia Bureau of International Finance Corporation from December 1995 to August 1998, regional economist of Central Asia, Middle East and North Africa Bureau of International Finance Corporation from August 1994 to December 1995, and senior research analyst of Brookings Research Institute from October 1992 to August 1994. Mr. Zhang obtained a bachelor's degree in engineering physics from Tsinghua University in 1985, a master's degree in business administration from University of Chicago in 1989 and a Ph.D. degree in economics from University of California in 1996.

Chung Shui Ming Timpson

Independent non-executive director

Mr. Chung has served as director of the Bank since October 2013. Mr. Chung currently serves as independent non-executive director of China Unicom (Hong Kong) Limited, Miramar Hotel and Investment Company, Limited, Glorious Sun Enterprises Limited, China State Construction Engineering Corporation, China Overseas Grand Oceans Group Limited, Henderson Land Development Company Limited, China Everbright Limited and Jinmao (China) Investments Holding Limited.. Mr. Chung served as independent non-executive director of China Everbright Bank from 2006 to 2012. Formerly, he served in various companies and public institutions, consecutively as chairman of the Council of the City University of Hong Kong, chief executive officer of Shimao International Holdings Limited, chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, executive director of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, and independent non-executive director of Nine Dragons Paper (Holdings) Limited. From 1979 to 1983, he was a senior audit director of Coopers & Lybrand Consulting. Mr. Chung is a senior fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree of science from University of Hong Kong in 1976 and a master's degree in business administration from Chinese University of Hong Kong in 1987. Mr. Chung received the title of Justice of the Peace from the Hong Kong Special Administrative Region Government in 1998 and was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in 2000.

Wim Kok

Independent non-executive director

Mr. Wim Kok has served as director of the Bank since October 2013. In 2003, Mr. Wim Kok was appointed as Minister of State of the Netherlands. Mr. Wim Kok served two consecutive terms as Prime Minister of the Netherlands from 1994 to 2002. He was leader of the Dutch Labour Party from 1986 to 2002, Minister of Finance and Deputy Prime Minister of the Netherlands from 1989 to 1994, president of the European Trade Union Confederation from 1979 to 1982, and president of the Netherlands Confederation of Trade Unions from 1973 to 1985. From January 2010 to January 2014, he served as president of the Club de Madrid, composing of former Heads of State and Government. In 2004, he headed a High Level Group advising the European Council on revitalising the European economy and improving its competitiveness. After having stepped down as Prime Minister in 2002, Mr. Wim Kok served as non-executive director of various large international companies, such as Royal Dutch Shell, ING Group, TNT, Post NL and KLM. He also holds positions in various non-profit organisations, including as chairman of the board of trustees of the Anne Frank Foundation, member of the board of trustees of the International Crisis Group (ICG) and member of the International Commission on Missing Persons (ICMP). Mr. Wim Kok graduated from the Nijenrode Business School.

Murray Horn

Independent non-executive director

Mr. Murray Horn has served as director of the Bank since December 2013. Mr. Murray Horn currently serves as chairman of Wynyard Group and director of Spark New Zealand (formerly Telecom New Zealand). He also consults to multiple government agencies. Mr. Murray Horn held positions in public organisations in New Zealand and other regions, including as chairman of the National Health Board and the Health Innovation Hub, chairman of the New Zealand Business Roundtable, member of the NZ Tourism Board, member of the Board of the Centre for Independent Studies in Australia and member of the Trilateral Commission. Mr. Murray Horn was previously managing director of ANZ Bank in New Zealand and director of ANZ's Global Institutional Banking business, based in Sydney, Australia. He was Secretary to the New Zealand Treasury from 1993 to 1997. Mr. Murray Horn holds a Ph.D. degree from Harvard University in Political Economy and Government, a Master's degree in Commerce and a Bachelor's degree in Commerce (Agriculture) from Lincoln University. Lincoln University awarded him the Bledisloe Medal in 2000. He also made a Companion of the New Zealand Order of Merit in 2013.

Supervisors

Name	Position
Guo You	Chairman of the board of supervisors
Liu Jin	Shareholder representative supervisor
Li Xiaoling	Shareholder representative supervisor
Li Xiukun	Employee representative supervisor
Jin Yanmin	Employee representative supervisor
Li Zhenyu	Employee representative supervisor
Bai Jianjun	External supervisor

Notwithstanding the disclosures mentioned in "Directors, Supervisors and Senior Management — General" section, no potential conflicts of interest exist between the obligations of the supervisors named above towards the Bank and their own interests or other obligations. The business address of each of the supervisors named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Guo You

Chairman of the board of supervisors

Mr. Guo has served as chairman of the board of supervisors of the Bank since June 2014. Mr. Guo served as vice chairman of the board of directors of China Everbright Group, executive director and president of China Everbright Bank Co., Ltd from August 2004 to January 2014. From November 2001 to July 2004, Mr. Guo served as executive director and deputy general manager of China Everbright Group and chief executive officer of China Everbright Limited. From December 1999 to November 2001, Mr. Guo was chief executive officer of China Everbright Limited. From August 1998 to December 1999, Mr. Guo served as executive vice president of China Everbright Bank Co., Ltd. From November 1994 to August 1998, Mr. Guo successively served as director of the Foreign Exchange Transaction Department of the Foreign Exchange Reserves Business Center of the SAFE, general manager of China Investment Corporation (Singapore) and deputy director-general of Foreign Financial Institutions Department of the PBOC. Mr. Guo is a senior economist. He graduated from Heihe Normal College and the American Institute of Yellow River University, and obtained a Ph.D. degree in finance from the Southwestern University of Finance and Economics.

Liu Jin

Shareholder representative supervisor

Ms. Liu has served as shareholder representative supervisor of the Bank since September 2004. Ms. Liu has served as general manager of the public relations & corporate culture department of the Bank since July 2014. Ms. Liu served as director of the board of supervisors office from November 2004 to July 2014. Ms. Liu was a dedicated supervisor of deputy director-general level at the board of supervisors of the Bank from July 2003 to September 2004, dedicated supervisor of deputy director-general level at the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from November 2001 to July 2003. Ms. Liu is a senior economist and graduated from Hunan Finance and Economics College with a bachelor's degree in finance in 1984. She graduated from postgraduate finance programme of Shaanxi Finance and Economics College in 1999 and from the Research Institute for Fiscal Science of the MOF with a doctorate degree in public finance in 2008.

Li Xiaoling

Shareholder representative supervisor

Ms. Li has served as supervisor of the Bank since June 2013. Ms. Li served as shareholder representative director of the Bank from June 2007 to June 2013. Ms. Li was a deputy inspector of Budget Department of the MOF from January 2006 to June 2007, and an assistant inspector of Budget Department of the MOF from May 2001 to January 2006. Ms. Li is a senior economist and graduated from Beijing Normal University in 2003 with a master's degree in political economics.

Li Xiukun

Employee representative supervisor

Mr. Li has served as supervisor since January 2016. Mr. Li has served as general manager of the audit department of the Bank from March 2015. From July 2014 to March 2015, Mr. Li served as the person-in-charge of the audit department of the Bank. From March 2011 to July 2014, Mr. Li served as president of Hebei Branch of the Bank. From May 2006 to March 2011, Mr. Li served as president of Ningxia Branch of the Bank. From July 2003 to May 2006, Mr. Li served as executive vice president of Ningxia Branch of the Bank. From January 2000 to July 2003, Mr. Li served as executive vice president of Inner Mongolia Branch of the Bank. Mr. Li is an associate researcher and is concurrently the guest professor or part-time professor of Dongbei University of Finance & Economics, Hebei University and four other universities. Mr. Li graduated from Dongbei University of Finance & Economics and obtained his doctorate degree in finance from Dongbei University of Finance & Economics in July 2013.

Jin Yanmin

Employee representative supervisor

Mr. Jin has served as supervisor since January 2016, general manager of credit approval department of the Bank since December 2014, and shareholder representative supervisor of CCB Financial Leasing since December 2015. From November 2014 to December 2014, Mr. Jin served as the person-in-charge of credit approval department of the Bank; from March 2011 to November 2014, Mr. Jin served as president of Guangdong Branch of the Bank; from February 2011 to March 2011, Mr. Jin served as the person-in-charge of the Guangdong Branch of the Bank; from March 2009 to February 2011, Mr. Jin served as general manager of the corporate banking department, and also as general manager of the small enterprises financial service department of the Bank; from August 2007 to March 2009, Mr. Jin served as general manager of the corporate banking department of the Bank; from June 2006 to August 2007, Mr. Jin served as risk control director of Guangdong Branch of the Bank; from March 2001 to June 2006, Mr. Jin served as deputy general manager of corporate banking department of the Bank. Mr. Jin obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in July 1983 and obtained his EMBA degree from Tsinghua University in January 2010.

Li Zhenyu

Employee representative supervisor

Mr. Li has served as supervisor since January 2016. Mr. Li has served as president of Qinghai Branch of the Bank since January 2014. From November 2012 to January 2014, Mr. Li served as executive vice president of Qinghai Branch of the Bank; from June 2009 to November 2012, Mr. Li served as executive vice president of Tibet Branch of the Bank; from June 1985, Mr. Li worked in Qinghai Branch of the Bank, serving successively as general manager of real estate finance department, general manager of credit approval department, general manager of planning and finance department, general manager of finance & accounting department and other positions; from July 1982 to June 1985, Mr. Li worked in the infrastructure construction division of Qinghai Machine Tool Foundry. Mr. Li is a senior engineer, and graduated from the Industrial and Civil Architect Institute of Lanzhou University of Technology (formerly "Gansu University of Technology") in July 1982 with a fulltime bachelor degree in engineering. Mr. Li has been a member of the 11th Qinghai Committee of Chinese People's Political Consultative Conference from January 2013 and vice director of the economy committee of the 11th Qinghai Committee of Chinese People's Political Consultative Conference from August 2013.

Bai Jianjun

External supervisor

Mr. Bai has served as supervisor of the Bank since June 2013. Mr. Bai is currently a professor and doctoral tutor at the Law School of Peking University, director of the Research Institute of Empirical Legal Affairs and deputy director of the Financial Law Research Center of Peking University. He has been teaching at the Law School of Peking University since July 1987. Mr. Bai is a part-time professor at Zhengzhou Training Institute of the PBOC and National Judges College, and independent director of Beijing Boya Yingjie Science & Technology Co., Ltd. He was a visiting professor at Niigata University in Japan from October 1996 to October 1997 and a visiting research fellow at New York University from September 1990 to October 1991. Mr. Bai obtained his master's degree from the Law School of Peking University in July 1987 and his Ph.D. degree in law from the Law School of Peking University in July 2003.

Senior Management

Name	Position
Wang Zuji	President
Pang Xiusheng	Executive vice president
Zhang Gengsheng	Executive vice president
Yang Wensheng	Executive vice president
Huang Yi	Executive vice president
Yu Jingbo	Executive vice president
Zhu Kepeng	Chief disciplinary officer
Zeng Jianhua	Chief risk officer
Xu Yiming	Chief financial officer
Chen Caihong	Secretary to the board

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Wang Zuji

Vice chairman, executive director, president

See "*Directors*".

Pang Xiusheng

Executive director, executive vice president

See "*Directors*".

Zhang Gengsheng

Executive director, executive vice president

See "*Directors*".

Yang Wensheng

Executive vice president

Mr. Yang has served as executive vice president of the Bank since December 2013 and Chairman of CCB Brasil since April 2015. Mr. Yang served as a member of senior management of the Bank from September 2013 to December 2013 and as general manager of Liaoning Branch of the Bank from December 2010 to September 2013. He was the head of Liaoning Branch of the Bank from November 2010 to December 2010. Mr. Yang was general manager of Dalian Branch of the Bank from October 2006 to November 2010, deputy general manager of Jilin Branch of the Bank from August 2001 to October 2006 and assistant general manager of Jilin Branch of the Bank from January 2000 to August 2001. Mr. Yang is a senior economist. Mr Yang is a senior economist. He majored in technological economics and obtained his master's degree in technological economics from Tsinghua University in 1993.

Huang Yi

Executive vice president

Mr. Huang has served as executive vice president of the Bank since April 2014. Mr. Huang served as a member of senior management of the Bank from December 2013 to April 2014. Mr. Huang served as director of the Supervisory Rules & Regulations Department of the CBRC from January 2010 to December 2013, and deputy director and director (head of the Research Bureau) of the Supervisory Rules & Regulations Department of the CBRC from July 2003 to January 2010. From April 1999 to July 2003, Mr. Huang served consecutively as a director level cadre and director of the Financial Claim Management Office, assistant inspector of Legal Affairs Department (concurrently serving a temporary position as deputy director of Department of Finance of Sichuan Province) and assistant inspector of Banking Management Department of the PBOC. He was general manager of the Development and Research Department of Hua Xia Bank from August 1997 to April 1999. Mr. Huang is a recipient of a special grant by PRC government. He graduated from Peking University in 1997 and obtained his Ph.D. degree in law.

Yu Jingbo

Executive vice president

Mr. Yu has served as executive vice president of the Bank since December 2014 and Chairman of CCB Pension since November 2015. Mr. Yu served as chief audit officer of the Bank from March 2011 to February 2015, and concurrently as general manager of Beijing Branch of the Bank from August 2013. Mr. Yu served as general manager of the audit department of the Bank from April 2011 to October 2012 and as general manager of Zhejiang Branch of the Bank from March 2005 to March 2011. Mr. Yu was consecutively deputy general manager (in charge) of Zhejiang Branch of the Bank from July 2004 to March 2005, deputy general manager of Zhejiang Branch of the Bank from August 1999 to July 2004, and general manager of Hangzhou Branch of the Bank from April 1997 to August 1999. Mr. Yu is a senior engineer. Mr. Yu obtained his bachelor's degree in industrial and civil architecture from Tongji University in 1985 and his engineering master's degree in industrial psychology from Hangzhou University in 1998.

Zhu Kepeng

Chief disciplinary officer

Mr. Zhu has served as chief disciplinary officer of the Bank since July 2015. Mr. Zhu consecutively served as general manager (at provincial branch level) of the human resources department of the Bank of Communications Co., Ltd. from October 2012 to July 2015, president of Chongqing branch of the Bank of Communications Co., Ltd. from March 2010 to October 2012, head of board of directors office of the Bank of Communications Co., Ltd. from December 2004 to March 2010 and deputy general manager (in charge) of legal compliance department of the Bank of Communications Co., Ltd. from December 2004 to June 2005, and deputy general manager (in charge) of legal compliance (affairs) department of the Bank of Communications Co., Ltd. from December 2002 to December 2004. Mr. Zhu is a senior economist. Mr. Zhu obtained his S.J.D degree majoring in private international law in Wuhan University in 1996.

Zeng Jianhua

Chief risk officer

Mr. Zeng has served as chief risk officer of the Bank since September 2013. From March 2011 to September 2013, Mr. Zeng served as chief financial officer of the Bank. He served as general manager of Guangdong Branch of the Bank from September 2007 to March 2011. Mr. Zeng was consecutively the head of Guangdong Branch from July 2007 to September 2007, general manager of Shenzhen Branch of the Bank from October 2004 to July 2007, deputy general manager of the asset and liability management department of China Construction Bank from July 2003 to October 2004, and deputy general manager of Hunan Branch of China Construction Bank from February 1996 to July 2003. Mr. Zeng is a senior economist. He graduated from the enterprise management major of Hunan University with a PH.D. degree in management in 2005.

Xu Yiming

Chief financial officer

Mr. Xu has served as chief financial officer of the Bank since June 2014. Mr. Xu served as general manager of asset and liability management department of the Bank from August 2005 to July 2014, deputy general manager of asset and liability management department of the Bank from March 2003 to August 2005, and deputy general manager of the general office of Asset and Liability Management Committee of the Bank from March 2001 to March 2003. Mr. Xu is a senior accountant. He graduated from the public finance major of the Research Institute for Fiscal Science of the MOF with a Ph.D. degree in economics in 1994.

Chen Caihong

Secretary to the board

Mr. Chen has served as secretary to the Board since August 2007. Mr. Chen was general manager of Seoul Branch of China Construction Bank from December 2003 to July 2007. Mr. Chen served consecutively as deputy director, director of administrative office, deputy general manager of Fujian Branch, and head of preparation team for Seoul Branch of China Construction Bank from March 1997 to December 2003. Mr. Chen is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor’s degree in infrastructure economics in 1982 and obtained his master’s degree in public finance from the Research Institute for Fiscal Science of the MOF in 1986.

Company Secretary and Qualified Accountant

Ma Chan-Chi

Company secretary

Mr. Ma is a Hong Kong resident and was appointed as the company secretary of the Bank on 29 August 2014. He obtained his Master Degree in Business Administration from the University of Strathclyde in 1995 and the qualifications of the Hong Kong Institute of Certified Public Accountants. He joined

CCB Asia in 2010 and currently serves as its Deputy Chief Executive & Chief Financial Officer. He has more than 30 years of corporate financial and legal affairs experience. Prior to joining CCB Asia, he was the Chief Financial Officer & Secretary to the Board of Hang Seng Bank (China) Limited and the Chief Financial Officer of Nanyang Commercial Bank (China) Limited.

Yuen Yiu Leung

Qualified Accountant

Mr. Yuen has served as qualified accountant of the Bank since August 2005. Mr. Yuen has been the head of finance division of China Construction Bank (Asia) Corporation Limited since July 2013. He was the head of finance division of Hong Kong Branch of the Bank from September 2004 to June 2013, and served concurrently as the head of finance division of CCB International from January 2006 to May 2011. Prior to that, Mr. Yuen held the same position in Hong Kong Branch of the Bank from October 1995 to September 2004 and he served in several capacities at the internal control, finance and accounting functions of Standard Chartered Bank. Mr. Yuen is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, UK and the Chartered Institute of Management Accountants, UK and the Institute of Chartered Accountants in England & Wales. Mr. Yuen graduated from Hong Kong Polytechnic University with a professional diploma in management accountancy in 1988 and received a master's degree in business administration from University of Wales in cooperation with Manchester Business School in 1998.

BOARD COMMITTEES

The board of directors delegates certain responsibilities to various committees. The board of directors has established a strategic development committee, audit committee, risk management committee, nomination and compensation committee, and social responsibilities and related party transactions committee. These committees are constituted by certain directors and report to the board of directors. Each committee meets at least four times a year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the Bank had a total of 449,475 shareholders, of which 48,257 were holders of H-shares and 401,218 were holders of A-shares. As at 30 June 2016, the Bank had a total of 465,719 shareholders, of which 48,502 were holders of H-shares and 417,217 were holders of A-shares.

Huijin

Huijin is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the "Company Law of the PRC" on 16 December 2003 with the approval of the State Council. Its registered capital and paid-in capital are both RMB828,209 million. Its legal representative is Mr. Ding Xuedong. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets.

Huijin does not engage in any other commercial activities, nor does it intervene in daily operations of the key state-owned financial institutions in which it holds controlling shares. Systems and controls are in place to manage any conflict of interest that might arise between the interests of Huijin and the interests of the Bank and to ensure that its control is not abused.

As at 30 June 2016, Huijin held approximately 57.31% of the shares of the Bank.

As at 30 June 2016, there were no other corporate shareholders holding 10% or more of the shares of the Bank (excluding HKSCC Nominees Limited, which acts as the common nominee for the shares held through the Central Clearing and Settlement System). All transactions and relationships between the Bank and its substantial shareholders are conducted on an arm's length basis and on normal contractual terms. The Bank can operate its business independently of its substantial shareholders.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or CMU (together, the ***Clearing Systems****) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believe to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

Book-entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (**CMU Members**) of capital markets instruments (**CMU Instruments**) which are specified in the CMU Reference Manual as capable of being held within the CMU Service. The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, authorised institutions under the Banking Ordinance and other domestic and overseas financial institutions at the discretion of the HKMA. Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream, Luxembourg will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream, Luxembourg and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear, Clearstream, Luxembourg and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream, Luxembourg and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream, Luxembourg or the CMU Service or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with CBRC and PBOC acting as the principal regulatory authorities. CBRC is primarily responsible for supervising and regulating banking institutions, and PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC's banking industry consist principally of the PRC PBOC Law, the PRC Commercial Banking Law, the Law of PRC on Supervision and Administration of Banking Sector, and the rules and regulations promulgated thereunder.

Principal Regulators

Prior to April 2003, PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from PBOC. PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions.

CBRC

Functions and Powers

CBRC is the primary supervisory authority responsible for the regulation of banking institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the banking sector in the PRC.

According to the Law of PRC on Supervision and Administration of Banking Sector, the main responsibilities of CBRC include:

(1) formulating and promulgating rules and regulations governing banking institutions and their business activities;

(2) reviewing and approving the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks, their branches and subsidiaries, branches and representative offices of foreign banks in the PRC;

(3) regulating the business activities of banking institutions, including the products and services they offer;

(4) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;

(5) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;

(6) conducting on-site inspection and off-site surveillance of the business activities and risk exposure status of banking institutions;

(7) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;

(8) imposing corrective and punitive measures for violations of applicable banking regulations;

(9) formulating prudential regulation principles of banking sector in accordance with laws and administrative regulations;

(10) working with authorities (including the PBOC and the MOF);

(11) to establish emergency disposal mechanisms and to deal with any emergencies in the banking sector;

(12) guiding and conducting surveillance on the activities of banking self-disciplinary organisations; and

(13) carrying out international communication and cooperation activities related to supervisions of the banking sector.

Examination and Supervision

CBRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. CBRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, CBRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

PBOC

As the central bank of the PRC, PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, PBOC is empowered to:

(1) Drafting and enforcing relevant laws, rules and regulations that are related to fulfilling its functions;

(2) Formulating and implementing monetary policy in accordance with law;

(3) Issuing the Renminbi and administering its circulation;

(4) Regulating the inter-bank lending market and the inter-bank bond market;

(5) Implementing foreign exchange management, supervising inter-bank foreign exchange market;

(6) Supervising and regulating gold market;

(7) Holding and managing the state foreign exchange and gold reserves;

(8) Managing the State treasury as fiscal agent;

(9) Making payment and settlement rules in collaboration with relevant departments and ensuring normal operation of the payment and settlement systems;

(10) Providing guidance to anti-money laundering work in the financial sector and monitoring money-laundering related suspicious fund movement;

(11) Developing statistics system for the financial industry and responsible for the consolidation of financial statistics as well as the conduct of economic analysis and forecast; and

(12) Participating in international financial activities at the capacity of the central bank.

Other Regulatory Authorities

In addition to CBRC and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, SAFE, CSRC and CIRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC; and in conducting bancassurance business, banks are subject to the regulation of CIRC.

Regulations Regarding Capital Adequacy

Capital Adequacy Guidelines

In March 2004, CBRC implemented capital adequacy guidelines applicable to all commercial banks in the PRC. The guidelines, Measures for the Management of Capital Adequacy Ratios of Commercial Bank (the **Capital Adequacy Measures**), provided for a phase-in period whereby all domestic banks must have met minimum capital adequacy ratios by 1 January 2007. On 3 July 2007, CBRC amended the Capital Adequacy Measures issued in March 2004 to set forth new and more stringent capital adequacy guidelines which must be complied with from 3 July 2007.

In June 2012, the CBRC issued the Administrative Measures on the Capital of Commercial Banks (Trial) (the **2012 Administrative Measures**) regulating capital adequacy ratios (**CAR**) of PRC commercial banks. The 2012 Administrative Measures, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of "capital" and "risk-weighted assets". The overall CAR requirements are 11.5 per cent. for systematically important commercial banks and 10.5 per cent. for other commercial banks. Commercial banks in the PRC are required to have a CAR of not less than 8 per cent., Tier 1 CAR of not less than 6 per cent. and Core Tier 1 CAR of not less than 5 per cent. The CARs are calculated in accordance with the 2012 Administrative Measures as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital — deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital — deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Core Tier 1 Capital Adequacy Ratio} = \frac{\text{Core Tier 1 Capital — deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

In 29 November 2012, the CBRC further released the Guiding Opinion on Commercial Banks' Innovation on Capital Instruments (the **2012 Guiding Opinions**), setting out the general principles of the innovation of capital instruments of commercial banks and criteria of qualified capital instruments.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

PRC

Pursuant to the "PRC Enterprise Income Tax Law" and the "PRC Individual Income Tax Law" as well as their respective implementation rules, payment of interest in respect of debt securities, including bonds, to non-resident enterprises (including Hong Kong enterprises) and non-resident individuals (including Hong Kong resident individuals) will be subject to income tax should the interest paid be deemed as income sourced from the PRC. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest unless there is an applicable tax treaty between the PRC and the jurisdiction in which the holders reside that reduces or exempts such PRC income tax. However, the tax so charged on interest paid on the Notes to non-PRC holders which, or who, are residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of the double taxation arrangement between China and Hong Kong will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between China and Hong Kong. If the interest paid in respect of the Notes is deemed as income sourced from the PRC, income tax will be levied on the payment of interest in respect of the Notes made by the Issuer to the holders of the Notes, and the Issuer shall withhold such income tax at the applicable rates in respect of the interest payable on the Notes and pay such income tax to the PRC tax authorities on behalf of the holders in accordance with the applicable tax laws and regulations. The Issuer shall in respect of these withholding taxes pay additional amounts to the investors of the Notes in accordance with the Terms and Conditions of the Notes so that the Noteholders receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

According to the "PRC Enterprise Income Tax Law" and the "PRC Individual Income Tax Law" and their implementation rules, it is unclear whether the capital gains of non-resident enterprises and non-resident individuals derived from a sale or exchange of the Notes will be subject to PRC income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident holders may be subject to enterprise income tax at a rate of 10 per cent. or individual income tax at a rate of 20 per cent. of the gross proceeds unless there is an applicable tax treaty between the PRC and the jurisdiction in which the relevant non-resident holders reside which reduces or exempts such income tax. According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong (including enterprise and individual) will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap.112) of Hong Kong (the **Inland Revenue Ordinance**), as it is currently applied in the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company, other than a financial institution, carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, a financial institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance) are exempt from the payment of Hong Kong profits tax. Provided no prospectus with respect to the issue of Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of Notes by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source, unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes by the Issuer, provided either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes. No stamp duty is payable on the issue of Registered Notes.

Stamp duty may be payable on any transfer of Registered Notes issued by the Issuer. Stamp duty will, however, not be payable on any transfers of Registered Notes, provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to ten times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK$5.00 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

The proposed European Union financial transactions tax (the FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

United States FATCA Tax Provisions

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the People's Republic of China) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

PRC CURRENCY CONTROLS

Remittance of Renminbi into and outside the PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai, and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, 27 July 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades, the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods, Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these circulars (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces and cities, (iii) the restriction on designated offshore districts has been uplifted, and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the **Six Authorities**) a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the **Supervision List**). On 12 June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

As new regulations, the circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the circulars and impose conditions for settlement of current account items. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the use of Renminbi for payment of transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such rules.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the

PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the SAFE Circular, which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant MOFCOM to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 12 October 2011, MOFCOM promulgated the MOFCOM Circular. In accordance with the MOFCOM Circular, MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement under the PRC strategic investment regime.

On 13 October 2011, the PBOC promulgated the PBOC FDI Measures, pursuant to which, PBOC special approval for RMB FDI and shareholder loans which was required by an earlier circular of PBOC is no longer necessary. The PBOC RMB FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, and a foreign investor is allowed to open Renminbi special accounts for designated usage in relation to making equity investment in a PRC enterprise or receiving Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries. The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

On 19 November 2012, SAFE promulgated the SAFE Circular on DI, which became effective on 17 December 2012. According to the SAFE Circular on DI, SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within the PRC of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 3 December 2013, the MOFCOM promulgated the MOFCOM Circular, which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the 2011 MOFCOM Notice. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, microcredit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macroregulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

As new regulations, such circulars will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE rules. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

Dealer Agreement

Subject to the terms and on the conditions contained in the dealer agreement dated 29 May 2015 (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the **Dealer Agreement**) made between the Issuer, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer has agreed to pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant subscription agreement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Arrangers, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or their business.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

In connection with each tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers and/or their respective affiliates may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Issuer, the Bank, the Arrangers, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except in certain transactions exempt from the registration requirements of the Securities Act.

(b) Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Bearer Notes will be issued in accordance with the provisions of U.S. Treasury Regulation or section 1.163 — 5(c)(2)(i)(D), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation or section 1.163 — 5(c)(2)(i)(C). The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

(c) In connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S (**Category 1 of Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 1 of Regulation S Notes within the United States or to a United States person, as such term is defined in the U.S. Internal Revenue Code of 1986 and regulations thereunder. Each Dealer has agreed that it will not offer, sell or deliver any Notes within the United States, except as permitted by the Dealer Agreement. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

(d) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S (**Category 2 of Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 2 of Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 of Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 of Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 of Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

(e) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the relevant subscription agreement:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Acts 2000 (the **FSMA**) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the pricing supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the pricing supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), and the Notes will be offered pursuant to exemptions under the SFA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person under Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) of the SFA or Section 276(4)(i)(B) of the SFA; or

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law; or

(4) pursuant to Section 276(7) of the SFA or Regulation 32 of the SFA (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have been and will be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the SFO) other than (i) to "professional investors" as defined in the SFO and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws in Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under that Ordinance.

People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong Special Administrative Region and Macau Special Administrative Region of the People's Republic of China or Taiwan), except as permitted by the securities laws of the People's Republic of China.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the DFSA Rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **KSA Regulations**) through a person authorised by the Capital Market Authority (**CMA**) to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes will be made in compliance with the relevant KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 and/or Article 11 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar, including the Qatar Financial Centre, except (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre, and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

General

Each Dealer has agreed and each further Dealers appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Dealer shall have any responsibility therefor.

None of the Issuer and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

Authorisation

1 Pursuant to the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No.574) 《關於進一步加強海外負債業務管理的通知》（建總函〔2014〕574號）, the Notice Concerning the Further Strengthening the Management on the Issuance of Financial Instruments by the Overseas Branches (Department of Overseas Business (2014) No.222)《關於進一步規範海外機構負債金融工具發行管理的通知》(國際業務部（2014）222號）and the powers of attorney (中國建設銀行股份有限公司行長授權書) issued by the Bank effective from 1 September 2013 to 31 August 2015 and 1 September 2016 to 31 August 2017, the establishment of, the update of, and the issue of Notes under, the Programme have been duly authorised.

Listing

2 Application has been made to the Hong Kong Stock Exchange for the listing of the Programme. The issue price of listed Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes.

3 Approval in-principle has been received from the SGX-ST for the listing of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST.

4 Application has been made to the DFSA for Notes issued under the Programme to be admitted to the DFSA Official List. The Programme is expected to be admitted to the DFSA Official List on or about 26 September 2016. An application may be made for any Tranche of Notes to be admitted to trading on NASDAQ Dubai.

NDRC approval

5 The Notes will be issued in accordance with either (i) the requirements under the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (關於推進企業發行外債備案登記制管理改革的通知 (發改外資［2015］2044 號)) (the **NDRC Circular**) issued by the National Development and Reform Commission of the People's Republic of China (the **NDRC**) on 14 September 2015 or (ii) the requirements under the NDRC Circular and the NDRC Pilot Program on the Administration and Reform of Enterprise Foreign Debt Scale of 2016 (發展改革委部署2016年度企業外債規模管 理改革試點工作) published by the NDRC on 7 June 2016, pursuant to which the NDRC would grant annual foreign debt quotas to 21 pilot enterprises, including the Bank and its subsidiaries.

6 In the case of (i), the Bank will make a pre-issuance registration with the NDRC, followed by a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes. In the case of (ii), the Bank is able to rely on such annual foreign debt quota granted by the NDRC and is not required to make any pre-issuance registration for issuance of the Notes within the annual foreign debt quota with the NDRC. However, the Bank will be required to make a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes.

Clearing systems

7 The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

8 The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the CMU Service is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

No significant change

9 Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank or of the Group since 30 June 2016 and there has been no material adverse change in the financial position or prospects of the Bank or of the Group since 31 December 2015.

Litigation

10 Save as disclosed in this Offering Circular, neither the Issuer nor any member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or the Group.

Independent Auditors

11 The independent auditors of the Bank are PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. PricewaterhouseCoopers is registered as a firm of certified public accountants (practising) by The Hong Kong Institute of Certified Public Accountants.

12 The audited consolidated financial statements of the Bank as at and for the years ended 31 December 2014 and 2015, which are included elsewhere or incorporated by reference in this Offering Circular, have been audited by PricewaterhouseCoopers, independent auditors, as stated in their report appearing or incorporated by reference herein.

13 The unaudited consolidated interim financial information of the Bank as at and for the six months ended 30 June 2016 extracted from unaudited consolidated interim financial statements of the Bank as at and for the six months ended 30 June 2016, which are included elsewhere or incorporated by reference in this Offering Circular, have been reviewed by PricewaterhouseCoopers, independent auditors, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA, as stated in their report appearing or incorporated by reference herein, but have not been audited by them.

Documents

14 So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong:

(a) the constitutional documents of the Bank;

(b) the audited consolidated financial statements of the Bank in respect of the financial year ended 31 December 2015 (in each case together with the audit report in connection therewith). The Bank currently prepares audited consolidated accounts on an annual basis;

(c) the unaudited consolidated interim financial information of the Bank in respect of the six months ended 30 June 2016;

(d) the most recent annual audited consolidated financial statements of the Bank and the most recently published unaudited consolidated interim financial statements of the Bank (if any);

(e) the Dealer Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(f) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein; and

(g) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:

(1) The independent auditor's reports on the Group's consolidated financial statements for the years ended 31 December 2014 and 2015 set out herein are reproduced from the Group's annual reports for the years ended 31 December 2014 and 2015 respectively. Page references referred to in the abovenamed reports refer to pages set out in such annual reports.

羅兵咸永道

To the shareholders of China Construction Bank Corporation
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") set out on pages 106 to 254, which comprise the consolidated and Bank statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated and Bank statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: (852) 2289 8888, F: (852) 2810 9888, www.pwchk.com

14 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	**2014**	2013
Interest income		**739,126**	646,253
Interest expense		**(301,728)**	(256,709)
Net interest income	6	**437,398**	389,544
Fee and commission income		**112,238**	107,432
Fee and commission expense		**(3,721)**	(3,149)
Net fee and commission income	7	**108,517**	104,283
Net trading gain	8	**972**	3,092
Dividend income	9	**495**	446
Net gain arising from investment securities	10	**4,045**	1,395
Other operating income, net:			
– Other operating income		**21,959**	12,526
– Other operating expense		**(16,646)**	(146)
Other operating income, net	11	**5,313**	12,380
Operating income		**556,740**	511,140
Operating expenses	12	**(195,988)**	(188,185)
		360,752	322,955
Impairment losses on:			
– Loans and advances to customers		**(59,264)**	(42,666)
– Others		**(2,647)**	(543)
Impairment losses	13	**(61,911)**	(43,209)
Share of profits less losses of associates and joint ventures		**245**	60
Profit before tax		**299,086**	279,806
Income tax expense	16	**(70,839)**	(64,684)
Net profit		**228,247**	215,122

The notes on pages 114 to 254 form part of these financial statements.

	Note	2014	2013
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(294)**	443
Others		**24**	11
Subtotal		**(270)**	454
Items that may be reclassified subsequently to profit or loss			
Gains/(losses) of available-for-sale financial assets arising during the period		**34,391**	(28,354)
Less: Income tax relating to available-for-sale financial assets		**(8,572)**	7,175
Reclassification adjustments for losses included in profit or loss		**(1,639)**	(1,188)
Net gain/(loss) on cash flow hedges		**138**	(148)
Exchange difference on translating foreign operations		**(347)**	(1,361)
Subtotal		**23,971**	(23,876)
Other comprehensive income for the year, net of tax		**23,701**	(23,422)
Total comprehensive income for the year		**251,948**	191,700
Net profit attributable to:			
Equity shareholders of the Bank		**227,830**	214,657
Non-controlling interests		**417**	465
		228,247	215,122
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**251,231**	191,286
Non-controlling interests		**717**	414
		251,948	191,700
Basic and diluted earnings per share (in RMB Yuan)	17	**0.91**	0.86

The notes on pages 114 to 254 form part of these financial statements.

Overview

Management discussion & analysis

Corporate governance

Financial statements and others

14 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(Expressed in millions of RMB, unless otherwise stated)

	Note	2014	2013
Assets:			
Cash and deposits with central banks	18	**2,610,781**	2,475,001
Deposits with banks and non-bank financial institutions	19	**266,461**	321,286
Precious metals		**47,931**	35,637
Placements with banks and non-bank financial institutions	20	**248,525**	152,065
Financial assets at fair value through profit or loss	21	**332,235**	364,050
Positive fair value of derivatives	22	**13,769**	18,910
Financial assets held under resale agreements	23	**273,751**	281,447
Interest receivable	24	**91,495**	80,731
Loans and advances to customers	25	**9,222,910**	8,361,361
Available-for-sale financial assets	26	**926,170**	760,292
Held-to-maturity investments	27	**2,298,663**	2,100,538
Debt securities classified as receivables	28	**170,801**	189,737
Interests in associates and joint ventures	30	**3,084**	2,624
Fixed assets	32	**151,607**	135,678
Land use rights	33	**15,758**	15,731
Intangible assets	34	**2,043**	2,053
Goodwill	35	**2,696**	1,610
Deferred tax assets	36	**39,436**	38,448
Other assets	37	**26,014**	26,011
Total assets		**16,744,130**	15,363,210
Liabilities:			
Borrowings from central banks	40	**91,216**	79,157
Deposits from banks and non-bank financial institutions	41	**1,004,118**	692,095
Placements from banks and non-bank financial institutions	42	**202,402**	155,917
Financial liabilities at fair value through profit or loss	43	**296,009**	380,380
Negative fair value of derivatives	22	**12,373**	19,872
Financial assets sold under repurchase agreements	44	**181,528**	61,873
Deposits from customers	45	**12,898,675**	12,223,037
Accrued staff costs	46	**34,535**	34,080
Taxes payable	47	**62,644**	60,209
Interest payable	48	**185,874**	153,627
Provisions	49	**7,068**	5,014
Debt securities issued	50	**431,652**	357,540
Deferred tax liabilities	36	**401**	138
Other liabilities	51	**83,272**	65,942
Total liabilities		**15,491,767**	14,288,881
Equity:			
Share capital	52	**250,011**	250,011
Capital reserve	53	**135,391**	135,523
Investment revaluation reserve	54	**4,562**	(19,290)
Surplus reserve	55	**130,515**	107,970
General reserve	56	**169,496**	153,835
Retained earnings	57	**558,705**	444,084
Exchange reserve		**(6,501)**	(6,182)
Total equity attributable to equity shareholders of the Bank		**1,242,179**	1,065,951
Non-controlling interests		**10,184**	8,378
Total equity		**1,252,363**	1,074,329
Total liabilities and equity		**16,744,130**	15,363,210

Approved and authorised for issue by the Board of Directors on 27 March 2015.

Zhang Jianguo	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 114 to 254 form part of these financial statements.

14 STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(Expressed in millions of RMB, unless otherwise stated)

	Note	2014	2013
Assets:			
Cash and deposits with central banks	18	**2,600,028**	2,469,497
Deposits with banks and non-bank financial institutions	19	**280,848**	328,640
Precious metals		**47,931**	35,637
Placements with banks and non-bank financial institutions	20	**247,606**	233,574
Financial assets at fair value through profit or loss	21	**320,452**	356,854
Positive fair value of derivatives	22	**9,880**	16,503
Financial assets held under resale agreements	23	**273,444**	280,959
Interest receivable	24	**88,930**	79,025
Loans and advances to customers	25	**8,876,246**	8,025,415
Available-for-sale financial assets	26	**844,914**	714,745
Held-to-maturity investments	27	**2,294,723**	2,095,741
Debt securities classified as receivables	28	**154,576**	182,252
Investments in subsidiaries	29	**26,794**	22,004
Fixed assets	32	**141,880**	127,810
Land use rights	33	**15,341**	15,682
Intangible assets	34	**1,506**	1,549
Deferred tax assets	36	**38,115**	39,093
Other assets	37	**56,569**	58,417
Total assets		**16,319,783**	15,083,397
Liabilities:			
Borrowings from central banks	40	**90,409**	78,733
Deposits from banks and non-bank financial institutions	41	**1,008,746**	704,487
Placements from banks and non-bank financial institutions	42	**152,152**	122,479
Financial liabilities at fair value through profit or loss	43	**292,642**	377,731
Negative fair value of derivatives	22	**10,612**	16,796
Financial assets sold under repurchase agreements	44	**177,256**	55,457
Deposits from customers	45	**12,654,493**	12,055,777
Accrued staff costs	46	**33,234**	32,938
Taxes payable	47	**61,881**	59,693
Interest payable	48	**184,627**	152,946
Provisions	49	**5,399**	5,014
Debt securities issued	50	**367,504**	322,406
Deferred tax liabilities	36	**43**	–
Other liabilities	51	**48,549**	40,339
Total liabilities		**15,087,547**	14,024,796
Equity:			
Share capital	52	**250,011**	250,011
Capital reserve	53	**135,387**	135,508
Investment revaluation reserve	54	**4,288**	(19,275)
Surplus reserve	55	**130,515**	107,970
General reserve	56	**165,916**	150,675
Retained earnings	57	**547,542**	434,877
Exchange reserve		**(1,423)**	(1,165)
Total equity		**1,232,236**	1,058,601
Total liabilities and equity		**16,319,783**	15,083,397

Approved and authorised for issue by the Board of Directors on 27 March 2015.

Zhang Jianguo	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 114 to 254 form part of these financial statements.

14 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2013	**250,011**	**135,523**	**(19,290)**	**107,970**	**153,835**	**444,084**	**(6,182)**	**8,378**	**1,074,329**
Movements during the year	**–**	**(132)**	**23,852**	**22,545**	**15,661**	**114,621**	**(319)**	**1,806**	**178,034**
(1) Total comprehensive income for the year	**–**	**(132)**	**23,852**	**–**	**–**	**227,830**	**(319)**	**717**	**251,948**
(2) Changes in share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,111**	**1,111**
i Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**981**	**981**
ii Change in shareholdings in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130**	**130**
(3) Profit distribution	**–**	**–**	**–**	**22,545**	**15,661**	**(113,209)**	**–**	**(22)**	**(75,025)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**22,545**	**–**	**(22,545)**	**–**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**15,661**	**(15,661)**	**–**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(75,003)**	**–**	**(22)**	**(75,025)**
As at 31 December 2014	**250,011**	**135,391**	**4,562**	**130,515**	**169,496**	**558,705**	**(6,501)**	**10,184**	**1,252,363**
31 December 2012	250,011	135,217	3,023	86,718	80,483	391,034	(4,818)	7,877	949,545
Movements during the year	–	306	(22,313)	21,252	73,352	53,050	(1,364)	501	124,784
(1) Total comprehensive income for the year	–	306	(22,313)	–	–	214,657	(1,364)	414	191,700
(2) Changes in share capital	–	–	–	–	–	–	–	105	105
i Non-controlling interests of new subsidiaries	–	–	–	–	–	–	–	51	51
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	54	54
(3) Profit distribution	–	–	–	21,252	73,352	(161,607)	–	(18)	(67,021)
i Appropriation to surplus reserve	–	–	–	21,252	–	(21,252)	–	–	–
ii Appropriation to general reserve	–	–	–	–	73,352	(73,352)	–	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(18)	(67,021)
As at 31 December 2013	250,011	135,523	(19,290)	107,970	153,835	444,084	(6,182)	8,378	1,074,329

The notes on pages 114 to 254 form part of these financial statements.

14 STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2013	**250,011**	**135,508**	**(19,275)**	**107,970**	**150,675**	**434,877**	**(1,165)**	**1,058,601**
Movements during the year	**–**	**(121)**	**23,563**	**22,545**	**15,241**	**112,665**	**(258)**	**173,635**
(1) Total comprehensive income for the year	**–**	**(121)**	**23,563**	**–**	**–**	**225,454**	**(258)**	**248,638**
(2) Profit distribution	**–**	**–**	**–**	**22,545**	**15,241**	**(112,789)**	**–**	**(75,003)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**22,545**	**–**	**(22,545)**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**15,241**	**(15,241)**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(75,003)**	**–**	**(75,003)**
As at 31 December 2014	**250,011**	**135,387**	**4,288**	**130,515**	**165,916**	**547,542**	**(1,423)**	**1,232,236**
31 December 2012	250,011	135,140	3,078	86,718	79,444	381,844	(778)	935,457
Movements during the year	–	368	(22,353)	21,252	71,231	53,033	(387)	123,144
(1) Total comprehensive income for the year	–	306	(22,353)	–	–	212,519	(387)	190,085
(2) Changes in share capital	–	62	–	–	–	–	–	62
i Acquisition of subsidiaries	–	62	–	–	–	–	–	62
(3) Profit distribution	–	–	–	21,252	71,231	(159,486)	–	(67,003)
i Appropriation to surplus reserve	–	–	–	21,252	–	(21,252)	–	–
ii Appropriation to general reserve	–	–	–	–	71,231	(71,231)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(67,003)
As at 31 December 2013	250,011	135,508	(19,275)	107,970	150,675	434,877	(1,165)	1,058,601

The notes on pages 114 to 254 form part of these financial statements.

14 CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2014	2013
Cash flows from operating activities			
Profit before tax		**299,086**	279,806
Adjustments for:			
– Impairment losses	13	**61,911**	43,209
– Depreciation and amortisation	12	**17,811**	15,416
– Unwinding of discount		**(2,055)**	(1,446)
– Revaluation loss on financial instruments at fair value through profit or loss		**263**	1,325
– Share of profit less losses of associates and joint ventures		**(245)**	(60)
– Dividend income	9	**(495)**	(446)
– Unrealised foreign exchange loss		**7,980**	3,095
– Interest expense on subordinated bonds issued		**8,859**	7,557
– Net gain on disposal of investment securities	10	**(4,045)**	(1,395)
– Net gain on disposal of fixed assets and other long-term assets		**(108)**	(169)
		388,962	346,892
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(184,773)**	(33,915)
Net increase in placements with banks and non-bank financial institutions		**(74,969)**	(51,108)
Net increase in loans and advances to customers		**(883,158)**	(1,116,433)
Net decrease in financial assets held under resale agreements		**12,707**	35,238
Net decrease/(increase) in other operating assets		**12,889**	(347,722)
		(1,117,305)	(1,513,940)
Changes in operating liabilities:			
Net increase in borrowings from central banks		**11,605**	73,116
Net increase in placements from banks and non-bank financial institutions		**36,256**	38,816
Net increase in deposits from customers and from banks and non-bank financial institutions		**947,653**	613,017
Net increase in financial assets sold under repurchase agreements		**119,467**	59,603
Net increase in certificates of deposit issued		**42,992**	96,865
Income tax paid		**(76,687)**	(62,114)
Net (decrease)/increase in other operating liabilities		**(35,992)**	393,674
		1,045,294	1,212,977
Net cash from operating activities		**316,951**	45,929

The notes on pages 114 to 254 form part of these financial statements.

	Note	2014	2013
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**503,662**	730,160
Dividends received		**504**	461
Proceeds from disposal of fixed assets and other long-term assets		**2,030**	1,851
Purchase of investment securities		**(810,304)**	(971,998)
Purchase of fixed assets and other long-term assets		**(35,490)**	(38,406)
Acquisition of subsidiaries, associates and joint ventures		**(4,289)**	(250)
Net cash used in investing activities		**(343,887)**	(278,182)
Cash flows from financing activities			
Issue of bonds		**42,238**	1,997
Capital contribution by non-controlling interests		**130**	51
Dividends paid		**(75,025)**	(67,044)
Repayment of borrowings		**(22,500)**	–
Interest paid on bonds issued		**(7,693)**	(7,545)
Net cash used in financing activities		**(62,850)**	(72,541)
Effect of exchange rate changes on cash and cash equivalents		**2,731**	(3,353)
Net decrease in cash and cash equivalents		**(87,055)**	(308,147)
Cash and cash equivalents as at 1 January	58	**440,773**	748,920
Cash and cash equivalents as at 31 December	58	**353,718**	440,773
Cash flows from operating activities include:			
Interest received		**726,117**	632,076
Interest paid, excluding interest expense on bonds issued		**(261,713)**	(218,715)

The notes on pages 114 to 254 form part of these financial statements.

14 NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of RMB, unless otherwise stated)

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No.100000000039122 from the State Administration for Industry & Commerce of the PRC. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Ltd. ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor on behalf of the PRC government.

New subsidiaries consolidated by the Bank in 2014 include CCB Brazil Financial Holding – Investimentos e Participacoes Ltda. and Banco Industrial e Comercial S.A.("BIC Bank") which were acquired during the year and China Construction Bank (New Zealand) Limited ("CCB New Zealand") which was established by the Bank during the year.

These financial statements were authorised for issue by the board of directors of the Bank on 27 March 2015.

2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements for the year ended 31 December 2014 comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at designated cost. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

2 BASIS OF PREPARATION (CONTINUED)

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(23).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the predecessor Hong Kong Companies Ordinance(Cap. 32) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which are applicable to 2014 annual report. The financial statements will comply with the applicable disclosure requirements of the new Hong Kong Companies Ordinance according to the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in 2015.

The Group has adopted the following new or revised IFRSs and Interpretations effective for the current year. There is no early adoption of any new IFRSs not yet effective for the year ended 31 December 2014.

Amendment to IAS 32, "Financial instruments: Presentation on offsetting financial assets and financial liabilities"

Amendment to IAS 36, "Impairment of assets" on the recoverable amount disclosures for non-financial assets

Amendment to IAS 39, "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS/HKAS 37 'Provisions'

Amendments to IFRS 10, 12 and IAS 27, "Consolidation for investment entities"

The amendment to IAS 32 clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36 removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendments did not have a significant effect on the group financial statements.

Amendment to IAS 39 considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparts. The Group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21 addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group has applied the interpretation and there has been no significant impact on the group financial statements as a result.

Amendments to IFRS 10, 12 and IAS 27 give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. The Group has applied the amendment and there has been no significant impact on the group financial statements as a result.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Significant intragroup balances and transactions, and any significant profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) Associates and joint arrangements

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associate or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's interest in the associate or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associate and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associate or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate or joint venture make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near future, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and debt securities classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in “net trading gain” of the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the “capital reserve”. The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(c) Embedded derivatives

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3).

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

The difference between the carrying amount of the financial asset derecognised and the consideration received and the cumulative changes in fair value previously recognised in equity are recognised in profit or loss.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(e) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortisation process.

(f) Impairment

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following evidence:

– significant financial difficulty of the borrower or issuer;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– disappearance of an active market for financial assets because of significant financial difficulties;

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

– other objective evidence indicating there is an impairment of the financial asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed and loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a roll rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual losses level is likely to be greater or less than that suggested by historical experience.

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

Impairment losses recognised on a collective basis represent a transitional step which identifies the impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables and held-to-maturity investments that were impaired but were not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

Loans and receivables and held-to-maturity investments (continued)

Impairment reversal and loan write-offs

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

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

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(g) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(h) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(i) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(j) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. 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 a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

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

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Bank premises	30 – 35 years	3%	2.8% – 3.2%
Equipment	3 – 8 years	3%	12.1% – 32.3%
Others	4 – 11years	3%	8.8% – 24.3%

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(c) Disposal

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease

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

(a) Finance lease

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receivables and initial direct costs at the commencement of the lease term, is included in "loans and advances to customers" on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(f).

(b) Operating lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(7) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(11).

(8) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses (Note 4(11)).

(11) Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Allowances for impairment losses on non-financial assets (continued)

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(12) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

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

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Employee benefits (continued)

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(13) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group; and

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Provisions and contingent liabilities

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

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or nonoccurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(15) Financial guarantees

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

(16) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group 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.

(17) Income recognition

Provided it is probable that economic benefits will flow to the Group and the amount, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Interest income

Interest income for interest bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) Income recognition (continued)

(a) Interest income (continued)

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 Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is 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 profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as commission on expiry.

(c) Finance income from finance leases and hire purchase contracts

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(d) Dividend income

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

(18) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. 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. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(20) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(21) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a jointly controlled entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(22) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, and available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. 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 and advance, an available-for-sale or a held-to-maturity debt investment. 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 flows. The same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net off any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments 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 and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or other-than-temporary decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or other-than-temporary, the Group considers if the fair value of an available-for-sale equity instrument as at the end of reporting period is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than a year (including one year) together with other relevant considerations.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Significant accounting estimates and judgments (continued)

(d) Reclassification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

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

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits payable to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's capital reserve and liability related to its employee retirement benefit obligations.

(g) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

5 TAXATION

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

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

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

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" in the statement of financial position.

6 NET INTEREST INCOME

	2014	2013
Interest income arising from:		
Deposits with central banks	**39,177**	37,589
Deposits with banks and non-bank financial institutions	**14,194**	19,907
Placements with banks and non-bank financial institutions	**11,328**	4,982
Financial assets at fair value through profit or loss	**1,313**	1,061
Financial assets held under resale agreements	**12,361**	5,150
Investment securities	**127,924**	108,515
Loans and advances to customers		
– Corporate loans and advances	**367,729**	330,799
– Personal loans and advances	**158,083**	130,730
– Discounted bills	**7,017**	7,520
Total	**739,126**	646,253
Interest expense arising from:		
Borrowings from central banks	**(1,635)**	(3,810)
Deposits from banks and non-bank financial institutions	**(42,948)**	(18,176)
Placements from banks and non-bank financial institutions	**(5,091)**	(2,826)
Financial liabilities at fair value through profit or loss	**–**	(5)
Financial assets sold under repurchase agreements	**(448)**	(1,097)
Debt securities issued	**(14,223)**	(10,207)
Deposits from customers		
– Corporate deposits	**(119,583)**	(109,735)
– Personal deposits	**(117,800)**	(110,853)
Total	**(301,728)**	(256,709)
Net interest income	**437,398**	389,544

Notes:

(1) Interest income from impaired financial assets is listed as follows:

	2014	2013
Impaired loans and advances	**1,943**	1,446
Other impaired financial assets	**112**	205
Total	**2,055**	1,651

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

(Expressed in millions of RMB, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income		
Bank card fees	**30,569**	25,783
Consultancy and advisory fees	**18,640**	21,130
Settlement and clearing fees	**13,630**	12,422
Agency service fees	**13,204**	12,395
Wealth management service fees	**10,856**	10,680
Commission on trust and fiduciary activities	**8,837**	9,135
Electronic banking service fees	**6,407**	5,740
Credit commitment fees	**3,131**	2,741
Guarantee fees	**2,084**	1,886
Others	**4,880**	5,520
Total	**112,238**	107,432
Fee and commission expense		
Bank card transaction fees	**(2,409)**	(2,060)
Inter-bank transaction fees	**(547)**	(481)
Others	**(765)**	(608)
Total	**(3,721)**	(3,149)
Net fee and commission income	**108,517**	104,283

8 NET TRADING GAIN

	2014	2013
Debt securities	**234**	(488)
Derivatives	**442**	2,229
Equity investments	**474**	341
Others	**(178)**	1,010
Total	**972**	3,092

For the year ended 31 December 2014, trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB22,744 million (2013: gain RMB4,461 million). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB22,988 million (2013: gain RMB3,630 million).

9 DIVIDEND INCOME

	2014	2013
Dividend income from listed trading equity investments	**36**	22
Dividend income from available-for-sale equity investments		
– Listed	**91**	104
– Unlisted	**368**	320
Total	**495**	446

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2014	2013
Net gain on sale of available-for-sale financial assets	**805**	565
Net revaluation gain reclassified from other comprehensive income on disposal	**2,889**	595
Net gain on sale of held-to-maturity investments	**351**	222
Net gain on sale of receivables	**–**	13
Total	**4,045**	1,395

11 OTHER OPERATING INCOME, NET

Other operating income

	2014	2013
Insurance related income	**15,579**	6,897
Foreign exchange gain	**1,768**	1,810
Gain on disposal of fixed assets	**229**	269
Gain on disposal of repossessed assets	**86**	203
Others	**4,297**	3,347
Total	**21,959**	12,526

Foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge long positions in foreign currency assets).

Other operating expense

For the year ended 31 December 2014, other operating expenses of the Group mainly contain insurance related claims from CCB Life.

(Expressed in millions of RMB, unless otherwise stated)

12 OPERATING EXPENSES

	2014	2013
Staff costs		
– Salaries, bonuses, allowances and subsidies	**60,268**	58,154
– Other social insurance and welfare	**9,653**	8,215
– Housing funds	**6,014**	5,433
– Union running costs and employee education costs	**2,561**	2,391
– Defined contribution plans accrued	**12,995**	12,190
– Defined benefit plans accrued	**–**	339
– Early retirement expenses	**64**	100
– Compensation to employees for termination of employment relationship	**8**	8
	91,563	86,830
Premises and equipment expenses		
– Depreciation charges	**15,356**	13,027
– Rent and property management expenses	**8,022**	7,133
– Maintenance	**3,309**	3,016
– Utilities	**2,172**	2,049
– Others	**1,686**	1,525
	30,545	26,750
Business taxes and surcharges	**34,983**	31,648
Amortisation expenses	**2,455**	2,389
Audit fees	**160**	150
Other general and administrative expenses	**36,282**	40,418
Total	**195,988**	188,185

13 IMPAIRMENT LOSSES

	2014	2013
Loans and advances to customers		
– Additions	**69,009**	53,498
– Releases	**(9,745)**	(10,832)
Available-for-sale debt securities	**88**	(1,144)
Available-for-sale equity investments	**271**	195
Held-to-maturity investments	**281**	1,056
Debt securities classified as receivables	**196**	(237)
Fixed assets	**17**	58
Others	**1,794**	615
Total	**61,911**	43,209

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2014				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (v))	Total (note(i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Wang Hongzhang (note(vi))	–	799	40	311	1,150
Zhang Jianguo (note(vi))	–	761	40	331	1,132
Non-executive directors					
Chen Yuanling (note(iii))	–	–	–	–	–
Xu Tie(note(iii))	–	–	–	–	–
Guo Yanpeng (note(ii)&(iii))	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–
Independent non-executive directors					
Zhang Long (note(ii))	405	–	–	–	405
Elaine La Roche	410	–	–	–	410
Chung Shui Ming Timpson	440	–	–	–	440
Wim Kok	360	–	–	–	360
Murray Horn	420	–	–	–	420
Margaret Leung Ko May Yee	410	–	–	–	410
Supervisors					
Guo You (note(ii)&(vi))	–	612	33	277	922
Liu Jin (note(vi))	–	518	40	243	801
Li Xiaoling (note(vi))	–	518	40	243	801
Jin Panshi (note(iv))	50	–	–	–	50
Zhang Huajian (note(iv))	50	–	–	–	50
Wang Lin (note(ii)&(iv))	46	–	–	–	46
Wang Xinmin	192	–	–	–	192
Bai Jianjun	250	–	–	–	250

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2014				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (v))	Total (note(i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Former executive director					
Zhu Hongbo (note(ii)&(vi))	–	680	40	282	1,002
Hu Zheyi (note(ii)&(vi))	–	680	40	282	1,002
Former non-executive director					
Qi Shouyin (note(ii)&(iii))	–	–	–	–	–
Zhang Yanling (note(ii)&(iii))	–	–	–	–	–
Former independent non-executive directors					
Zhao Xijun (note(ii))	103	–	–	–	103
Former supervisors					
Zhang Furong (note(ii)&(vi))	–	734	40	331	1,105
Li Weiping (note(ii)&(iv))	4	–	–	–	4
Huang Shuping (note(ii)&(iv))	17	–	–	–	17
	3,157	5,302	313	2,300	11,072

	2013						
	Basic annual salaries	Annual performance bonus	Allowance	Welfare	Total (before tax) (note(vii))	Including: deferral payment	The actual payment in 2013 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Hongzhang	480	1,179	–	330	1,989	590	1,399
Zhang Jianguo	459	1,175	–	349	1,983	588	1,395
Zhu Hongbo (note(ii))	434	1,109	–	302	1,845	555	1,290
Hu Zheyi (note(ii))	434	1,109	–	302	1,845	555	1,290
Non-executive directors							
Qi Shouyin (note(ii)&(iii))	–	–	–	–	–	–	–
Zhang Yanling (note(ii)&(iii))	–	–	–	–	–	–	–
Chen Yuanling (note(iii))	–	–	–	–	–	–	–
Xu Tie (note(iii))	–	–	–	–	–	–	–
Guo Yanpeng (note(ii)&(iii))	–	–	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–	–	–
Independent non-executive directors							
Zhang Long (note(ii))	–	–	–	–	–	–	–
Elaine La Roche	–	–	392	–	392	–	392
Zhao Xijun (note(ii))	–	–	410	–	410	–	410
Chung Shui Ming Timpson	–	–	72	–	72	–	72
Wim Kok	–	–	60	–	60	–	60
Murray Horn	–	–	35	–	35	–	35
Margaret Leung Ko May Yee	–	–	34	–	34	–	34

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2013						
	Basic annual salaries	Annual performance bonus	Allowance	Welfare	Total (before tax) (note(vii))	Including: deferral payment	The actual payment in 2013 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors							
Zhang Furong (note(ii))	449	1,148	–	349	1,946	574	1,372
Liu Jin	332	847	–	264	1,443	423	1,020
Li Xiaoling	166	423	–	134	723	212	511
Jin Panshi (note(iv))	–	–	50	–	50	–	50
Huang Shuping (note(ii)&(iv))	–	–	50	–	50	–	50
Zhang Huajian (note(iv))	–	–	50	–	50	–	50
Wang Lin (note(ii)&(iv))	–	–	–	–	–	–	–
Wang Xinmin	–	–	146	–	146	–	146
Bai Jianjun	–	–	146	–	146	–	146
Former non-executive directors							
Wang Yong	–	–	–	–	–	–	–
Zhu Zhenmin	–	–	–	–	–	–	–
Li Xiaoling	–	–	–	–	–	–	–
Former independent non-executive directors							
Yam Chi Kwong, Joseph	–	–	317	–	317	–	317
Dame Jenny Shipley	–	–	440	–	440	–	440
Wong Kai-Man	–	–	440	–	440	–	440
Former supervisors							
Song Fengming	–	–	135	–	135	–	135
Li Weiping (note(ii)&(iv))	–	–	50	–	50	–	50
Guo Feng	–	–	125	–	125	–	125
Dai Deming	–	–	135	–	135	–	135
	2,754	6,990	3,087	2,030	14,861	3,497	11,364

Notes:

(i) The amounts of emoluments for the year ended 31 December 2014 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) In accordance with the resolution at the 2013 first extraordinary general meeting of the Bank and upon approval of the CBRC, from January 2014, Ms. Zhang Yanling and Mr. Guo Yanpeng commenced their positions as non-executive directors of the Bank, and Mr. Zhang Long commenced his position as independent non-executive director of the Bank.

From 28 March 2014, Mr. Zhao Xijun ceased to serve as independent non-executive director of the Bank due to his personal work reason. From 7 May 2014, Ms. Zhang Yanling ceased to serve as non-executive director of the Bank due to work variation. From 8 October 2014, Mr. Qi Shouyin ceased to serve as non-executive director of the Bank due to work variation.

The Bank published an announcement on 6 January 2015, pursuant to which, Mr. Hu Zheyi tendered his resignation to the Board as executive director and executive vice president of the Bank due to his age.

The Bank published an announcement on 9 March 2015, pursuant to which, Mr. Zhu Hongbo tendered his resignation to the Board as executive director and executive vice president of the Bank due to work variation.

In accordance with the resolution at the third meeting of the third employee representatives meeting of the Bank, Mr. Wang Lin commenced his position as employee representative supervisor of the Bank from January 2014.

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes: (continued)

(ii) (continued)

In accordance with the resolution at the 2013 annual general meeting of the Bank, Mr. Guo You commenced his position as shareholder representative supervisor of the Bank from June 2014. In accordance with the resolution at the fourth meeting of the board of supervisors of the Bank in 2014, Mr. Guo You commenced his position as chairman of the board of supervisors of the Bank from 26 June 2014.

From January 2014, Mr. Li Weiping resigned from his position as employee representative supervisor of the Bank due to work arrangement.

From April 2014, Ms. Huang Shuping resigned from her position as employee representative supervisor of the Bank due to work variation.

From June 2014, Mr. Zhang Furong resigned from his position as chairman of the board of supervisors and employee representative supervisor of the Bank due to relevant regulation and his age.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2014 and 2013.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2014 and 2013.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2014 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2014. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2013 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2013 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2013 remained to be approved by the Annual General Meeting.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowance	**17,318**	11,139
Variable compensation	**13,502**	11,117
Contributions to defined contribution retirement schemes	**939**	1,007
Other benefit in kind	**221**	197
	31,980	23,460

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2014	2013
RMB4,500,001 – RMB5,000,000	**–**	5
RMB5,000,001 – RMB5,500,000	**1**	–
RMB5,500,001 – RMB6,000,000	**1**	–
RMB6,000,001 – RMB6,500,000	**1**	–
RMB6,500,001 – RMB7,000,000	**1**	–
RMB8,000,001 – RMB8,500,000	**1**	–

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the year ended 31 December 2014 and 2013.

16 INCOME TAX EXPENSE

(1) Income tax expense

	2014	2013
Current tax	**77,310**	68,696
– Mainland China	**75,647**	67,803
– Hong Kong	**1,020**	624
– Other countries and regions	**643**	269
Adjustments for prior years	**747**	7
Deferred tax	**(7,218)**	(4,019)
Total	**70,839**	64,684

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the year respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

16 INCOME TAX EXPENSE (CONTINUED)

(2) Reconciliation between income tax expense and accounting profit

	Note	2014	2013
Profit before tax		**299,086**	279,806
Income tax calculated at statutory tax rate at 25%		**74,772**	69,952
Non-deductible expenses	(i)	**5,990**	3,626
Non-taxable income	(ii)	**(10,670)**	(8,901)
Adjustments on income tax for prior years which affect profit or loss		**747**	7
Income tax expense		**70,839**	64,684

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds.

17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2014 and 2013 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2014 and 2013.

	2014	2013
Net profit attributable to shareholders of the Bank	**227,830**	214,657
Weighted average number of shares (in millions of shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	**0.91**	0.86

18 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Cash		**72,653**	71,756	**72,008**	71,457
Deposits with central banks					
– Statutory deposit reserves	(1)	**2,424,959**	2,254,478	**2,422,089**	2,252,239
– Surplus deposit reserves	(2)	**81,392**	129,443	**74,154**	126,477
– Fiscal deposits		**31,777**	19,324	**31,777**	19,324
Subtotal		**2,538,128**	2,403,245	**2,528,020**	2,398,040
Total		**2,610,781**	2,475,001	**2,600,028**	2,469,497

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China of the Bank were as follows:

	2014	2013
Reserve rate for RMB deposits	**20.0%**	20.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group 2014	Group 2013	Bank 2014	Bank 2013
Banks	**260,940**	317,864	**275,361**	325,353
Non-bank financial institutions	**5,528**	3,429	**5,491**	3,291
Gross balances	**266,468**	321,293	**280,852**	328,644
Allowances for impairment losses (Note 38)	**(7)**	(7)	**(4)**	(4)
Net balances	**266,461**	321,286	**280,848**	328,640

(2) Analysed by geographical sectors

	Group 2014	Group 2013	Bank 2014	Bank 2013
Mainland China	**240,795**	301,221	**240,364**	301,079
Overseas	**25,673**	20,072	**40,488**	27,565
Gross balances	**266,468**	321,293	**280,852**	328,644
Allowances for impairment losses (Note 38)	**(7)**	(7)	**(4)**	(4)
Net balances	**266,461**	321,286	**280,848**	328,640

(Expressed in millions of RMB, unless otherwise stated)

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2014	2013	**2014**	2013
Banks	**160,333**	49,419	**146,933**	121,551
Non-bank financial institutions	**88,219**	102,673	**100,700**	112,050
Gross balances	**248,552**	152,092	**247,633**	233,601
Allowances for impairment losses (Note 38)	**(27)**	(27)	**(27)**	(27)
Net balances	**248,525**	152,065	**247,606**	233,574

(2) Analysed by geographical sectors

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**174,250**	120,157	**116,150**	116,641
Overseas	**74,302**	31,935	**131,483**	116,960
Gross balances	**248,552**	152,092	**247,633**	233,601
Allowances for impairment losses (Note 38)	**(27)**	(27)	**(27)**	(27)
Net balances	**248,525**	152,065	**247,606**	233,574

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysed by nature

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Held for trading purpose	(1)				
– Debt securities		**95,118**	76,532	**88,800**	76,288
– Equity instruments		**401**	355	**–**	–
– Funds		**210**	262	**–**	–
		95,729	77,149	**88,800**	76,288
Designated at fair value through profit or loss	(2)				
– Debt securities		**998**	2,432	**–**	–
– Equity instruments		**3,856**	5,903	**–**	–
– Other debt instruments		**231,652**	278,566	**231,652**	280,566
		236,506	286,901	**231,652**	280,566
Total		**332,235**	364,050	**320,452**	356,854

Analysed by types of issuers

(1) Held for trading purpose

(a) Debt securities

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Government		**7,179**	1,810	**1,348**	1,802
Policy banks		**5,016**	3,153	**5,016**	3,153
Banks and non-bank financial institutions		**10,130**	17,766	**9,896**	17,749
Others		**72,793**	53,803	**72,540**	53,584
Total		**95,118**	76,532	**88,800**	76,288
Listed	(i)	**95,118**	76,532	**88,800**	76,288
– of which in Hong Kong		**132**	68	**–**	–
Total		**95,118**	76,532	**88,800**	76,288

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(b) Equity instruments and funds

	Group 2014	Group 2013
Banks and non-bank financial institutions	**203**	206
Others	**408**	411
Total	**611**	617
Listed	**404**	406
– of which in Hong Kong	**383**	270
Unlisted	**207**	211
Total	**611**	617

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(2) Designated at fair value through profit or loss

(a) Debt securities

		Group	
	Note	**2014**	2013
Policy banks		**–**	241
Banks and non-bank financial institutions		**–**	516
Others		**998**	1,675
Total		**998**	2,432
Listed	(i)	**31**	789
– of which in Hong Kong		**31**	789
Unlisted		**967**	1,643
Total		**998**	2,432

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(b) Equity instruments

	Group	
	2014	2013
Banks and non-bank financial institutions	**1,035**	591
Others	**2,821**	5,312
Total	**3,856**	5,903
Listed	**1,904**	1,958
– of which in Hong Kong	**1,338**	1,305
Unlisted	**1,952**	3,945
Total	**3,856**	5,903

(c) Other debt instruments

	Group		Bank	
	2014	2013	**2014**	2013
Banks and non-bank financial institutions	**231,592**	278,506	**231,592**	280,506
Other corporate entities	**60**	60	**60**	60
Total	**231,652**	278,566	**231,652**	280,566

Other debt instruments were mainly the deposits with banks invested by principal guaranteed wealth management products.

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

22 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contract

Group

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**211,495**	**1,558**	**1,376**	262,454	1,415	1,302
Exchange rate contracts	**1,560,367**	**10,825**	**10,323**	1,739,985	16,272	16,890
Other contracts	**28,377**	**1,386**	**674**	15,774	1,223	1,680
Total	**1,800,239**	**13,769**	**12,373**	2,018,213	18,910	19,872

Bank

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**207,392**	**1,541**	**1,357**	254,779	1,402	1,284
Exchange rate contracts	**1,252,813**	**7,516**	**8,581**	1,501,564	14,272	14,879
Other contracts	**26,347**	**823**	**674**	13,659	829	633
Total	**1,486,552**	**9,880**	**10,612**	1,770,002	16,503	16,796

(2) Analysed by credit risk-weighted assets

	Group		Bank	
	2014	2013	**2014**	2013
Counterparty credit default risk-weighted assets				
– Interest rate contracts	**1,615**	1,387	**1,603**	1,381
– Exchange rate contracts	**16,211**	17,739	**11,618**	15,276
– Other contracts	**1,564**	1,238	**915**	808
Subtotal	**19,390**	20,364	**14,136**	17,465
Credit value adjustment	**7,921**	8,688	**6,415**	7,962
Total	**27,311**	29,052	**20,551**	25,427

The notional amounts of derivatives only represent the unsettled transactions volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of counterparties, maturity and back-to-back client-driven transactions.

(Expressed in millions of RMB, unless otherwise stated)

22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

The following designated hedging instruments are included in the derivatives financial instruments disclosed above.

Group

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**8,628**	**71**	**(59)**	10,020	58	(100)
Cash flow hedges						
Foreign exchange forwards	**1,974**	**10**	**–**	51,093	–	(1,862)
Total	**10,602**	**81**	**(59)**	61,113	58	(1,962)

Bank

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**8,174**	**71**	**(56)**	10,020	58	(100)
Cash flow hedges						
Foreign exchange forwards	**317**	**1**	**–**	50,805	–	(1,860)
Total	**8,491**	**72**	**(56)**	60,825	58	(1,960)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued, placements with banks and non-bank financial institutions and loans and advances to customers arising from changes in interest rates.

Gains or losses on fair value hedges are as follows:

The Group

	2014	2013
Net gains/(losses) on		
– hedging instruments	**54**	(5)
– hedged items	**(54)**	5

The Bank

	2014	2013
Net gains/(losses) on		
– hedging instruments	**62**	(5)
– hedged items	**(62)**	5

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2013 and 2014.

22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting (continued)

(b) Cash flow hedge

The Group uses foreign exchange forwards to hedge against exposures to cash flow variability primarily from foreign exchange risks of loans and advances to customers. The maturities of hedging instruments and hedged items are both within one year.

For the year ended 31 December 2014, the Group's and the Bank's net gain from the cash flow hedge of RMB138 million and RMB149 million respectively were recognised in other comprehensive income (the Group and the Bank 2013: net loss 148 million) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial for the year ended 31 December 2014.

There were no transactions for which cash flow hedge accounting had to be ceased for the year ended 31 December 2014, as a result of the highly probable cash flows no longer being expected to occur.

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements by underlying assets are shown as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Securities				
– Government bonds	**22,251**	120,156	**22,198**	119,891
– Bills issued by the PBOC	**–**	10,109	**–**	10,109
– Debt securities issued by banks and non-bank financial institutions	**67,930**	129,706	**67,676**	129,483
Subtotal	**90,181**	259,971	**89,874**	259,483
Discounted bills	**183,570**	19,876	**183,570**	19,876
Loans	**–**	1,600	**–**	1,600
Net balances	**273,751**	281,447	**273,444**	280,959

24 INTEREST RECEIVABLE

	Group		Bank	
	2014	2013	**2014**	2013
Deposits with central banks	**1,101**	1,040	**1,100**	1,039
Deposits with banks and non-bank financial institutions	**3,397**	5,035	**3,003**	4,879
Financial assets held under resale agreements	**1,928**	153	**1,928**	150
Loans and advances to customers	**24,609**	23,408	**23,642**	21,579
Debt securities	**59,467**	50,551	**58,550**	50,234
Others	**994**	545	**708**	1,145
Gross balances	**91,496**	80,732	**88,931**	79,026
Allowances for impairment losses (Note 38)	**(1)**	(1)	**(1)**	(1)
Net balances	**91,495**	80,731	**88,930**	79,025

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group		Bank	
	2014	2013	**2014**	2013
Corporate loans and advances				
– Loans	**6,266,668**	5,897,249	**6,034,829**	5,644,616
– Finance leases	**70,891**	44,956	**–**	–
	6,337,559	5,942,205	**6,034,829**	5,644,616
Personal loans and advances				
– Residential mortgages	**2,273,093**	1,896,203	**2,255,985**	1,880,227
– Personal business loans	**79,203**	95,342	**75,002**	91,655
– Personal consumer loans	**66,279**	76,174	**58,058**	71,490
– Credit cards	**333,871**	273,228	**329,164**	268,663
– Others	**183,316**	163,891	**169,224**	152,627
	2,935,762	2,504,838	**2,887,433**	2,464,662
Discounted bills	**201,202**	143,014	**200,800**	142,842
Gross loans and advances to customers	**9,474,523**	8,590,057	**9,123,062**	8,252,120
Allowances for impairment losses (Note 38)	**(251,613)**	(228,696)	**(246,816)**	(226,705)
– Individual assessment	**(57,773)**	(52,137)	**(56,413)**	(51,885)
– Collective assessment	**(193,840)**	(176,559)	**(190,403)**	(174,820)
Net loans and advances to customers	**9,222,910**	8,361,361	**8,876,246**	8,025,415

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of allowances for impairment losses

	Note	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
		(a)	(b)	(b)	
Group					
As at 31 December 2014					
Gross loans and advances to customers		**9,361,352**	**11,442**	**101,729**	**9,474,523**
Allowances for impairment losses		**(186,252)**	**(7,588)**	**(57,773)**	**(251,613)**
Net loans and advances to customers		**9,175,100**	**3,854**	**43,956**	**9,222,910**
As at 31 December 2013					
Gross loans and advances to customers		8,504,793	8,112	77,152	8,590,057
Allowances for impairment losses		(171,027)	(5,532)	(52,137)	(228,696)
Net loans and advances to customers		8,333,766	2,580	25,015	8,361,361
Bank					
As at 31 December 2014					
Gross loans and advances to customers		**9,015,838**	**11,067**	**96,157**	**9,123,062**
Allowances for impairment losses		**(182,944)**	**(7,459)**	**(56,413)**	**(246,816)**
Net loans and advances to customers		**8,832,894**	**3,608**	**39,744**	**8,876,246**
As at 31 December 2013					
Gross loans and advances to customers		8,167,339	8,002	76,779	8,252,120
Allowances for impairment losses		(169,308)	(5,512)	(51,885)	(226,705)
Net loans and advances to customers		7,998,031	2,490	24,894	8,025,415

(a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

– individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

– collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2014 is 1.19% (2013: 0.99 %).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2014 is 1.18% (2013: 1.03%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 65(1).

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

Group

		2014			
			Allowances for impaired loans and advances		
	Note	Allowances for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		171,027	5,532	52,137	228,696
Charge for the year		13,995	4,975	50,039	69,009
Release during the year		–	39	(9,784)	(9,745)
Unwinding of discount		–	–	(1,943)	(1,943)
Addition through acquisition		1,393	90	644	2,127
Transfers out	(a)	(163)	(21)	(16,119)	(16,303)
Write-offs		–	(3,168)	(18,317)	(21,485)
Recoveries		–	141	1,116	1,257
As at 31 December		186,252	7,588	57,773	251,613

		2013			
			Allowances for impaired loans and advances		
	Note	Allowances for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		152,710	3,909	45,814	202,433
Charge for the year		18,317	2,941	32,240	53,498
Release during the year		–	–	(10,832)	(10,832)
Unwinding of discount		–	–	(1,446)	(1,446)
Transfers out	(a)	–	(3)	(4,858)	(4,861)
Write-offs		–	(1,427)	(10,441)	(11,868)
Recoveries		–	112	1,660	1,772
As at 31 December		171,027	5,532	52,137	228,696

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses (continued)

Bank

	Note	2014			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		169,308	5,512	51,885	226,705
Charge for the year		13,587	4,847	49,868	68,302
Release during the year		–	–	(10,748)	(10,748)
Unwinding of discount		–	–	(1,943)	(1,943)
Addition through acquisition		49	–	–	49
Transfers out	(a)	–	(5)	(15,969)	(15,974)
Write-offs		–	(3,007)	(17,797)	(20,804)
Recoveries		–	112	1,117	1,229
As at 31 December		182,944	7,459	56,413	246,816

	Note	2013			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		151,510	3,899	45,678	201,087
Charge for the year		17,848	2,846	32,086	52,780
Release during the year		–	–	(10,821)	(10,821)
Unwinding of discount		–	–	(1,446)	(1,446)
Transfers out	(a)	(50)	(1)	(4,844)	(4,895)
Write-offs		–	(1,317)	(10,424)	(11,741)
Recoveries		–	85	1,656	1,741
As at 31 December		169,308	5,512	51,885	226,705

(a) Transfers out include the transfer of allowances for impairment losses upon disposal of non-performing loans and repossession of assets, and the relevant exchange gain or loss.

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

Group

	2014				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,675	4,332	1,817	1,057	15,881
Guaranteed loans	16,331	18,724	9,999	2,324	47,378
Loans secured by tangible assets other than monetary assets	28,211	22,221	9,946	3,198	63,576
Loans secured by monetary assets	1,188	3,735	1,229	229	6,381
Total	54,405	49,012	22,991	6,808	133,216
As a percentage of gross loans and advances to customers	0.58%	0.52%	0.24%	0.07%	1.41%

	2013				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	5,521	2,684	1,316	984	10,505
Guaranteed loans	6,873	11,769	10,544	2,478	31,664
Loans secured by tangible assets other than monetary assets	12,274	9,849	12,471	5,138	39,732
Loans secured by monetary assets	409	1,801	2,221	372	4,803
Total	25,077	26,103	26,552	8,972	86,704
As a percentage of gross loans and advances to customers	0.30%	0.30%	0.31%	0.10%	1.01%

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period (continued)

Bank

	2014				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**8,273**	**4,194**	**1,812**	**1,020**	**15,299**
Guaranteed loans	**15,168**	**17,872**	**9,779**	**2,324**	**45,143**
Loans secured by tangible assets other than monetary assets	**26,886**	**21,839**	**9,890**	**3,197**	**61,812**
Loans secured by monetary assets	**1,050**	**3,720**	**1,229**	**229**	**6,228**
Total	**51,377**	**47,625**	**22,710**	**6,770**	**128,482**
As a percentage of gross loans and advances to customers	**0.57%**	**0.52%**	**0.25%**	**0.07%**	**1.41%**

	2013				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	5,440	2,559	1,316	944	10,259
Guaranteed loans	6,806	11,714	10,427	2,478	31,425
Loans secured by tangible assets other than monetary assets	11,872	9,787	12,464	5,138	39,261
Loans secured by monetary assets	402	1,801	2,221	372	4,796
Total	24,520	25,861	26,428	8,932	85,741
As a percentage of gross loans and advances to customers	0.30%	0.31%	0.32%	0.11%	1.04%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Analysed by nature

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Debt securities	(1)	**910,103**	746,626	**839,303**	708,413
Equity instruments	(2)	**14,376**	12,991	**5,611**	6,332
Funds	(2)	**1,691**	675	**–**	–
Total	(3)	**926,170**	760,292	**844,914**	714,745

(1) Debt securities

Analysed by type of issuers

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Government		**219,264**	157,824	**200,938**	139,426
Central banks		**12,765**	9,690	**5,704**	6,059
Policy banks		**152,613**	107,059	**143,658**	106,835
Banks and non-bank financial institutions		**309,954**	236,105	**281,020**	224,925
Public sector entities		**20**	98	**–**	79
Other enterprises		**215,487**	235,850	**207,983**	231,089
Total		**910,103**	746,626	**839,303**	708,413
Listed	(i)	**839,574**	696,600	**807,687**	687,769
– of which in Hong Kong		**4,798**	1,482	**1,087**	1,317
Unlisted		**70,529**	50,026	**31,616**	20,644
Total		**910,103**	746,626	**839,303**	708,413

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(2) Equity instruments and funds

	Group 2014	Group 2013	Bank 2014	Bank 2013
Debt equity swap ("DES") Investments	**2,858**	4,978	**2,858**	4,978
Other equity instruments	**11,518**	8,013	**2,753**	1,354
Funds	**1,691**	675	**–**	–
Total	**16,067**	13,666	**5,611**	6,332
Listed	**8,870**	7,397	**3,919**	5,338
– of which in Hong Kong	**2,134**	554	**842**	554
Unlisted	**7,197**	6,269	**1,692**	994
Total	**16,067**	13,666	**5,611**	6,332

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(3) As at 31 December 2014, the Group's and the Bank's cost of available for sale debt securities was RMB908,428 million and RMB837,868 million respectively (2013: RMB778,733 million and RMB740,117 million respectively). The Group's and the Bank's cost of available for sale equity instruments and funds was RMB16,998 million and RMB7,182 million respectively (2013: RMB14,249 million and RMB7,343 million respectively).

27 HELD-TO-MATURITY INVESTMENTS

Analysed by types of issuers

		Group		Bank	
	Note	**2014**	2013	**2014**	2013
Government		**957,788**	865,879	**957,134**	865,226
Central banks		**175,387**	188,220	**175,387**	188,220
Policy banks		**379,518**	335,397	**379,518**	335,397
Banks and non-bank financial institutions		**625,052**	557,732	**624,453**	555,965
Other enterprises		**164,562**	157,831	**161,717**	155,394
Gross balances		**2,302,307**	2,105,059	**2,298,209**	2,100,202
Allowances for impairment losses (Note 38)		**(3,644)**	(4,521)	**(3,486)**	(4,461)
Net balances		**2,298,663**	2,100,538	**2,294,723**	2,095,741
Listed	(1)	**2,289,217**	2,087,353	**2,286,730**	2,084,990
– of which in Hong Kong		**1,021**	240	**1,021**	240
Unlisted		**9,446**	13,185	**7,993**	10,751
Total		**2,298,663**	2,100,538	**2,294,723**	2,095,741
Market value of listed Securities		**2,314,122**	1,985,172	**2,311,611**	1,982,856

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed category.

28 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

		Group		Bank	
	Note	**2014**	2013	**2014**	2013
Government					
– Special government bond	(1)	**49,200**	49,200	**49,200**	49,200
– Others		**781**	768	**530**	530
Banks and non-bank financial institutions		**86,731**	85,206	**78,320**	82,494
China Cinda Assets Management Co., Ltd.	(2)	**–**	18,852	**–**	18,852
Other enterprises		**35,034**	36,495	**27,470**	31,949
Gross balances		**171,746**	190,521	**155,520**	183,025
Allowance for impairment losses (Note 38)		**(945)**	(784)	**(944)**	(773)
Net balances		**170,801**	189,737	**154,576**	182,252
Listed outside Hong Kong	(3)	**47,585**	52,599	**47,334**	52,361
Unlisted		**123,216**	137,138	**107,242**	129,891
Total		**170,801**	189,737	**154,576**	182,252

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank's use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) ("Cinda") issued a bond ("Cinda Bond") with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond has been extended for 10 years upon its expiry and the interest rate remained unchanged from 2009. Cinda has repaid all principal amount as at the 31 December 2014.

(3) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed outside Hong Kong category.

(Expressed in millions of RMB, unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	2014	2013
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**4,663**	4,663
CCB Brazil Financial Holding – Investimentos e Participações Ltda	**4,476**	–
CCB Life Insurance Company Limited ("CCB Life")	**3,902**	3,902
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
China Construction Bank (London) Limited ("CCB London")	**2,861**	2,861
China Construction Bank (Europe) S.A. ("CCB Europe")	**1,629**	1,629
Sino-German Bausparkasse Corporation Limited ("Sino-German")	**1,502**	1,502
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")	**851**	851
Golden Fountain Finance Limited ("Golden Fountain")	**676**	676
China Construction Bank (Dubai) Limited ("CCB Dubai")	**620**	620
Sing Jian Development Company Limited ("SJDCL")	**383**	383
China Construction Bank (New Zealand) Limited Liability Company ("CCB New Zealand")	**314**	–
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**–**	–
Rural Banks	**1,378**	1,378
Total	**26,794**	22,004

On 29 August 2014, the Bank acquired BIC Bank (Note 58(4)) via CCB Brazil Financial Holding – Investimentos e Participações Ltda. As at 31 December 2014, the Bank held 72% of the total capital of BIC Bank (being 73.96% of the total share capital, excluding treasury shares).

The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (2013: 27 rural banks).

(2) Major subsidiaries of the Group are unlisted enterprises, except that BIC Bank is listed; details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal Activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of Voting rights held by the Bank	Method of investment
CCBFLCL	Beijing, the PRC	RMB4,500 million	Financial Leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Insurance	51%	–	51%	Acquisition
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Commercial Banking	100%	–	100%	Establishment
CCB Europe	Luxembourg	Euro 200 million	Commercial Banking	100%	–	100%	Establishment
Sino-German	Tianjin, the PRC	RMB2,000 million	House savings Bank	75.1%	–	75.1%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Investment	100%	–	100%	Acquisition
CCB Dubai	Dubai, United Arab Emirates	US$100 million	Commercial Banking	100%	–	100%	Establishment
SJDCL	Hong Kong, the PRC	HK$300 million	Investment	100%	–	100%	Acquisition
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%	Establishment

29 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(2) Major subsidiaries of the Group are unlisted enterprises, except that BIC Bank is listed; details of the investments in subsidiaries are as follows (continued):

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal Activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of Voting rights held by the Bank	Method of investment
CCB New Zealand	New Zealand	US$50 million	Commercial Banking	100%	–	100%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo Brazil	R$1,646 million	Investment	99.99%	–	100%	Acquisition
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Commercial Banking	–	100%	100%	Acquisition
Banco Industrial e Comercial S.A. ("BIC Bank")	Sao Paulo Brazil	R$2,012 million	Commercial Banking	–	73.96%	98.2%	Acquisition

(3) As at 31 December 2014, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(4) On 7 June 2014, the Bank acquired CCB Asia's wholly owned subsidiary, China Construction Bank (Macau) Corporation Limited, at book value as of 6 June 2014, and converted to be the Bank's Macau branch.

(Expressed in millions of RMB, unless otherwise stated)

30 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(1) The movement of the Group's interests in associates and joint ventures is as follows:

	2014	2013
As at 1 January	**2,624**	2,366
Acquisition during the year	**229**	304
Disposal during the year	**(46)**	(27)
Share of profits less losses	**245**	60
Cash dividend receivable	**(9)**	(10)
Effect of exchange difference and others	**41**	(69)
Total	**3,084**	2,624

(2) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	HK$78,192,220	Insurance	25.50%	25.50%	2,460	1,692	983	119
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,666	1,586	181	73
CCBT Private Equity Fund	Beijing, the PRC	RMB365 million	Investment management and consultancy	45.70%	50.00%	687	27	145	129
Shandong Peninsula Ocean Blue Economic Investment Company Limited	Cayman Islands	US$110million	Investment holding	27.18%	27.18%	760	11	56	33
CCBT Fortune Private Equity Fund	Beijing, the PRC	RMB510 million	Investment management and consultancy	32.83%	33.33%	461	1	47	32

31 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust investment, fund investment, asset-backed securities and wealth management products held for investment purpose, as well as non-principal guaranteed wealth management products, trust scheme and fund, etc. which were issued or established for providing a wide range of wealth management services and collecting management fees, fee income and custodian fees.

As at 31 December 2014 and 2013, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission fee and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	2014	2013
Financial assets at fair value through profit or loss	**1,799**	880
Interest receivables	**196**	66
Available-for-sale financial assets	**7,540**	6,498
Held-to-maturity investments	**2,980**	2,549
Debt securities classified as receivables	**15,974**	7,247
Interest in associates and joint ventures	**1,398**	1,026
Other assets	**2,131**	1,893
Total	**32,018**	20,159

For the year ended 31 December 2014 and 2013, the income from these unconsolidated structured entities held by the Group was as follows:

	2014	2013
Interest income	**1,120**	429
Fee and commission income	**10,126**	10,162
Net trading (loss)/gain	**(11)**	2
Dividend income	**420**	252
Net gain arising from investment securities	**10**	85
Other operating income, net	**–**	4
Share of profits less losses of associates and joint ventures	**187**	33
Total	**11,852**	10,967

As at 31 December 2014, the size of the non-principal guaranteed wealth management product set up by the Group amounted to RMB909,099 million (2013: RMB718,829 million). For the year ended 31 December 2014, there were certain debt securities transactions between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions were not material to the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products.

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2014	**89,877**	**28,425**	**42,444**	**36,857**	**197,603**
Additions through acquisitions	**424**	**–**	**36**	**90**	**550**
Additions	**4,458**	**14,477**	**8,689**	**4,770**	**32,394**
Transfer in/(out)	**10,607**	**(13,348)**	**65**	**2,676**	**–**
Disposals	**(142)**	**(1,176)**	**(4,427)**	**(2,043)**	**(7,788)**
As at 31 December 2014	**105,224**	**28,378**	**46,807**	**42,350**	**222,759**
Accumulated depreciation					
As at 1 January 2014	**(19,188)**	**–**	**(25,058)**	**(17,191)**	**(61,437)**
Additions through acquisitions	**(133)**	**–**	**(32)**	**(37)**	**(202)**
Charge for the year	**(3,423)**	**–**	**(6,427)**	**(5,506)**	**(15,356)**
Disposals	**93**	**–**	**4,263**	**1,991**	**6,347**
As at 31 December 2014	**(22,651)**	**–**	**(27,254)**	**(20,743)**	**(70,648)**
Allowances for impairment losses (Note 38)					
As at 1 January 2014	**(425)**	**–**	**(1)**	**(62)**	**(488)**
Additions through acquisitions	**–**	**–**	**(2)**	**(6)**	**(8)**
Charge for the year	**–**	**–**	**–**	**(17)**	**(17)**
Disposals	**1**	**–**	**3**	**5**	**9**
As at 31 December 2014	**(424)**	**–**	**–**	**(80)**	**(504)**
Net carrying value					
As at 1 January 2014	**70,264**	**28,425**	**17,385**	**19,604**	**135,678**
As at 31 December 2014	**82,149**	**28,378**	**19,553**	**21,527**	**151,607**
Cost/deemed cost					
As at 1 January 2013	79,525	22,891	35,985	27,752	166,153
Additions	3,713	15,390	8,436	8,852	36,391
Transfer in/(out)	6,970	(8,830)	81	1,779	–
Disposals	(331)	(1,026)	(2,058)	(1,526)	(4,941)
As at 31 December 2013	89,877	28,425	42,444	36,857	197,603
Accumulated depreciation					
As at 1 January 2013	(16,296)	–	(21,842)	(13,631)	(51,769)
Charge for the year	(2,976)	–	(5,192)	(4,859)	(13,027)
Disposals	84	–	1,976	1,299	3,359
As at 31 December 2013	(19,188)	–	(25,058)	(17,191)	(61,437)
Allowances for impairment losses (Note 38)					
As at 1 January 2013	(427)	–	(1)	(10)	(438)
Charge for the year	–	–	–	(58)	(58)
Disposals	2	–	–	6	8
As at 31 December 2013	(425)	–	(1)	(62)	(488)
Net carrying value					
As at 1 January 2013	62,802	22,891	14,142	14,111	113,946
As at 31 December 2013	70,264	28,425	17,385	19,604	135,678

32 FIXED ASSETS (CONTINUED)

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2014	**86,581**	**28,260**	**41,965**	**31,954**	**188,760**
Additions through acquisitions	**10**	**–**	**2**	**30**	**42**
Additions	**3,339**	**14,442**	**8,521**	**3,990**	**30,292**
Transfer in/(out)	**10,607**	**(13,341)**	**65**	**2,669**	**–**
Disposals	**(131)**	**(1,107)**	**(4,417)**	**(2,038)**	**(7,693)**
As at 31 December 2014	**100,406**	**28,254**	**46,136**	**36,605**	**211,401**
Accumulated depreciation					
As at 1 January 2014	**(18,952)**	**–**	**(24,724)**	**(16,845)**	**(60,521)**
Additions through acquisitions	**(4)**	**–**	**(2)**	**(27)**	**(33)**
Charge for the year	**(3,302)**	**–**	**(6,340)**	**(5,200)**	**(14,842)**
Disposals	**72**	**–**	**4,252**	**1,978**	**6,302**
As at 31 December 2014	**(22,186)**	**–**	**(26,814)**	**(20,094)**	**(69,094)**
Allowances for impairment losses (Note 38)					
As at 1 January 2014	**(425)**	**–**	**(1)**	**(3)**	**(429)**
Disposals	**1**	**–**	**1**	**–**	**2**
As at 31 December 2014	**(424)**	**–**	**–**	**(3)**	**(427)**
Net carrying value					
As at 1 January 2014	**67,204**	**28,260**	**17,240**	**15,106**	**127,810**
As at 31 December 2014	**77,796**	**28,254**	**19,322**	**16,508**	**141,880**
Cost/deemed cost					
As at 1 January 2013	76,226	22,819	35,574	27,242	161,861
Additions	3,655	15,265	8,341	4,333	31,594
Transfer in/(out)	6,952	(8,810)	81	1,777	–
Disposals	(252)	(1,014)	(2,031)	(1,398)	(4,695)
As at 31 December 2013	86,581	28,260	41,965	31,954	188,760
Accumulated depreciation					
As at 1 January 2013	(16,150)	–	(21,555)	(13,381)	(51,086)
Charge for the year	(2,882)	–	(5,129)	(4,788)	(12,799)
Disposals	80	–	1,960	1,324	3,364
As at 31 December 2013	(18,952)	–	(24,724)	(16,845)	(60,521)
Allowances for impairment losses (Note 38)					
As at 1 January 2013	(427)	–	(1)	(4)	(432)
Disposals	2	–	–	1	3
As at 31 December 2013	(425)	–	(1)	(3)	(429)
Net carrying value					
As at 1 January 2013	59,649	22,819	14,018	13,857	110,343
As at 31 December 2013	67,204	28,260	17,240	15,106	127,810

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS (CONTINUED)

Notes:

(1) As at 31 December 2014, the ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB21,092 million (2013: RMB18,179 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.

(2) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Long term leases (over 50 years) held overseas	**1,596**	651	**6**	–
Medium term leases (10-50 years) held overseas	**2,246**	1,944	**314**	77
Short term leases (less than 10 years) held overseas	**203**	13	**33**	13
Long term leases (over 50 years) held in Mainland China	**4,945**	4,046	**4,944**	4,046
Medium term leases (10-50 years) held in Mainland China	**70,333**	60,907	**69,673**	60,365
Short term leases (less than 10 years) held in Mainland China	**2,826**	2,703	**2,826**	2,703
Total	**82,149**	70,264	**77,796**	67,204

33 LAND USE RIGHTS

Group

	2014	2013
Cost/deemed cost		
As at 1 January	**20,752**	20,758
Additions	**652**	70
Disposals	**(149)**	(76)
As at 31 December	**21,255**	20,752
Amortisation		
As at 1 January	**(4,879)**	(4,384)
Charge for the year	**(512)**	(513)
Disposals	**36**	18
As at 31 December	**(5,355)**	(4,879)
Allowances for impairment losses (Note 38)		
As at 1 January	**(142)**	(142)
As at 31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,731**	16,232
As at 31 December	**15,758**	15,731

33 LAND USE RIGHTS (CONTINUED)

Bank

	2014	2013
Cost/deemed cost		
As at 1 January	**20,684**	20,688
Additions	**282**	70
Disposals	**(149)**	(74)
As at 31 December	**20,817**	20,684
Amortisation		
As at 1 January	**(4,860)**	(4,365)
Charge for the year	**(510)**	(513)
Disposals	**36**	18
As at 31 December	**(5,334)**	(4,860)
Allowances for impairment losses (Note 38)		
As at 1 January	**(142)**	(142)
As at 31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,682**	16,181
As at 31 December	**15,341**	15,682

34 INTANGIBLE ASSETS

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2014	**5,583**	**602**	**6,185**
Additions	**607**	**52**	**659**
Disposals	**(66)**	**(46)**	**(112)**
As at 31 December 2014	**6,124**	**608**	**6,732**
Amortisation			
As at 1 January 2014	**(3,981)**	**(143)**	**(4,124)**
Charge for the year	**(583)**	**(58)**	**(641)**
Disposals	**39**	**45**	**84**
As at 31 December 2014	**(4,525)**	**(156)**	**(4,681)**
Allowances for impairment losses (Note 38)			
As at 1 January 2014	**(1)**	**(7)**	**(8)**
As at 31 December 2014	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2014	**1,601**	**452**	**2,053**
As at 31 December 2014	**1,598**	**445**	**2,043**

(Expressed in millions of RMB, unless otherwise stated)

34 INTANGIBLE ASSETS (CONTINUED)

Group (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2013	5,098	545	5,643
Additions	575	73	648
Disposals	(90)	(16)	(106)
As at 31 December 2013	5,583	602	6,185
Amortisation			
As at 1 January 2013	(3,483)	(91)	(3,574)
Charge for the year	(539)	(67)	(606)
Disposals	41	15	56
As at 31 December 2013	(3,981)	(143)	(4,124)
Allowances for impairment losses (Note 38)			
As at 1 January 2013	(1)	(7)	(8)
As at 31 December 2013	(1)	(7)	(8)
Net carrying value			
As at 1 January 2013	1,614	447	2,061
As at 31 December 2013	1,601	452	2,053

Bank

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2014	**5,371**	**163**	**5,534**
Additions	**507**	**52**	**559**
Disposals	**(65)**	**(46)**	**(111)**
As at 31 December 2014	**5,813**	**169**	**5,982**
Amortisation			
As at 1 January 2014	**(3,878)**	**(99)**	**(3,977)**
Charge for the year	**(534)**	**(41)**	**(575)**
Disposals	**39**	**45**	**84**
As at 31 December 2014	**(4,373)**	**(95)**	**(4,468)**
Allowances for impairment losses (Note 38)			
As at 1 January 2014	**(1)**	**(7)**	**(8)**
As at 31 December 2014	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2014	**1,492**	**57**	**1,549**
As at 31 December 2014	**1,439**	**67**	**1,506**

34 INTANGIBLE ASSETS (CONTINUED)

Bank (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2013	4,933	108	5,041
Additions	527	71	598
Disposals	(89)	(16)	(105)
As at 31 December 2013	5,371	163	5,534
Amortisation			
As at 1 January 2013	(3,403)	(66)	(3,469)
Charge for the year	(515)	(48)	(563)
Disposals	40	15	55
As at 31 December 2013	(3,878)	(99)	(3,977)
Allowances for impairment losses (Note 38)			
As at 1 January 2013	(1)	(7)	(8)
As at 31 December 2013	(1)	(7)	(8)
Net carrying value			
As at 1 January 2013	1,529	35	1,564
As at 31 December 2013	1,492	57	1,549

35 GOODWILL

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009, CCB Life on 29 June 2011, CCB Futures Co., Ltd by Jianxin Trust on 9 April 2014 and BIC Bank by CCB Brazil Financial Holding – Investmentos e Participacoes Ltda on 29 August 2014. The movement of the goodwill is listed as follows:

	2014	2013
As at 1 January	**1,610**	1,651
Additions through acquisitions	**1,236**	–
Effect of exchange difference	**(150)**	(41)
As at 31 December	**2,696**	1,610

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 31 December 2014 (2013: nil).

(Expressed in millions of RMB, unless otherwise stated)

36 DEFERRED TAX

	Group		Bank	
	2014	2013	**2014**	2013
Deferred tax assets	**39,436**	38,448	**38,115**	39,093
Deferred tax liabilities	**(401)**	(138)	**(43)**	–
Total	**39,035**	38,310	**38,072**	39,093

(1) Analysed by nature

Group

	2014		2013	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(6,093)**	**(1,445)**	24,698	6,168
– Allowances for impairment losses	**152,164**	**38,272**	121,540	30,329
– Early retirement benefits and accrued salaries	**25,193**	**6,298**	25,463	6,366
– Others	**(15,855)**	**(3,689)**	(16,781)	(4,415)
Total	**155,409**	**39,436**	154,920	38,448
Deferred tax liabilities				
– Fair value adjustments	**(1,372)**	**(292)**	(569)	(129)
– Allowances for impairment losses	**44**	**11**	–	–
– Others	**(302)**	**(120)**	(36)	(9)
Total	**(1,630)**	**(401)**	(605)	(138)

Bank

	2014		2013	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(5,554)**	**(1,341)**	24,887	6,212
– Allowances for impairment losses	**147,383**	**36,815**	120,714	30,151
– Early retirement benefits and accrued salaries	**25,056**	**6,264**	25,317	6,329
– Others	**(8,714)**	**(3,623)**	(10,217)	(3,599)
Total	**158,171**	**38,115**	160,701	39,093
Deferred tax liabilities				
– Fair value adjustments	**(6)**	**(2)**	–	–
– Others	**(117)**	**(41)**	–	–
Total	**(123)**	**(43)**	–	–

36 DEFERRED TAX (CONTINUED)

(2) Movements of deferred tax

Group

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2014	**6,039**	**30,329**	**6,366**	**(4,424)**	**38,310**
Recognised in profit or loss	**248**	**7,375**	**(68)**	**(337)**	**7,218**
Recognised in other comprehensive income	**(8,025)**	**–**	**–**	**–**	**(8,025)**
Additions through acquisitions	**1**	**579**	**–**	**952**	**1,532**
As at 31 December 2014	**(1,737)**	**38,283**	**6,298**	**(3,809)**	**39,035**
As at 1 January 2013	(1,785)	26,212	6,321	(4,029)	26,719
Recognised in profit or loss	252	4,117	45	(395)	4,019
Recognised in other comprehensive income	7,572	–	–	–	7,572
As at 31 December 2013	6,039	30,329	6,366	(4,424)	38,310

Bank

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2014	**6,212**	**30,151**	**6,329**	**(3,599)**	**39,093**
Recognised in profit or loss	**349**	**6,664**	**(65)**	**(65)**	**6,883**
Recognised in other comprehensive income	**(7,904)**	**–**	**–**	**–**	**(7,904)**
As at 31 December 2014	**(1,343)**	**36,815**	**6,264**	**(3,664)**	**38,072**
As at 1 January 2013	(1,487)	26,093	6,267	(3,356)	27,517
Recognised in profit or loss	240	4,058	62	(243)	4,117
Recognised in other comprehensive income	7,459	–	–	–	7,459
As at 31 December 2013	6,212	30,151	6,329	(3,599)	39,093

The Group and the Bank did not have significant unrecognised deferred tax as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

37 OTHER ASSETS

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Repossessed assets	(1)				
– Buildings		**1,748**	1,287	**1,748**	1,287
– Land use rights		**313**	312	**313**	312
– Others		**1,497**	89	**745**	87
		3,558	1,688	**2,806**	1,686
Long-term deferred expenses		**716**	662	**649**	591
Receivables from CCBIG	(2)	**–**	–	**36,187**	35,717
Other receivables		**22,295**	23,530	**17,053**	20,002
Leasehold improvements		**3,138**	2,792	**3,102**	2,765
Gross balance		**29,707**	28,672	**59,797**	60,761
Allowances for impairment losses (Note 38)					
– Repossessed assets		**(660)**	(261)	**(480)**	(260)
– Others		**(3,033)**	(2,400)	**(2,748)**	(2,084)
Total		**26,014**	26,011	**56,569**	58,417

(1) During the year ended 31 December 2014, the original cost of repossessed assets disposed of by the Group amounted to RMB542 million (2013: RMB654 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

		2014				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	–	–	–	7
Placements with banks and non-bank financial institutions	20	27	–	–	–	27
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	228,696	59,264	(14,862)	(21,485)	251,613
Available for sale debt securities		2,743	88	29	(1,451)	1,409
Available for sale equity instrument		4,297	271	(80)	(75)	4,413
Held-to-maturity investments	27	4,521	281	47	(1,205)	3,644
Debt securities classified as receivables	28	784	196	–	(35)	945
Fixed assets	32	488	17	8	(9)	504
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	2,661	1,324	74	(366)	3,693
Total		244,375	61,441	(14,784)	(24,626)	266,406

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

Group (continued)

	Note	2013				
		As at 1 January	Charge for the year/ (Write-back)	Transfer out	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	–	–	–	7
Placements with banks and non-bank financial institutions	20	49	(7)	–	(15)	27
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	202,433	42,666	(4,535)	(11,868)	228,696
Available for sale debt securities		4,398	(1,144)	(71)	(440)	2,743
Available for sale equity instrument		4,882	195	(23)	(757)	4,297
Held-to-maturity investments	27	4,078	1,056	(63)	(550)	4,521
Debt securities classified as receivables	28	1,021	(237)	–	–	784
Fixed assets	32	438	58	–	(8)	488
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	2,490	418	–	(247)	2,661
Total		219,947	43,005	(4,692)	(13,885)	244,375

Bank

	Note	**2014**				
		As at 1 January	**Charge for the year/ (Write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	19	**4**	**–**	**–**	**–**	**4**
Placements with banks and non-bank financial institutions	20	**27**	**–**	**–**	**–**	**27**
Interest receivable	24	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	25(3)	**226,705**	**57,554**	**(16,639)**	**(20,804)**	**246,816**
Available for sale debt securities		**2,678**	**66**	**47**	**(1,451)**	**1,340**
Available for sale equity instrument		**4,228**	**260**	**(86)**	**(74)**	**4,328**
Held-to-maturity investments	27	**4,461**	**185**	**44**	**(1,204)**	**3,486**
Debt securities classified as receivables	28	**773**	**171**	**–**	**–**	**944**
Fixed assets	32	**429**	**–**	**–**	**(2)**	**427**
Land use rights	33	**142**	**–**	**–**	**–**	**142**
Intangible assets	34	**8**	**–**	**–**	**–**	**8**
Other assets	37	**2,344**	**1,200**	**–**	**(316)**	**3,228**
Total		**241,800**	**59,436**	**(16,634)**	**(23,851)**	**260,751**

(Expressed in millions of RMB, unless otherwise stated)

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

Bank (continued)

		2013				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	(3)	–	–	4
Placements with banks and non-bank financial institutions	20	49	(7)	–	(15)	27
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	201,087	41,959	(4,600)	(11,741)	226,705
Available for sale debt securities		4,367	(1,151)	(98)	(440)	2,678
Available for sale equity instrument		4,821	136	5	(734)	4,228
Held-to-maturity investments	27	4,078	995	(62)	(550)	4,461
Debt securities classified as receivables	28	1,021	(248)	–	–	773
Fixed assets	32	432	–	–	(3)	429
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	2,324	267	–	(247)	2,344
Total		218,337	41,948	(4,755)	(13,730)	241,800

Transfer in/(out) includes exchange differences.

39 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	2014	2013
Deposits with banks and non-bank financial institutions	**13,717**	20,023
Placements with banks and non-bank financial institutions	**105,861**	106,499
Financial assets at fair value through profit or loss	**–**	2,000
Interest receivable	**235**	787
Loans and advances to customers	**6,888**	2,215
Available-for-sale financial assets	**60**	822
Other assets	**36,895**	34,688
Total	**163,656**	167,034

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	2014	2013
Deposits from banks and non-bank financial institutions	**23,672**	16,333
Placements from banks and non-bank financial institutions	**26,468**	12,506
Financial liabilities at fair value through profit or loss	**100**	160
Deposits from customers	**5,075**	5,069
Interest payable	**318**	201
Debt securities issued	**724**	–
Other liabilities	**3,639**	170
Total	**59,996**	34,439

40 BORROWINGS FROM CENTRAL BANKS

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**60,811**	60,431	**60,004**	60,007
Overseas	**30,405**	18,726	**30,405**	18,726
Total	**91,216**	79,157	**90,409**	78,733

41 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2014	2013	**2014**	2013
Banks	**105,056**	202,810	**108,686**	213,447
Non-bank financial institutions	**899,062**	489,285	**900,060**	491,040
Total	**1,004,118**	692,095	**1,008,746**	704,487

(2) Analysed by geographical sectors

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**993,523**	687,894	**994,753**	688,032
Overseas	**10,595**	4,201	**13,993**	16,455
Total	**1,004,118**	692,095	**1,008,746**	704,487

42 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2014	2013	**2014**	2013
Banks	**190,596**	154,517	**138,851**	121,601
Non-bank financial institutions	**11,806**	1,400	**13,301**	878
Total	**202,402**	155,917	**152,152**	122,479

(2) Analysed by geographical sectors

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**79,254**	38,137	**25,789**	6,398
Overseas	**123,148**	117,780	**126,363**	116,081
Total	**202,402**	155,917	**152,152**	122,479

(Expressed in millions of RMB, unless otherwise stated)

43 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2014	2013	**2014**	2013
Principal guaranteed wealth management product	**233,655**	337,580	**233,740**	337,740
Financial liabilities related to precious metals	**36,891**	37,956	**36,891**	37,956
Structured financial instruments	**25,463**	4,844	**22,011**	2,035
Total	**296,009**	380,380	**292,642**	377,731

The Group's and the Bank's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity of the Group and the Bank is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2014 and 2013.

44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Securities				
– Bills issued by the PBOC	**50,000**	–	**50,000**	–
– Government bonds	**130,813**	48,773	**126,597**	42,405
– Debt securities issued by banks and non-bank financial institutions	**16**	12,492	**–**	12,492
Subtotal	**180,829**	61,265	**176,597**	54,897
Discounted bills	**699**	608	**659**	560
Total	**181,528**	61,873	**177,256**	55,457

45 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2014	2013	**2014**	2013
Demand deposits				
– Corporate customers	**3,996,827**	4,167,686	**3,977,665**	4,154,705
– Personal customers	**2,321,675**	2,525,115	**2,303,777**	2,510,530
Subtotal	**6,318,502**	6,692,801	**6,281,442**	6,665,235
Time deposits (including call deposits)				
– Corporate customers	**2,909,767**	2,457,076	**2,797,119**	2,386,417
– Personal customers	**3,670,406**	3,073,160	**3,575,932**	3,004,125
Subtotal	**6,580,173**	5,530,236	**6,373,051**	5,390,542
Total	**12,898,675**	12,223,037	**12,654,493**	12,055,777

Deposits from customers include:

		Group		Bank	
		2014	2013	**2014**	2013
(1)	Pledged deposits				
	– Deposits for acceptance	**138,472**	129,392	**138,306**	129,248
	– Deposits for guarantee	**41,572**	36,308	**41,572**	36,308
	– Deposits for letter of credit	**36,088**	55,018	**36,088**	55,018
	– Others	**206,447**	199,256	**206,969**	201,426
	Total	**422,579**	419,974	**422,935**	422,000
(2)	Outward remittance and remittance payables	**9,817**	11,908	**9,254**	11,725

46 ACCRUED STAFF COSTS

Group

		2014			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		**25,189**	**60,268**	**(59,593)**	**25,864**
Other social insurance and welfare		**2,233**	**9,653**	**(9,752)**	**2,134**
Housing funds		**148**	**6,014**	**(6,062)**	**100**
Union running costs and employee education costs		**1,533**	**2,561**	**(2,252)**	**1,842**
Post-employment benefits	(1)				
– Defined contribution plans		**766**	**12,995**	**(12,940)**	**821**
– Defined benefit plans		**609**	**311**	**–**	**920**
Early retirement benefits		**3,596**	**182**	**(928)**	**2,850**
Compensation to employees for termination of employment relationship		**6**	**8**	**(10)**	**4**
Total		**34,080**	**91,992**	**(91,537)**	**34,535**

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

Group (continued)

		2013			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		23,488	58,154	(56,453)	25,189
Other social insurance and welfare		1,948	8,215	(7,930)	2,233
Housing funds		134	5,433	(5,419)	148
Union running costs and employee education costs		1,269	2,391	(2,127)	1,533
Post-employment benefits	(1)				
– Defined contribution plans		633	12,190	(12,057)	766
– Defined benefit plans		699	353	(443)	609
Early retirement benefits		4,596	217	(1,217)	3,596
Compensation to employees for termination of employment relationship		5	8	(7)	6
Total		32,772	86,961	(85,653)	34,080

Bank

		2014			
	Note	**As at 1 January**	**Increased**	**Decreased**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**24,081**	**57,232**	**(56,695)**	**24,618**
Other social insurance and welfare		**2,221**	**9,458**	**(9,558)**	**2,121**
Housing funds		**148**	**5,943**	**(5,992)**	**99**
Union running costs and employee education costs		**1,515**	**2,505**	**(2,213)**	**1,807**
Post-employment benefits	(1)				
– Defined contribution plans		**762**	**12,720**	**(12,667)**	**815**
– Defined benefit plans		**609**	**311**	**–**	**920**
Early retirement benefits		**3,596**	**182**	**(928)**	**2,850**
Compensation to employees for termination of employment relationship		**6**	**8**	**(10)**	**4**
Total		**32,938**	**88,359**	**(88,063)**	**33,234**

		2013			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		22,728	55,694	(54,341)	24,081
Other social insurance and welfare		1,839	8,060	(7,678)	2,221
Housing funds		133	5,377	(5,362)	148
Union running costs and employee education costs		1,256	2,358	(2,099)	1,515
Post-employment benefits	(1)				
– Defined contribution plans		630	12,009	(11,877)	762
– Defined benefit plans		699	353	(443)	609
Early retirement benefits		4,596	217	(1,217)	3,596
Compensation to employees for termination of employment relationship		5	8	(7)	6
Total		31,886	84,076	(83,024)	32,938

The Group and the Bank has no overdue balance of accrued staff costs as at the end of the reporting period.

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) Defined contribution plans

Group

	2014			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	535	8,795	(8,785)	545
Unemployment insurance	29	692	(691)	30
Annuity contribution	202	3,508	(3,464)	246
Total	766	12,995	(12,940)	821

	2013			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	555	7,611	(7,631)	535
Unemployment insurance	27	638	(636)	29
Annuity contribution	51	3,941	(3,790)	202
Total	633	12,190	(12,057)	766

Bank

	2014			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	531	8,562	(8,552)	541
Unemployment insurance	29	685	(685)	29
Annuity contribution	202	3,473	(3,430)	245
Total	762	12,720	(12,667)	815

	2013			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	552	7,457	(7,478)	531
Unemployment insurance	27	633	(631)	29
Annuity contribution	51	3,919	(3,768)	202
Total	630	12,009	(11,877)	762

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(i) The Group and the bank

	Present value of defined benefit plan obligations		Fair value of plan assets		Net liabilities of defined benefit plans	
	2014	2013	**2014**	2013	**2014**	2013
As at 1 January	**6,434**	7,069	**5,825**	6,370	**609**	699
Cost of the net defined benefit liability in profit or loss						
– Past service costs	**–**	339	**–**	–	**–**	339
– Interest costs	**277**	233	**260**	219	**17**	14
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses/(gains)	**601**	(546)	**–**	–	**601**	(546)
– Returns on plan assets	**–**	–	**307**	(103)	**(307)**	103
Other changes						
– Benefits paid	**(658)**	(661)	**(658)**	(661)	**–**	–
As at 31 December	**6,654**	6,434	**5,734**	5,825	**920**	609

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(ii) Principal actuarial assumptions of the Group and the Bank as at the balance sheet date are as follows:

	2014	2013
Discount rate	**3.75%**	4.75%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**12.1 years**	12.6 years

Mortality assumptions are based on China Life Insurance Annuity Table (2000-2003) in China Life Insurance Mortality Table complied by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(iii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	**Decrease in assumption by 0.25%**
Discount rate	(127)	132
Health care cost increase rate	42	(41)

(iv) The weighted average duration of supplementary retirement benefit obligations of the Group and the Bank is 7.8 years.

(v) Plan assets of the Group and the Bank are as follows:

	2014	2013
Cash and cash equivalents	**136**	313
Equity instruments	**304**	62
Debt instruments	**5,161**	5,310
Others	**133**	140
Total	**5,734**	5,825

47 TAXES PAYABLE

	Group		Bank	
	2014	2013	**2014**	2013
Income tax	**52,320**	50,950	**51,743**	50,579
Business tax and surcharges	**9,518**	8,999	**9,414**	8,889
Value added tax	**(880)**	(982)	**(904)**	(968)
Others	**1,686**	1,242	**1,628**	1,193
Total	**62,644**	60,209	**61,881**	59,693

48 INTEREST PAYABLE

	Group		Bank	
	2014	2013	**2014**	2013
Deposits from customers	**176,476**	148,809	**175,349**	148,264
Deposits from banks and non-bank financial institutions	**5,747**	1,688	**5,985**	1,833
Debts securities issued	**2,132**	2,123	**2,132**	2,123
Others	**1,519**	1,007	**1,161**	726
Total	**185,874**	153,627	**184,627**	152,946

(Expressed in millions of RMB, unless otherwise stated)

49 PROVISIONS

	Group		Bank	
	2014	2013	**2014**	2013
Litigation provisions	**2,155**	543	**486**	543
Others	**4,913**	4,471	**4,913**	4,471
Total	**7,068**	5,014	**5,399**	5,014

50 DEBT SECURITIES ISSUED

	Note	Group		Bank	
		2014	2013	**2014**	2013
Certificates of deposit issued	(1)	**240,303**	193,749	**201,656**	159,553
Bonds issued	(2)	**24,533**	3,933	**5,999**	2,995
Subordinated bonds issued	(3)	**144,845**	159,858	**137,878**	159,858
Eligible Tier 2 capital bonds issued	(4)	**21,971**	–	**21,971**	–
Total		**431,652**	357,540	**367,504**	322,406

(1) Certificates of deposit were mainly issued by head office, overseas branches, CCB Asia and BIC Bank.

(2) Bonds issued

					Group		Bank	
Issuance date	**Maturity date**	**Interest rate per annum**	**Issuance place**	**Currency**	**2014**	2013	**2014**	2013
2012-06-28	2014-06-28	3.08%	Hong Kong	RMB	**–**	500	**–**	500
2012-06-28	2015-06-28	3.25%	Hong Kong	RMB	**500**	500	**500**	500
2012-11-29	2015-11-29	3.20%	London	RMB	**940**	940	**–**	–
2013-12-10	2016-12-12	3.25%	Taiwan	RMB	**2,000**	2,000	**2,000**	2,000
2014-03-13	2016-03-13	3.25%	Hong Kong	RMB	**4,000**	–	**–**	–
2014-04-01	2017-04-01	2.375%	Hong Kong	USD	**1,861**	–	**–**	–
2014-04-04	2015-03-20	2.88%	Hong Kong	RMB	**229**	–	**–**	–
2014-04-25	2016-04-25	3months LIBOR+1.35%	Hong Kong	USD	124	–	–	–
2014-05-22	2015-06-11	3.00%	Hong Kong	RMB	**153**	–	**–**	–
2014-05-28	2016-05-30	3.38%	Frankfurt	RMB	**1,500**	–	**1,500**	–
2014-05-28	2019-05-28	1.375%	Switzerland	CHF	**1,882**	–	**–**	–
2014-06-27	2017-06-27	3.45%	Switzerland	RMB	**1,250**	–	**–**	–
2014-07-02	2019-07-02	3.25%	Hong Kong	USD	**3,723**	–	**–**	–
2014-07-14	2015-07-14	1.70%	Hong Kong	USD	**310**	–	**–**	–
2014-09-05	2017-09-05	3.35%	Taiwan	RMB	**800**	–	**800**	–
2014-09-05	2019-09-05	3.75%	Taiwan	RMB	**600**	–	**600**	–
2014-09-05	2021-09-05	4.00%	Taiwan	RMB	**600**	–	**600**	–
2014-11-12	2015-11-12	3months LIBOR+1.02%	Hong Kong	USD	683	–	–	–
2014-11-18	2019-11-18	3.75%	Taiwan	RMB	**1,000**	–	**–**	–
2014-11-18	2021-11-18	3.95%	Taiwan	RMB	**1,000**	–	**–**	–
2014-11-18	2016-11-18	3.30%	Taiwan	RMB	**700**	–	**–**	–
2014-11-18	2024-11-18	4.08%	Taiwan	RMB	**600**	–	**–**	–
2014-11-27	2016-12-06	3.45%	Hong Kong	RMB	**120**	–	**–**	–
Total nominal value					**24,575**	3,940	**6,000**	3,000
Less: unamortised issuance costs					**(42)**	(7)	**(1)**	(5)
Carrying value as at 31 December					**24,533**	3,933	**5,999**	2,995

50 DEBT SECURITIES ISSUED (CONTINUED)

(3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC, the CBRC, the HKMA and Brazil Central Bank is as follows:

					Group		Bank	
Issuance date	**Maturity date**	**Interest rate per annum**	**Currency**	Note	**2014**	2013	**2014**	2013
2009-02-24	2019-02-26	3.20%	RMB	(a)	**–**	12,000	**–**	12,000
2009-02-24	2024-02-26	4.00%	RMB	(b)	**28,000**	28,000	**28,000**	28,000
2009-08-07	2019-08-11	3.32%	RMB	(c)	**–**	10,000	**–**	10,000
2009-08-07	2024-08-11	4.04%	RMB	(d)	**10,000**	10,000	**10,000**	10,000
2009-11-03	2019-11-04	Benchmark rate released by Brazil Central Bank	BRL	(e)	**467**	–	**–**	–
2009-12-18	2024-12-22	4.80%	RMB	(f)	**20,000**	20,000	**20,000**	20,000
2010-04-27	2020-04-27	8.50%	USD	(e)	**1,681**	–	**–**	–
2010-07-30	2017-10-15	7.31%	USD	(e)	**199**	–	**–**	–
2011-11-03	2026-11-07	5.70%	RMB	(g)	**40,000**	40,000	**40,000**	40,000
2012-11-20	2027-11-22	4.99%	RMB	(h)	**40,000**	40,000	**40,000**	40,000
2014-08-20	2024-08-20	4.25%	USD	(i)	**4,654**	–	**–**	–
Total nominal value					**145,001**	160,000	**138,000**	160,000
Less: Unamortised issuance cost					**(156)**	(142)	**(122)**	(142)
Carrying value as at 31 December					**144,845**	159,858	**137,878**	159,858

(a) The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years. The Group has exercised the option to redeem the bonds on 26 February 2014.

(b) The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(c) The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years. The Group has exercised the option to redeem the bonds on 11 August 2014.

(d) The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(e) The subordinated bonds were issued by BIC Bank.

(f) The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(g) The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(h) The Group has an option to redeem the bonds on 22 November 2022, subject to an approval from relevant authority.

(i) The Group has an option to redeem the bonds on 20 August 2019, subject to an approval from relevant authority.

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

					Group and Bank	
Issuance date	Maturity date	Interest rate per annum	Currency	Note	2014	2013
2014-08-15	2029-08-18	5.98%	RMB	(a)	20,000	–
2014-11-12	2024-11-12	4.90%	RMB	(b)	2,000	–
Total nominal value					22,000	–
Less: Unamortised issuance cost					(29)	–
Carrying value as at 31 December					21,971	–

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(b) The Group has an option to redeem the bonds on 12 November 2019, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate per annum will increase by 1.538% on the basis of twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019 for the next five years. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

51 OTHER LIABILITIES

	Group		Bank	
	2014	2013	2014	2013
Insurance reserve of CCB life	26,678	13,097	–	–
Deferred income	14,475	13,131	14,370	12,872
Capital expenditure payable	10,324	8,365	10,323	8,363
Dormant accounts	2,987	2,469	2,987	2,469
Securities underwriting and redemption payable	1,480	1,226	1,480	1,226
Settlement accounts	1,751	784	1,765	784
Payment and collection clearance accounts	853	743	698	743
Others	24,724	26,127	16,926	13,882
Total	83,272	65,942	48,549	40,339

52 SHARE CAPITAL

	Group and Bank	
	2014	2013
Listed in Hong Kong (H share)	240,417	240,417
Listed in Mainland China (A share)	9,594	9,594
Total	250,011	250,011

All H and A shares are ordinary shares, have a par value of RMB1.00 per share and rank pari passu with the same rights and benefits.

53 CAPITAL RESERVE

	Group		Bank	
	2014	2013	**2014**	2013
Share premium	**135,118**	135,118	**135,109**	135,109
Cash flow hedge reserve	**(10)**	(148)	**1**	(148)
Others	**283**	553	**277**	547
Total	**135,391**	135,523	**135,387**	135,508

54 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in "investment revaluation reserve". Movements of investment revaluation reserve are as follows:

Group

		2014		
	Note	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
As at 1 January		**(25,837)**	**6,547**	**(19,290)**
Gains during the year				
– Debt securities		**32,092**	**(7,997)**	**24,095**
– Equity instruments and funds		**1,862**	**(466)**	**1,396**
		33,954	**(8,463)**	**25,491**
Reclassification adjustments				
– Impairment		**701**	**(175)**	**526**
– Disposals		**(2,889)**	**722**	**(2,167)**
– Others	(1)	**2**	**–**	**2**
		(2,186)	**547**	**(1,639)**
As at 31 December		**5,931**	**(1,369)**	**4,562**

Overview

Management discussion & analysis

Corporate governance

Financial statements and others

(Expressed in millions of RMB, unless otherwise stated)

54 INVESTMENT REVALUATION RESERVE (CONTINUED)

Group (continued)

	Note	2013 Before-tax amount	2013 Tax benefit/ (expense)	2013 Net-of-tax amount
As at 1 January		4,030	(1,007)	3,023
Losses during the year				
– Debt securities		(26,065)	6,603	(19,462)
– Equity instruments and funds		(2,217)	554	(1,663)
		(28,282)	7,157	(21,125)
Reclassification adjustments				
– Impairment		(1,047)	262	(785)
– Disposals		(595)	149	(446)
– Others	(1)	57	(14)	43
		(1,585)	397	(1,188)
As at 31 December		(25,837)	6,547	(19,290)

Bank

	Note	**2014 Before-tax amount**	**2014 Tax benefit/ (expense)**	**2014 Net-of-tax amount**
As at 1 January		**(25,740)**	**6,465**	**(19,275)**
Gains during the year				
– Debt securities		**32,045**	**(8,049)**	**23,996**
– Equity instruments		**1,460**	**(365)**	**1,095**
		33,505	**(8,414)**	**25,091**
Reclassification adjustments				
– Impairment		**668**	**(167)**	**501**
– Disposals		**(2,708)**	**677**	**(2,031)**
– Others	(1)	**2**	**–**	**2**
		(2,038)	**510**	**(1,528)**
As at 31 December		**5,727**	**(1,439)**	**4,288**

54 INVESTMENT REVALUATION RESERVE (CONTINUED)

Bank (continued)

	Note	2013 Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
As at 1 January		4,072	(994)	3,078
Losses during the year				
– Debt securities		(26,323)	6,587	(19,736)
– Equity instruments		(1,858)	464	(1,394)
		(28,181)	7,051	(21,130)
Reclassification adjustments				
– Impairment		(1,113)	278	(835)
– Disposals		(575)	144	(431)
– Others	(1)	57	(14)	43
		(1,631)	408	(1,223)
As at 31 December		(25,740)	6,465	(19,275)

(1) Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior years.

55 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 Feb 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

(Expressed in millions of RMB, unless otherwise stated)

56 GENERAL RESERVE

The general reserve of the Group and the Bank as at the end of the reporting period is set up based upon the requirements of:

		Group		Bank	
	Note	**2014**	2013	**2014**	2013
MOF	(1)	**165,439**	150,249	**165,439**	150,249
Hong Kong Banking Ordinance	(2)	**2,115**	2,199	**165**	165
Other regulatory bodies in Mainland China	(3)	**1,629**	1,125	**–**	–
Other overseas regulatory bodies		**313**	262	**312**	261
Total		**169,496**	153,835	**165,916**	150,675

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the Ministry of Finance on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

57 PROFIT DISTRIBUTION

In the Annual General Meeting held on 26 June 2014, the shareholders approved the profit distribution for the year ended 31 December 2013. The Bank appropriated cash dividend for the year ended 31 December 2013 in an aggregate amount of RMB75,003 million.

On 27 March 2015, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2014:

(1) Appropriate statutory surplus reserve amounted to RMB22,545 million, based on 10% of the net profit of the Bank amounted to RMB225,454 million for the year 2014 (2013: RMB21,252 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB16,248 million, pursuant to relevant regulations issued by MOF (2013: RMB15,189 million).

(3) Appropriate cash dividend RMB0.301 per share before tax (2013: RMB0.300 per share) and in aggregation amount of RMB75,253 million to all shareholders. Proposed dividends at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

58 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents

	2014	2013
Cash	**72,653**	71,756
Surplus deposit reserves with central banks	**81,392**	129,443
Demand deposits with banks and non-bank financial institutions	**43,963**	26,527
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**86,387**	162,097
Placements with banks and non-bank financial institutions with original maturity with or within three months	**69,323**	50,950
Total	**353,718**	440,773

(2) Acquisition of the BIC Bank

To acquire the BIC Bank, the Bank paid RMB4,164 million, and acquired cash and cash equivalents of RMB500 million. The net cash outflow arising from the aforesaid acquisition was RMB3,664 million, which is analysed as follows:

	Acquisition date Recognised values	Acquisition date Carrying amounts
Cash and deposits with central banks	767	767
Deposits with banks and non-bank financial institutions	294	294
Placements with banks and non-bank financial institutions	397	397
Financial assets at fair value through profit or loss	603	603
Positive fair value of derivatives	1,207	1,207
Loans and advances to customers	20,838	21,603
Available-for-sale financial assets	2,900	2,900
Goodwill	–	289
Other assets	13,472	13,359
Deposits from banks and non-bank financial institutions	(915)	(915)
Placements from banks and non-bank financial institutions	(6,210)	(6,210)
Deposits from customers	(19,148)	(19,148)
Debt securities issued	(7,182)	(7,182)
Other liabilities	(3,050)	(3,050)
Net assets	3,973	4,914
Minority interests	(1,035)	
Identifiable net assets attributable to the shareholders of the Bank	2,938	
Goodwill on acquisition	1,226	
Consideration transferred	4,164	
Acquisition of Cash and cash equivalents	(500)	
Acquisition net cash outflow	3,664	

58 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) Acquisition of the BIC Bank (continued)

The goodwill on acquisition is attributable to the significant synergies expected to arise.

Operating income and net profit of BIC Bank contributed to the Group since the acquisition date did not result in any significant impact to the consolidated statement of comprehensive income for the year ended 31 December 2014. The Group's operating income and net profit for the year ended 31 December 2014 would not be materially different if the acquisition had occurred on 1 January 2014.

According to the terms of the purchase price adjustment in the sale and purchase agreement, the purchase price can be adjusted after acquisition date based on the factors such as changes in net assets of BIC Bank from reference date to acquisition date. As at the date of this report, the negotiation between the former shareholders and the Bank is still in progress and any adjustment to the consideration has not been determined.

The fair value of the identifiable net assets on the acquisition date is provisional and the final valuations have not been determined.

As at 31 December 2014, the Bank has acquired 73.96% interests in BIC bank and has taken control of BIC bank. According to the Brazilian local applicable laws and related regulations, the Bank commits to implement a mandatory tender offer in view of change of control right resulting from this acquisition. In accordance with the relevant rules of the Brazilian Corporation Act and the bylaws of BIC Bank, the Bank will ensure that the non-controlling shareholders accepting the tender offer will have an option to enjoy the same treatment as will be available to the controlling shareholders.

59 CREDIT ASSETS SECURITISATION TRANSACTIONS

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 31 December 2014, loans with an original carrying amount of RMB7,177 million (2013: RMB7,177 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2014, the carrying amount of assets that the Group continued to recognise was RMB322 million (2013: RMB326 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB499 million as at 31 December 2014 (2013: RMB502 million).

60 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto and certain subsidiaries operating in Hong Kong, London, Moscow, Dubai, Luxembourg, British Virgin Islands, New Zealand and San Paulo.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2014								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	60,793	36,933	30,011	54,213	59,367	17,713	170,594	7,774	437,398
Internal net interest income/(expense)	12,898	21,017	38,503	20,037	16,818	9,643	(120,320)	1,404	–
Net interest income	73,691	57,950	68,514	74,250	76,185	27,356	50,274	9,178	437,398
Net fee and commission income	19,056	15,596	17,491	17,112	14,184	5,607	17,595	1,876	108,517
Net trading gain/(loss)	121	86	(145)	(142)	91	10	763	188	972
Dividend income	3	7	9	369	16	4	65	22	495
Net gain arising from investment securities	572	94	3	–	254	294	2,514	314	4,045
Other operating income/(loss), net	527	380	799	325	2,146	204	2,366	(1,434)	5,313
Operating income	93,970	74,113	86,671	91,914	92,876	33,475	73,577	10,144	556,740
Operating expenses	(32,786)	(26,040)	(31,538)	(36,644)	(34,581)	(14,074)	(15,766)	(4,559)	(195,988)
Impairment losses	(19,713)	(11,364)	(6,921)	(9,236)	(8,055)	(4,470)	(2,815)	663	(61,911)
Share of profits less losses of associates and joint ventures	–	–	–	152	–	–	–	93	245
Profit before tax	41,471	36,709	48,212	46,186	50,240	14,931	54,996	6,341	299,086
Capital expenditure	4,031	3,098	4,400	7,132	5,294	2,862	5,170	2,199	34,186
Depreciation and amortisation	2,845	1,863	2,664	3,305	2,812	1,508	2,541	273	17,811
Segment assets	2,839,279	2,230,031	3,030,726	2,589,502	2,579,135	995,140	6,252,529	933,435	21,449,777
Interests in associates and joint ventures	–	–	–	955	–	–	–	2,129	3,084
	2,839,279	2,230,031	3,030,726	2,590,457	2,579,135	995,140	6,252,529	935,564	21,452,861
Deferred tax assets									39,436
Elimination									(4,748,167)
Total assets									16,744,130
Segment liabilities	2,829,616	2,226,878	3,013,946	2,580,217	2,572,912	993,889	5,143,025	879,050	20,239,533
Deferred tax liabilities									401
Elimination									(4,748,167)
Total liabilities									15,491,767
Off-balance sheet credit commitments	513,530	340,119	579,144	342,489	291,548	106,264	7,500	98,803	2,279,397

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2013								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	59,826	36,968	36,465	42,952	50,022	14,333	145,730	3,248	389,544
Internal net interest income/(expense)	8,131	13,283	23,178	20,259	16,407	10,110	(94,056)	2,688	–
Net interest income	67,957	50,251	59,643	63,211	66,429	24,443	51,674	5,936	389,544
Net fee and commission income	19,723	16,086	17,007	16,647	13,658	5,767	13,769	1,626	104,283
Net trading gain/(loss)	469	475	80	(73)	52	29	3,312	(1,252)	3,092
Dividend income	5	3	6	289	76	8	53	6	446
Net gain arising from investment securities	383	–	157	199	–	291	285	80	1,395
Other operating income/(expense), net	7,353	273	537	466	1,515	258	(597)	2,575	12,380
Operating income	95,890	67,088	77,430	80,739	81,730	30,796	68,496	8,971	511,140
Operating expenses	(38,296)	(24,525)	(28,769)	(33,004)	(31,857)	(13,471)	(14,704)	(3,559)	(188,185)
Impairment losses	(20,826)	(4,094)	(3,642)	(5,544)	(3,498)	(1,728)	(2,300)	(1,577)	(43,209)
Share of profits less losses of associates and joint ventures	–	–	–	–	–	–	–	60	60
Profit before tax	36,768	38,469	45,019	42,191	46,375	15,597	51,492	3,895	279,806
Capital expenditure	4,229	2,992	8,438	7,054	5,660	2,672	6,159	376	37,580
Depreciation and amortisation	2,621	1,700	2,191	2,891	2,494	1,348	1,976	195	15,416
Segment assets	2,639,135	2,158,746	2,737,198	2,410,486	2,500,348	910,474	5,934,221	729,915	20,020,523
Interests in associates and joint ventures	–	–	–	661	–	–	–	1,963	2,624
	2,639,135	2,158,746	2,737,198	2,411,147	2,500,348	910,474	5,934,221	731,878	20,023,147
Deferred tax assets									38,448
Elimination									(4,698,385)
Total assets									15,363,210
Segment liabilities	2,628,866	2,153,610	2,718,912	2,399,890	2,492,392	907,524	5,026,546	659,388	18,987,128
Deferred tax liabilities									138
Elimination									(4,698,385)
Total liabilities									14,288,881
Off-balance sheet credit commitments	555,843	422,332	569,194	283,736	282,660	110,931	13,000	72,531	2,310,227

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2014				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	231,445	18,702	173,732	13,519	437,398
Internal net interest income/(expenses)	4,211	143,122	(138,081)	(9,252)	–
Net interest income	235,656	161,824	35,651	4,267	437,398
Net fee and commission income	42,032	44,679	18,855	2,951	108,517
Net trading (loss)/gain	(6,948)	(5,595)	13,308	207	972
Dividend income	–	–	–	495	495
Net gain arising from investment securities	–	–	876	3,169	4,045
Other operating income, net	301	24	3,795	1,193	5,313
Operating income	271,041	200,932	72,485	12,282	556,740
Operating expenses	(73,419)	(106,506)	(6,852)	(9,211)	(195,988)
Impairment losses	(45,736)	(13,873)	(937)	(1,365)	(61,911)
Share of profits less losses of associates and joint ventures	–	–	–	245	245
Profit before tax	151,886	80,553	64,696	1,951	299,086
Capital expenditure	8,246	22,184	617	3,139	34,186
Depreciation and amortisation	4,558	12,263	341	649	17,811
Segment assets	6,106,160	3,005,155	6,588,297	1,056,039	16,755,651
Interests in associates and joint ventures	–	–	–	3,084	3,084
	6,106,160	3,005,155	6,588,297	1,059,123	16,758,735
Deferred tax assets					39,436
Elimination					(54,041)
Total assets					16,744,130
Segment liabilities	7,118,017	6,820,246	446,096	1,161,048	15,545,407
Deferred tax liabilities					401
Elimination					(54,041)
Total liabilities					15,491,767
Off-balance sheet credit commitments	1,705,786	474,580	–	99,031	2,279,397

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2013				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	224,956	731	155,016	8,841	389,544
Internal net interest (expenses)/income	(21,991)	133,721	(103,921)	(7,809)	–
Net interest income	202,965	134,452	51,095	1,032	389,544
Net fee and commission income	42,119	40,870	18,909	2,385	104,283
Net trading (loss)/gain	(1,352)	(78)	5,763	(1,241)	3,092
Dividend income	–	–	–	446	446
Net gain arising from investment securities	–	–	557	838	1,395
Other operating income/(expenses), net	497	452	(1,207)	12,638	12,380
Operating income	244,229	175,696	75,117	16,098	511,140
Operating expenses	(66,997)	(101,111)	(6,374)	(13,703)	(188,185)
Impairment losses	(31,293)	(9,950)	364	(2,330)	(43,209)
Share of profits less losses of associates and joint ventures	–	–	–	60	60
Profit before tax	145,939	64,635	69,107	125	279,806
Capital expenditure	8,179	23,905	605	4,891	37,580
Depreciation and amortisation	3,773	11,026	279	338	15,416
Segment assets	5,585,454	2,590,881	6,505,051	744,879	15,426,265
Interests in associates and joint ventures	–	–	–	2,624	2,624
	5,585,454	2,590,881	6,505,051	747,503	15,428,889
Deferred tax assets					38,448
Elimination					(104,127)
Total assets					15,363,210
Segment liabilities	6,772,134	6,376,797	389,827	854,112	14,392,870
Deferred tax liabilities					138
Elimination					(104,127)
Total liabilities					14,288,881
Off-balance sheet credit commitments	1,828,104	409,316	–	72,807	2,310,227

(Expressed in millions of RMB, unless otherwise stated)

61 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Entrusted loans	**1,570,356**	1,355,890	**1,541,133**	1,354,778
Entrusted funds	**1,570,356**	1,355,890	**1,541,133**	1,354,778

62 PLEDGED ASSETS

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by asset type

	Group		Bank	
	2014	2013	**2014**	2013
Discounted bills	**699**	608	**659**	560
Bonds	**247,527**	122,706	**243,295**	116,338
Total	**248,226**	123,314	**243,954**	116,898

(b) Carrying value of pledged assets analysed by classification in the statement of financial position

	Group		Bank	
	2014	2013	**2014**	2013
Loans and advances to customers	**699**	608	**659**	560
Available-for-sale financial assets	**5,414**	7,809	**1,198**	1,441
Held-to-maturity investments	**242,113**	114,897	**242,097**	114,897
Total	**248,226**	123,314	**243,954**	116,898

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2014 and 2013, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

63 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	Group		Bank	
	2014	2013	**2014**	2013
Loan commitments				
– with an original maturity within one year	**141,519**	179,790	**137,888**	176,494
– with an original maturity of one year or over	**278,155**	302,109	**272,643**	297,834
Credit card commitments	**507,142**	437,431	**474,580**	409,316
	926,816	919,330	**885,111**	883,644
Bank acceptances	**369,636**	360,499	**369,301**	360,230
Financing guarantees	**109,195**	129,557	**176,923**	193,918
Non-financing guarantees	**556,039**	484,370	**551,028**	483,828
Sight letters of credit	**20,638**	29,243	**20,632**	29,243
Usance letters of credit	**238,275**	351,543	**241,269**	367,774
Others	**58,798**	35,685	**58,763**	35,595
Total	**2,279,397**	2,310,227	**2,303,027**	2,354,232

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

	2014	
	Group	Bank
Credit risk-weighted amount of contingent liabilities and commitments	**903,326**	**927,183**

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Within one year	**5,234**	4,596	**4,834**	4,150
After one year but within two years	**4,295**	3,749	**4,012**	3,389
After two years but within three years	**3,227**	2,999	**3,035**	2,712
After three years but within five years	**3,615**	3,557	**3,418**	3,350
After five years	**2,471**	2,543	**2,057**	2,124
Total	**18,842**	17,444	**17,356**	15,725

(Expressed in millions of RMB, unless otherwise stated)

63 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(4) Capital commitments

As at the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Contracted for	**5,214**	4,618	**5,135**	4,567
Authorised but not contracted for	**1,406**	2,770	**1,362**	2,716
Total	**6,620**	7,388	**6,497**	7,283

(5) Underwriting obligations

As at 31 December 2014, there was no unexpired underwriting commitment of the Group and the Bank (2013: nil).

(6) Government bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 31 December 2014, were RMB61,633 million (2013: RMB50,794 million).

(7) Outstanding litigation and disputes

As at 31 December 2014, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB5,677 million (2013: RMB3,167 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 49). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above is committed and contingent liabilities in accordance with their accounting policies (Note 4 (14)).

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2014, Huijin directly held 57.26% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB145,001 million (2013: RMB160,000 million). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with parent companies are as follows:

Amounts

	2014		2013	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**576**	**0.08%**	589	0.09%
Interest expense	**430**	**0.14%**	603	0.23%

Balances outstanding as at the end of the reporting period

	2014		2013	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable	**185**	**0.20%**	189	0.23%
Available-for-sale financial assets	**–**	**–**	180	0.02%
Held-to-maturity investments	**16,680**	**0.73%**	16,680	0.79%
Financial liabilities at fair value through profit or loss	**13,000**	**4.39%**	–	–
Deposits from customers	**5,621**	**0.04%**	13,063	0.11%
Interest payable	**6**	**0.00%**	3	0.00%
Credit commitments	**288**	**0.01%**	288	0.01%

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

Amounts

	Note	2014 Amount	2014 Ratio to similar transactions	2013 Amount	2013 Ratio to similar transactions
Interest income		**37,290**	**5.05%**	36,170	5.60%
Interest expense		**3,086**	**1.02%**	1,972	0.77%
Fee and commission income		**290**	**0.26%**	393	0.37%
Fee and commission expense		**13**	**0.35%**	6	0.19%
Operating expenses	(i)	**1,715**	**1.07%**	1,417	0.95%

Balances outstanding as at the end of the reporting period

	Note	2014 Balance	2014 Ratio to similar transactions	2013 Balance	2013 Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**14,521**	**5.45%**	35,103	10.93%
Placements with banks and non-bank financial institutions		**71,414**	**28.74%**	60,734	39.94%
Financial assets at fair value through profit or loss		**7,713**	**2.32%**	13,856	3.81%
Positive fair value of derivatives		**288**	**2.09%**	1,507	7.97%
Financial assets held under resale agreements		**7,695**	**2.81%**	32,194	11.44%
Interest receivable		**14,305**	**15.63%**	16,541	20.49%
Loans and advances to customers		**36,281**	**0.39%**	43,790	0.52%
Available for sale financial assets		**228,819**	**24.71%**	213,549	28.09%
Held-to-maturity investments		**476,497**	**20.73%**	515,295	24.53%
Debt securities classified as receivables		**59,922**	**35.08%**	64,700	34.10%
Other assets		**208**	**0.80%**	2	0.01%
Deposits from banks and non-bank financial institutions	(ii)	**70,040**	**6.98%**	53,318	7.70%
Placements from banks and non-bank financial institutions		**52,964**	**26.17%**	34,501	22.13%
Financial liabilities at fair value through profit or loss		**457**	**0.15%**	1,160	0.30%
Negative fair value of derivatives		**341**	**2.76%**	1,187	5.97%
Financial assets sold under repurchase agreements		**50,530**	**27.84%**	37,747	61.01%
Deposits from customers		**27,813**	**0.22%**	42,397	0.35%
Interest payable		**156**	**0.08%**	80	0.05%
Other liabilities		**64**	**0.08%**	658	1.00%
Credit commitments		**13,278**	**0.59%**	23,762	1.09%

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2014	2013
Interest income	22	22
Interest expense	5	2
Fee and commission income	4	21

Balances outstanding as at the end of the reporting period

	2014	2013
Loans and advances to customers	1,838	1,860
Financial liabilities at fair value through profit or loss	148	–
Deposits from customers	1,255	694

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2014	2013
Interest income	1,965	1,516
Interest expense	803	539
Fee and commission income	677	604
Fee and commission expense	65	71
Net trading(loss)/gain	(19)	410
Dividend income	27	329
Other operating expense, net	(484)	(111)

Balances outstanding as at the end of the reporting period are presented in Note 39.

As at 31 December 2014, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB71,214 million (2013: RMB66,975 million).

For the year ended 31 December 2014, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 31 December 2014, the balances of the above transactions were RMB2,843 million (2013: RMB2,646 million) and RMB402 million (2013: RMB395 million) respectively.

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the year ended 31 December 2014 and 2013.

As at 31 December 2014, RMB2,977 million of the Group's supplementary retirement benefit plan assets (2013: RMB4,113 million) were managed by CCB Principal and management fees receivable from the Bank was RMB28.86 million (2013: nil).

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

The compensation of directors and supervisors is disclosed in Note 14. The senior executives' annual compensation before individual income tax during the year is as follows:

	2014			
	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive vice president				
Pang Xiusheng (Note (ii))	680	40	282	1,002
Zhang Gengsheng (Note (ii))	680	40	282	1,002
Yang Wensheng (Note (ii))	680	40	282	1,002
Huang Yi (Note (ii))	624	37	259	920
Yu Jingbo (Note (ii))	658	40	254	952
Chief Risk Officer				
Zeng Jianhua (Note (ii))	647	40	244	931
Chief Financial Officer				
Xu Yiming (Note (ii))	323	21	123	467
Secretary to the board of directors				
Chen Caihong (Note (ii))	647	40	244	931
Former vice president				
Zhao Huan (Note (ii))	57	3	23	83
	4,996	301	1,993	7,290

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2013					
	Basic annual salaries	Annual performance bonus	Welfare	Total (before tax) (note(iii))	Including: deferral payment	The actual payment in 2013 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive vice president						
Pang Xiusheng	434	1,109	302	1,845	555	1,290
Zhang Gengsheng	429	1,098	300	1,827	549	1,278
Yang Wensheng	108	277	77	462	139	323
Chief Risk Officer						
Zeng Jianhua	398	1,017	265	1,680	509	1,171
Chief Audit Officer						
Yu Jingbo	398	1,017	265	1,680	509	1,171
Secretary to the board of directors						
Chen Caihong	398	1,017	265	1,680	509	1,171
Former vice president						
Zhao Huan	434	1,109	302	1,845	555	1,290
	2,599	6,644	1,776	11,019	3,325	7,694

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2014 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2014. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2013 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2013 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2013 was the final amount.

(7) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

(8) Acquisition of Macau branch with CCB Asia

On 7 June 2014, the Bank acquired CCB Asia's wholly owned subsidiary, China Construction Bank (Macau) Corporation Limited, and recognised as the Bank's Macau branch.

65 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carry out their responsibilities according to the Company Ordinance and other related regulatory requirements. The Board of Directors of the Bank has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities. Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the governor with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is the overall business risk management department. Credit Management Department is the overall credit risk management department. Credit Approval Department is the overall credit business approval department. Internal Control and Compliance Department is the coordination department for operating risk management and internal control and compliance risk management. Other departments are responsible for various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control and Compliance Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading and is responsible for the special assets resolutions. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Credit Approval Department is responsible for the group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors credit businesses, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Credit grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

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

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	Group		Bank	
	2014	2013	**2014**	2013
Deposits with central banks	**2,538,128**	2,403,245	**2,528,020**	2,398,040
Deposits with banks and non-bank financial institutions	**266,461**	321,286	**280,848**	328,640
Placements with banks and non-bank financial institutions	**248,525**	152,065	**247,606**	233,574
Debt investments at fair value through profit or loss	**327,768**	357,530	**320,452**	356,854
Positive fair value of derivatives	**13,769**	18,910	**9,880**	16,503
Financial assets held under resale agreements	**273,751**	281,447	**273,444**	280,959
Interest receivable	**91,495**	80,731	**88,930**	79,025
Loans and advances to customers	**9,222,910**	8,361,361	**8,876,246**	8,025,415
Available-for-sale debt securities	**910,103**	746,626	**839,303**	708,413
Held-to-maturity investments	**2,298,663**	2,100,538	**2,294,723**	2,095,741
Debt securities classified as receivables	**170,801**	189,737	**154,576**	182,252
Other financial assets	**19,261**	21,130	**50,491**	53,635
Total	**16,381,635**	15,034,606	**15,964,519**	14,759,051
Off-balance sheet credit commitments	**2,279,397**	2,310,227	**2,303,027**	2,354,232
Maximum credit risk exposure	**18,661,032**	17,344,833	**18,267,546**	17,113,283

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows:

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Individually assessed and impaired gross amount		**101,729**	77,152	**96,157**	76,779
Allowances for impairment losses		**(57,773)**	(52,137)	**(56,413)**	(51,885)
Subtotal		**43,956**	25,015	**39,744**	24,894
Collectively assessed and impaired gross amount		**11,442**	8,112	**11,067**	8,002
Allowances for impairment losses		**(7,588)**	(5,532)	**(7,459)**	(5,512)
Subtotal		**3,854**	2,580	**3,608**	2,490
Overdue but not impaired					
– not more than 90 days		**32,401**	14,517	**30,640**	13,969
– between 90 days and 180 days		**4**	3	**–**	–
– more than 180 days		**123**	472	**107**	472
Gross amount		**32,528**	14,992	**30,747**	14,441
Allowances for impairment losses	(i)	**(4,819)**	(2,267)	**(4,791)**	(2,248)
Subtotal		**27,709**	12,725	**25,956**	12,193
Neither overdue nor impaired					
– Unsecured loans		**2,527,998**	2,322,572	**2,377,183**	2,125,833
– Guaranteed loans		**1,771,410**	1,615,091	**1,670,575**	1,564,696
– Loans secured by tangible assets other than monetary assets		**4,158,664**	3,693,429	**4,087,982**	3,618,121
– Loans secured by monetary assets		**870,752**	858,709	**849,351**	844,248
Gross amount		**9,328,824**	8,489,801	**8,985,091**	8,152,898
Allowances for impairment losses	(i)	**(181,433)**	(168,760)	**(178,153)**	(167,060)
Subtotal		**9,147,391**	8,321,041	**8,806,938**	7,985,838
Total		**9,222,910**	8,361,361	**8,876,246**	8,025,415

(i) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):

Group

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2014		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Portion covered	**8,017**	**10,350**	**19,122**
Portion not covered	**8,145**	**6,016**	**82,607**
Total	**16,162**	**16,366**	**101,729**

	2013		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	330	8,256	12,048
Portion not covered	1,049	5,357	65,104
Total	1,379	13,613	77,152

Bank

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2014		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Portion covered	**7,435**	**9,917**	**18,915**
Portion not covered	**7,520**	**5,875**	**77,242**
Total	**14,955**	**15,792**	**96,157**

	2013		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	158	8,020	12,004
Portion not covered	984	5,279	64,775
Total	1,142	13,299	76,779

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(c) Loans and advances to customers analysed by economic sector concentrations

Group

	2014			2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,446,259**	**15.26%**	**529,550**	1,432,219	16.67%	546,250
– Transportation, storage and postal services	**1,105,769**	**11.67%**	**412,629**	993,243	11.56%	390,131
– Production and supply of electric power, heat, gas and water	**636,254**	**6.72%**	**185,585**	594,603	6.92%	167,539
– Leasing and commercial services	**602,041**	**6.35%**	**270,183**	478,259	5.57%	220,972
– Real estate	**575,283**	**6.07%**	**472,791**	541,252	6.30%	455,172
– Wholesale and retail trade	**473,501**	**5.00%**	**179,181**	469,584	5.47%	186,592
– Water, environment and public utility management	**328,023**	**3.46%**	**173,852**	273,513	3.19%	143,236
– Construction	**275,305**	**2.92%**	**99,641**	243,975	2.84%	93,032
– Mining	**244,516**	**2.58%**	**34,371**	234,837	2.74%	31,743
– Agriculture, forestry, farming, fishing	**136,791**	**1.44%**	**58,497**	105,021	1.22%	46,000
– Public management, social securities and social organisation	**126,050**	**1.33%**	**55,044**	117,599	1.37%	56,196
– Education	**79,945**	**0.84%**	**22,409**	71,714	0.83%	21,173
– Others	**307,822**	**3.25%**	**70,730**	386,386	4.50%	69,653
Total corporate loans and advances	**6,337,559**	**66.89%**	**2,564,463**	5,942,205	69.18%	2,427,689
Personal loans and advances	**2,935,762**	**30.99%**	**2,538,346**	2,504,838	29.16%	2,173,315
Discounted bills	**201,202**	**2.12%**	**–**	143,014	1.66%	–
Total loans and advances to customers	**9,474,523**	**100.00%**	**5,102,809**	8,590,057	100.00%	4,601,004

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2014				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the year**	**Written off during the year**
Manufacturing	**49,637**	**(28,678)**	**(34,351)**	**22,392**	**10,537**
Transportation, storage and postal services	**4,962**	**(3,661)**	**(25,661)**	**2,632**	**422**

	2013				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	38,179	(24,308)	(34,324)	13,402	4,028
Transportation, storage and postal services	5,414	(3,816)	(24,002)	3,515	11

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank

	2014			2013		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	1,372,900	15.05%	525,535	1,388,973	16.82%	532,533
– Transportation, storage and postal services	1,062,056	11.64%	399,799	967,057	11.72%	381,743
– Production and supply of electric power, heat, gas and water	622,392	6.82%	183,757	583,007	7.06%	165,704
– Leasing and commercial services	592,391	6.49%	270,339	476,888	5.78%	221,452
– Real estate	531,945	5.83%	444,658	507,855	6.15%	430,554
– Wholesale and retail trade	423,854	4.65%	173,576	437,443	5.30%	178,123
– Water, environment and public utility management	327,802	3.59%	173,781	273,072	3.32%	143,176
– Construction	269,183	2.96%	98,708	241,019	2.92%	92,752
– Mining	237,468	2.60%	33,973	230,507	2.80%	31,561
– Agriculture, forestry, farming, fishing	130,627	1.43%	56,996	103,773	1.26%	45,869
– Public management, social securities and social organisation	124,753	1.37%	54,689	117,461	1.42%	56,069
– Education	79,379	0.87%	22,259	71,638	0.87%	21,124
– Others	260,079	2.85%	65,665	245,923	2.98%	66,851
Total corporate loans and advances	6,034,829	66.15%	2,503,735	5,644,616	68.40%	2,367,511
Personal loans and advances	2,887,433	31.65%	2,504,497	2,464,662	29.87%	2,143,251
Discounted bills	200,800	2.20%	–	142,842	1.73%	–
Total loans and advances to customers	9,123,062	100.00%	5,008,232	8,252,120	100.00%	4,510,762

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2014				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	48,497	(28,318)	(33,699)	21,719	10,377
Transportation, storage and postal services	4,839	(3,562)	(25,058)	2,398	399

	2013				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	38,091	(24,252)	(34,046)	13,341	4,023
Transportation, storage and postal services	5,297	(3,715)	(23,636)	3,312	11

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

Group

	2014			2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,877,906**	**19.82%**	**1,192,535**	1,781,649	20.74%	1,142,213
Western	**1,641,394**	**17.32%**	**972,967**	1,461,129	17.01%	859,316
Bohai Rim	**1,633,965**	**17.25%**	**735,143**	1,442,213	16.79%	642,830
Central	**1,552,809**	**16.39%**	**950,452**	1,358,192	15.81%	798,619
Pearl River Delta	**1,299,615**	**13.72%**	**878,946**	1,220,420	14.21%	811,547
Northeastern	**562,403**	**5.94%**	**298,668**	507,751	5.91%	269,978
Head office	**342,476**	**3.61%**	**–**	280,597	3.27%	407
Overseas	**563,955**	**5.95%**	**74,098**	538,106	6.26%	76,094
Gross loans and advances to customers	**9,474,523**	**100.00%**	**5,102,809**	8,590,057	100.00%	4,601,004

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2014		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**39,321**	**(21,753)**	**(41,168)**
Pearl River Delta	**17,719**	**(9,486)**	**(28,329)**
Central	**14,671**	**(8,455)**	**(32,171)**
Western	**13,039**	**(6,436)**	**(36,155)**
Bohai Rim	**10,860**	**(5,921)**	**(33,727)**
Northeastern	**8,471**	**(4,008)**	**(12,438)**
Head Office	**3,250**	**(376)**	**(7,314)**
Overseas	**5,840**	**(1,338)**	**(2,538)**
Total	**113,171**	**(57,773)**	**(193,840)**

	2013		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	40,844	(25,356)	(39,041)
Central	12,052	(7,109)	(28,126)
Pearl River Delta	10,680	(6,045)	(27,414)
Western	7,221	(4,940)	(31,375)
Bohai Rim	6,695	(4,339)	(30,144)
Northeastern	4,551	(3,236)	(11,094)
Head Office	2,645	(785)	(6,074)
Overseas	576	(327)	(3,291)
Total	85,264	(52,137)	(176,559)

The definitions of geographical segments are set out in Note 60(1).

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Bank

	2014			2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,869,069**	**20.49%**	**1,188,909**	1,773,136	21.49%	1,138,800
Western	**1,641,041**	**17.99%**	**972,863**	1,460,804	17.70%	859,222
Central	**1,551,816**	**17.01%**	**950,088**	1,357,198	16.45%	798,306
Bohai Rim	**1,547,173**	**16.96%**	**700,950**	1,381,443	16.74%	619,733
Pearl River Delta	**1,299,615**	**14.25%**	**878,946**	1,220,420	14.79%	811,547
Northeastern	**562,285**	**6.16%**	**298,567**	507,649	6.15%	269,895
Head office	**342,476**	**3.75%**	**–**	280,597	3.40%	407
Overseas	**309,587**	**3.39%**	**17,909**	270,873	3.28%	12,852
Gross loans and advances to customers	**9,123,062**	**100.00%**	**5,008,232**	8,252,120	100.00%	4,510,762

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2014		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**39,090**	**(21,671)**	**(40,902)**
Pearl River Delta	**17,719**	**(9,486)**	**(28,329)**
Central	**14,661**	**(8,452)**	**(32,138)**
Western	**13,039**	**(6,436)**	**(36,143)**
Bohai Rim	**10,723**	**(5,815)**	**(32,196)**
Northeastern	**8,471**	**(4,008)**	**(12,435)**
Head Office	**3,250**	**(376)**	**(7,314)**
Overseas	**271**	**(169)**	**(946)**
Total	**107,224**	**(56,413)**	**(190,403)**

	2013		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	40,783	(25,342)	(38,803)
Central	12,046	(7,107)	(28,093)
Pearl River Delta	10,680	(6,045)	(27,414)
Western	7,221	(4,940)	(31,368)
Bohai Rim	6,558	(4,236)	(29,162)
Northeastern	4,551	(3,236)	(11,092)
Head Office	2,645	(785)	(6,074)
Overseas	297	(194)	(2,814)
Total	84,781	(51,885)	(174,820)

The definitions of geographical segments are set out in Note 60(1).

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	Group		Bank	
	2014	2013	**2014**	2013
Unsecured loans	**2,544,820**	2,336,298	**2,393,294**	2,139,243
Guaranteed loans	**1,826,894**	1,652,755	**1,721,536**	1,602,115
Loans secured by tangible assets other than monetary assets	**4,223,844**	3,734,986	**4,152,298**	3,659,209
Loans secured by monetary assets	**878,965**	866,018	**855,934**	851,553
Gross loans and advances to customers	**9,474,523**	8,590,057	**9,123,062**	8,252,120

(f) Rescheduled loans and advances to customers

Group

	2014		2013	
	Total	**Percentage of gross loans and advances to customers**	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	**3,073**	**0.03%**	1,009	0.01%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	**2,498**	**0.03%**	247	0.00%

Bank

	2014		2013	
	Total	**Percentage of gross loans and advances to customers**	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	**339**	**0.00%**	937	0.01%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	**32**	**0.00%**	247	0.00%

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2014	2013	**2014**	2013
Individually assessed and impaired gross amount	**55**	38	**52**	35
Allowances for impairment losses	**(34)**	(34)	**(31)**	(31)
Subtotal	**21**	4	**21**	4
Neither overdue nor impaired				
– Grade A to AAA	**707,514**	656,824	**703,135**	745,727
– Grade B to BBB	**2,819**	3,688	**2,555**	3,231
– Unrated	**78,383**	94,282	**96,187**	94,211
Subtotal	**788,716**	754,794	**801,877**	843,169
Total	**788,737**	754,798	**801,898**	843,173

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

Group

	2014					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	310	–	–	–	625	935
– Other enterprises	1,791	2,914	53	–	–	4,758
Total	2,101	2,914	53	–	625	5,693
Allowances for impairment losses						(1,319)
Subtotal						4,374
Neither overdue nor impaired						
– Government	1,190,607	12,838	27,387	318	3,725	1,234,875
– Central banks	182,026	57	2,741	3,360	–	188,184
– Policy banks	536,095	–	1,021	32	–	537,148
– Banks and non-bank financial institutions	1,163,171	68,949	17,770	7,315	5,546	1,262,751
– Cinda	–	–	–	–	–	–
– Public sector entities	–	20	–	–	–	20
– Other enterprises	101,438	366,421	14,088	2,286	429	484,662
Total	3,173,337	448,285	63,007	13,311	9,700	3,707,640
Allowances for impairment losses						(4,679)
Subtotal						3,702,961
Total						3,707,335

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Group (continued)

	2013					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,562	–	–	397	3,472	5,431
– Other enterprises	812	2,677	–	–	–	3,489
Total	2,374	2,677	–	397	3,472	8,920
Allowances for impairment losses						(3,947)
Subtotal						4,973
Neither overdue nor impaired						
– Government	1,052,672	2,583	20,061	218	–	1,075,534
– Central banks	189,460	3,989	2,600	–	2,332	198,381
– Policy banks	445,322	–	465	63	–	445,850
– Banks and non-bank financial institutions	1,094,536	56,994	10,062	7,167	3,364	1,172,123
– Cinda	18,852	–	–	–	–	18,852
– Public sector entities	–	19	79	–	–	98
– Other enterprises	71,413	392,075	16,290	2,117	826	482,721
Total	2,872,255	455,660	49,557	9,565	6,522	3,393,559
Allowances for impairment losses						(4,101)
Subtotal						3,389,458
Total						3,394,431

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank

	2014					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	310	–	–	–	625	935
– Other enterprises	88	2,914	–	–	–	3,002
Total	398	2,914	–	–	625	3,937
Allowances for impairment losses						(1,092)
Subtotal						2,845
Neither overdue nor impaired						
– Government	1,188,076	12,465	5,231	318	3,725	1,209,815
– Central banks	175,466	57	2,240	3,360	–	181,123
– Policy banks	528,160	–	–	32	–	528,192
– Banks and non-bank financial institutions	1,144,813	65,317	4,810	4,971	4,663	1,224,574
– Cinda	–	–	–	–	–	–
– Public sector entities	–	–	–	–	–	–
– Other enterprises	94,043	358,621	12,689	1,434	397	467,184
Total	3,130,558	436,460	24,970	10,115	8,785	3,610,888
Allowances for impairment losses						(4,679)
Subtotal						3,606,209
Total						3,609,054

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank (continued)

	2013					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,562	–	–	397	3,472	5,431
– Other enterprises	12	2,677	–	–	–	2,689
Total	1,574	2,677	–	397	3,472	8,120
Allowances for impairment losses						(3,811)
Subtotal						4,309
Neither overdue nor impaired						
– Government	1,052,672	925	2,422	218	–	1,056,237
– Central banks	189,068	986	2,365	–	2,332	194,751
– Policy banks	445,322	–	–	63	–	445,385
– Banks and non-bank financial institutions	1,089,076	53,295	6,089	6,105	3,364	1,157,929
– Cinda	18,852	–	–	–	–	18,852
– Public sector entities	–	–	79	–	–	79
– Other enterprises	66,634	385,015	15,799	1,576	795	469,819
Total	2,861,624	440,221	26,754	7,962	6,491	3,343,052
Allowances for impairment losses						(4,101)
Subtotal						3,338,951
Total						3,343,260

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing bank account market risk and the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

	2014			
	As at 31 December	**Average**	**Maximum**	**Minimum**
Risk valuation of trading portfolio	**189**	**67**	**194**	**17**
Of which:				
– Interest rate risk	**173**	**31**	**173**	**9**
– Foreign exchange risk[1]	**36**	**54**	**119**	**12**
– Commodity risk	**1**	**1**	**21**	**–**

	2013			
	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	128	64	148	29
Of which:				
– Interest rate risk	117	36	134	17
– Foreign exchange risk[1]	94	53	107	17
– Commodity risk	7	2	18	–

(1) The reporting of risk in relation to bullion is included in foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based 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 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent 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;
- 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; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group for the year by RMB38,702 million (2013: RMB40,135 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group for the year would decrease or increase by RMB30,346 million (2013: RMB31,468 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the department who manages the interest related risk or related business departments to mitigate interest rate risk have not been taken into account. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in repricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate repricing gap. The main reason for measuring the interest rate repricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

The following tables indicate the average interest rate ("AIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

Group

		2014						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	128,271	2,482,510	–	–	–	2,610,781
Deposits and placements with banks and non-bank financial institutions		4.63%	–	343,959	161,608	9,419	–	514,986
Financial assets held under resale agreements		4.99%	–	238,256	35,495	–	–	273,751
Loans and advances to customers	(ii)	5.85%	–	5,008,405	4,059,338	83,238	71,929	9,222,910
Investments	(iii)	4.03%	23,619	489,216	528,865	1,585,263	1,103,990	3,730,953
Other assets		–	390,749	–	–	–	–	390,749
Total assets		4.72%	542,639	8,562,346	4,785,306	1,677,920	1,175,919	16,744,130
Liabilities								
Borrowings from central banks		3.04%	–	82,858	8,358	–	–	91,216
Deposits and placements from banks and non-bank financial institutions		3.26%	–	978,962	221,176	6,382	–	1,206,520
Financial liabilities at fair value through profit or loss		1.43%	18,052	209,672	68,285	–	–	296,009
Financial assets sold under repurchase agreements		2.86%	–	181,374	154	–	–	181,528
Deposits from customers		1.92%	132,430	8,685,836	2,650,532	1,421,910	7,967	12,898,675
Debt securities issued		3.47%	–	115,280	116,058	95,854	104,460	431,652
Other liabilities		–	386,167	–	–	–	–	386,167
Total liabilities		2.11%	536,649	10,253,982	3,064,563	1,524,146	112,427	15,491,767
Asset-liability gap		2.61%	5,990	(1,691,636)	1,720,743	153,774	1,063,492	1,252,363

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Group (continued)

		2013						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	120,044	2,354,957	–	–	–	2,475,001
Deposits and placements with banks and non-bank financial institutions		3.85%	–	320,488	146,374	6,489	–	473,351
Financial assets held under resale agreements		4.22%	–	279,292	2,155	–	–	281,447
Loans and advances to customers	(ii)	5.79%	–	4,432,346	3,800,494	58,818	69,703	8,361,361
Investments	(iii)	3.74%	22,811	522,349	542,287	1,277,382	1,052,412	3,417,241
Other assets		–	354,809	–	–	–	–	354,809
Total assets		4.54%	497,664	7,909,432	4,491,310	1,342,689	1,122,115	15,363,210
Liabilities								
Borrowings from central banks		3.61%	–	75,197	3,960	–	–	79,157
Deposits and placements from banks and non-bank financial institutions		2.45%	–	770,665	71,116	6,231	–	848,012
Financial liabilities at fair value through profit or loss		1.37%	24,186	267,224	88,970	–	–	380,380
Financial assets sold under repurchase agreements		3.70%	–	61,807	66	–	–	61,873
Deposits from customers		1.89%	74,794	8,587,466	2,462,729	1,089,647	8,401	12,223,037
Debt securities issued		3.29%	–	110,950	103,031	5,699	137,860	357,540
Other liabilities		–	338,882	–	–	–	–	338,882
Total liabilities		1.98%	437,862	9,873,309	2,729,872	1,101,577	146,261	14,288,881
Asset-liability gap		2.56%	59,802	(1,963,877)	1,761,438	241,112	975,854	1,074,329

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB66,984 million as at 31 December 2014 (2013: RMB33,014 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, debt securities classified as receivables and investments in associates and joint ventures.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank

		2014						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	122,153	2,477,875	–	–	–	2,600,028
Deposits and placements with banks and non-bank financial institutions		4.06%	–	380,091	143,963	4,400	–	528,454
Financial assets held under resale agreements		4.96%	–	237,949	35,495	–	–	273,444
Loans and advances to customers	(ii)	5.91%	–	4,753,217	3,983,089	70,169	69,771	8,876,246
Investments	(iii)	4.05%	32,405	463,784	501,083	1,550,392	1,093,795	3,641,459
Other assets		–	400,152	–	–	–	–	400,152
Total assets		4.72%	554,710	8,312,916	4,663,630	1,624,961	1,163,566	16,319,783
Liabilities								
Borrowings from central banks		3.03%	–	82,426	7,983	–	–	90,409
Deposits and placements from banks and non-bank financial institutions		3.18%	–	964,089	191,957	4,852	–	1,160,898
Financial liabilities at fair value through profit or loss		1.43%	17,235	207,968	67,439	–	–	292,642
Financial assets sold under repurchase agreements		3.47%	–	177,116	140	–	–	177,256
Deposits from customers		1.92%	100,287	8,555,196	2,578,874	1,412,224	7,912	12,654,493
Debt securities issued		3.20%	–	105,105	86,154	75,089	101,156	367,504
Other liabilities		–	344,345	–	–	–	–	344,345
Total liabilities		2.09%	461,867	10,091,900	2,932,547	1,492,165	109,068	15,087,547
Asset-liability gap		2.64%	92,843	(1,778,984)	1,731,083	132,796	1,054,498	1,232,236

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank (continued)

		2013						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.56%	118,085	2,351,412	–	–	–	2,469,497
Deposits and placements with banks and non-bank financial institutions		3.55%	–	396,196	164,017	2,001	–	562,214
Financial assets held under resale agreements		4.21%	–	278,899	2,060	–	–	280,959
Loans and advances to customers	(ii)	5.86%	–	4,183,932	3,719,832	52,504	69,147	8,025,415
Investments	(iii)	3.76%	28,336	513,309	522,551	1,263,447	1,043,953	3,371,596
Other assets		–	373,716	–	–	–	–	373,716
Total assets		4.56%	520,137	7,723,748	4,408,460	1,317,952	1,113,100	15,083,397
Liabilities								
Borrowings from central banks		3.62%	–	74,913	3,820	–	–	78,733
Deposits and placements from banks and non-bank financial institutions		2.36%	–	770,385	50,264	6,317	–	826,966
Financial liabilities at fair value through profit or loss		1.37%	21,627	267,134	88,970	–	–	377,731
Financial assets sold under repurchase agreements		3.93%	–	55,408	49	–	–	55,457
Deposits from customers		1.89%	52,003	8,485,968	2,422,140	1,087,339	8,327	12,055,777
Debt securities issued		3.37%	–	98,178	81,607	4,761	137,860	322,406
Other liabilities		–	307,726	–	–	–	–	307,726
Total liabilities		1.98%	381,356	9,751,986	2,646,850	1,098,417	146,187	14,024,796
Asset-liability gap		2.58%	138,781	(2,028,238)	1,761,610	219,535	966,913	1,058,601

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB63,704 million as at 31 December 2014 (2013: RMB32,281 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

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

Group

		2014			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,553,937	40,375	16,469	2,610,781
Deposits and placements with banks and non-bank financial institutions	(i)	670,774	73,065	44,898	788,737
Loans and advances to customers		8,471,056	568,883	182,971	9,222,910
Investments		3,644,031	35,464	51,458	3,730,953
Other assets		314,775	42,649	33,325	390,749
Total assets		15,654,573	760,436	329,121	16,744,130
Liabilities					
Borrowings from central banks		68,982	7,055	15,179	91,216
Deposits and placements from banks and non-bank financial institutions	(ii)	1,173,773	162,537	51,738	1,388,048
Financial liabilities at fair value through profit or loss		270,329	24,316	1,364	296,009
Deposits from customers		12,280,266	405,376	213,033	12,898,675
Debt securities issued		265,130	122,514	44,008	431,652
Other liabilities		356,103	1,129	28,935	386,167
Total liabilities		14,414,583	722,927	354,257	15,491,767
Net position		1,239,990	37,509	(25,136)	1,252,363
Net notional amount of derivatives		(21,184)	19,298	50,412	48,526
Credit commitments		2,041,479	144,592	93,326	2,279,397

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Group (continued)

		2013			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,413,749	42,686	18,566	2,475,001
Deposits and placements with banks and non-bank financial institutions	(i)	690,739	41,085	22,974	754,798
Loans and advances to customers		7,638,028	578,993	144,340	8,361,361
Investments		3,347,244	37,588	32,409	3,417,241
Other assets		274,723	25,181	54,905	354,809
Total assets		14,364,483	725,533	273,194	15,363,210
Liabilities					
Borrowings from central banks		64,036	12,204	2,917	79,157
Deposits and placements from banks and non-bank financial institutions	(ii)	673,603	159,230	77,052	909,885
Financial liabilities at fair value through profit or loss		342,910	34,499	2,971	380,380
Deposits from customers		11,796,856	262,112	164,069	12,223,037
Debt securities issued		229,256	93,641	34,643	357,540
Other liabilities		325,287	11,355	2,240	338,882
Total liabilities		13,431,948	573,041	283,892	14,288,881
Net position		932,535	152,492	(10,698)	1,074,329
Net notional amount of derivatives		63,418	(122,067)	99,519	40,870
Credit commitments		2,008,813	183,598	117,816	2,310,227

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

	Note	2014			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,549,507	39,978	10,543	2,600,028
Deposits and placements with banks and non-bank financial institutions	(i)	652,427	104,419	45,052	801,898
Loans and advances to customers		8,300,128	493,987	82,131	8,876,246
Investments		3,597,518	20,513	23,428	3,641,459
Other assets		327,890	53,055	19,207	400,152
Total assets		15,427,470	711,952	180,361	16,319,783
Liabilities					
Borrowings from central banks		68,175	7,055	15,179	90,409
Deposits and placements from banks and non-bank financial institutions	(ii)	1,137,458	151,614	49,082	1,338,154
Financial liabilities at fair value through profit or loss		268,356	24,238	48	292,642
Deposits from customers		12,209,331	354,977	90,185	12,654,493
Debt securities issued		239,392	91,552	36,560	367,504
Other liabilities		319,301	14,497	10,547	344,345
Total liabilities		14,242,013	643,933	201,601	15,087,547
Net position		1,185,457	68,019	(21,240)	1,232,236
Net notional amount of derivatives		11,733	(5,917)	40,391	46,207
Credit commitments		2,071,999	186,445	44,582	2,303,027

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank (continued)

		2013			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,410,124	42,676	16,697	2,469,497
Deposits and placements with banks and non-bank financial institutions	(i)	738,662	79,246	25,265	843,173
Loans and advances to customers		7,474,265	473,228	77,922	8,025,415
Investments		3,331,288	20,031	20,277	3,371,596
Other assets		287,936	35,823	49,957	373,716
Total assets		14,242,275	651,004	190,118	15,083,397
Liabilities					
Borrowings from central banks		63,612	12,204	2,917	78,733
Deposits and placements from banks and non-bank financial institutions	(ii)	652,822	154,232	75,369	882,423
Financial liabilities at fair value through profit or loss		342,994	34,473	264	377,731
Deposits from customers		11,740,978	240,597	74,202	12,055,777
Debt securities issued		209,022	81,192	32,192	322,406
Other liabilities		298,675	8,403	648	307,726
Total liabilities		13,308,103	531,101	185,592	14,024,796
Net position		934,172	119,903	4,526	1,058,601
Net notional amount of derivatives		48,626	(76,668)	68,576	40,534
Credit commitments		2,037,442	234,615	82,175	2,354,232

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM Department. The ALM Department is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

Group

	2014							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,456,736	154,045	–	–	–	–	–	2,610,781
Deposits and placements with banks and non-bank financial institutions	–	67,172	119,649	153,727	162,134	12,058	246	514,986
Financial assets held under resale agreements	–	–	179,452	58,804	35,495	–	–	273,751
Loans and advances to customers	55,547	356,911	273,474	566,001	2,298,193	2,521,847	3,150,937	9,222,910
Investments								
– Financial assets at fair value through profit or loss	4,467	–	89,983	89,880	76,083	62,882	8,940	332,235
– Available-for-sale financial assets	18,623	–	25,281	64,173	170,404	467,501	180,188	926,170
– Held-to-maturity investments	1,452	–	6,808	32,906	173,056	1,202,843	881,598	2,298,663
– Debt securities classified as receivables	368	–	2,775	5,432	6,539	66,764	88,923	170,801
– Investments in associates and joint ventures	3,084	–	–	–	–	–	–	3,084
Other assets	213,384	29,532	26,090	47,340	66,041	6,952	1,410	390,749
Total assets	2,753,661	607,660	723,512	1,018,263	2,987,945	4,340,847	4,312,242	16,744,130
Liabilities								
Borrowings from central banks	–	–	15,381	67,477	8,358	–	–	91,216
Deposits and placements from banks and non-bank financial institutions	–	585,618	277,699	108,671	224,925	6,549	3,058	1,206,520
Financial liabilities at fair value through profit or loss	–	18,052	111,383	98,289	68,285	–	–	296,009
Financial assets sold under repurchase agreements	–	–	181,079	295	154	–	–	181,528
Deposits from customers	–	6,748,886	888,992	1,143,267	2,658,778	1,442,869	15,883	12,898,675
Debt securities issued								
– Certificates of deposit issued	–	–	27,976	71,028	125,624	15,027	648	240,303
– Bonds issued	–	–	–	233	2,590	19,501	2,209	24,533
– Subordinated bonds issued	–	–	–	–	–	65,773	81,072	144,845
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	1,993	19,978	21,971
Other liabilities	401	115,239	33,723	45,916	135,031	53,092	2,765	386,167
Total liabilities	401	7,467,795	1,536,233	1,535,176	3,223,745	1,602,804	125,613	15,491,767
Long/(short) position	2,753,260	(6,860,135)	(812,721)	(516,913)	(235,800)	2,738,043	4,186,629	1,252,363
Notional amount of derivatives								
– Interest rate contracts	–	–	17,556	13,717	133,341	44,131	2,750	211,495
– Exchange rate contracts	–	–	437,789	378,044	691,726	46,807	6,001	1,560,367
– Other contracts	–	–	6,447	6,985	13,547	1,367	31	28,377
Total	–	–	461,792	398,746	838,614	92,305	8,782	1,800,239

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Group (continued)

	2013							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,273,802	201,199	–	–	–	–	–	2,475,001
Deposits and placements with banks and non-bank financial institutions	–	27,128	186,236	103,997	143,951	11,770	269	473,351
Financial assets held under resale agreements	–	–	275,970	3,322	2,155	–	–	281,447
Loans and advances to customers	32,338	270,466	294,347	603,488	2,230,532	2,108,254	2,821,936	8,361,361
Investments								
– Financial assets at fair value through profit or loss	6,521	–	77,927	137,091	101,473	38,201	2,837	364,050
– Available-for-sale financial assets	17,355	–	13,207	36,722	139,628	341,617	211,763	760,292
– Held-to-maturity investments	544	–	10,462	35,385	176,412	1,073,751	803,984	2,100,538
– Debt securities classified as receivables	1,058	–	2	7,100	5,322	70,432	105,823	189,737
– Investments in associates and joint ventures	2,624	–	–	–	–	–	–	2,624
Other assets	196,990	33,127	23,729	41,044	53,038	5,466	1,415	354,809
Total assets	2,531,232	531,920	881,880	968,149	2,852,511	3,649,491	3,948,027	15,363,210
Liabilities								
Borrowings from central banks	–	–	70,311	4,886	3,960	–	–	79,157
Deposits and placements from banks and non-bank financial institutions	–	458,703	239,605	71,784	71,689	6,231	–	848,012
Financial liabilities at fair value through profit or loss	–	24,186	107,428	159,796	88,970	–	–	380,380
Financial assets sold under repurchase agreements	–	–	60,356	1,451	66	–	–	61,873
Deposits from customers	–	6,653,089	944,140	1,060,733	2,458,328	1,093,697	13,050	12,223,037
Debt securities issued								
– Certificates of deposit issued	–	–	37,525	42,833	98,893	13,867	631	193,749
– Bonds issued	–	–	–	–	499	3,434	–	3,933
– Subordinated bonds issued	–	–	–	12,000	9,998	–	137,860	159,858
Other liabilities	138	107,215	32,631	42,494	116,335	38,671	1,398	338,882
Total liabilities	138	7,243,193	1,491,996	1,395,977	2,848,738	1,155,900	152,939	14,288,881
Long/(short) position	2,531,094	(6,711,273)	(610,116)	(427,828)	3,773	2,493,591	3,795,088	1,074,329
Notional amount of derivatives								
– Interest rate contracts	–	–	6,575	38,615	167,937	45,075	4,252	262,454
– Exchange rate contracts	–	–	470,675	363,364	873,156	26,844	5,946	1,739,985
– Other contracts	–	–	3,978	2,459	8,684	653	–	15,774
Total	–	–	481,228	404,438	1,049,777	72,572	10,198	2,018,213

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

	2014							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,453,866	146,162	–	–	–	–	–	2,600,028
Deposits and placements with banks and non-bank financial institutions	–	81,064	129,070	159,440	151,604	7,030	246	528,454
Financial assets held under resale agreements	–	–	179,145	58,804	35,495	–	–	273,444
Loans and advances to customers	52,150	352,186	242,407	505,451	2,193,056	2,399,377	3,131,619	8,876,246
Investments								
– Financial assets at fair value through profit or loss	–	–	89,739	89,850	75,492	61,869	3,502	320,452
– Available-for-sale financial assets	8,089	–	19,193	57,875	145,283	440,514	173,960	844,914
– Held-to-maturity investments	–	–	6,808	32,906	172,893	1,202,428	879,688	2,294,723
– Debt securities classified as receivables	368	–	1,478	4,660	4,669	57,121	86,280	154,576
– Investments in subsidiaries	26,794	–	–	–	–	–	–	26,794
Other assets	234,772	26,362	24,951	45,858	63,508	3,690	1,011	400,152
Total assets	2,776,039	605,774	692,791	954,844	2,842,000	4,172,029	4,276,306	16,319,783
Liabilities								
Borrowings from central banks	–	–	15,321	67,105	7,983	–	–	90,409
Deposits and placements from banks and non-bank financial institutions	–	589,145	280,045	97,574	190,481	3,653	–	1,160,898
Financial liabilities at fair value through profit or loss	–	17,235	110,889	97,079	67,439	–	–	292,642
Financial assets sold under repurchase agreements	–	–	176,840	276	140	–	–	177,256
Deposits from customers	–	6,716,706	834,896	1,068,206	2,586,501	1,432,356	15,828	12,654,493
Debt securities issued								
– Certificates of deposit issued	–	–	26,144	67,393	93,650	13,821	648	201,656
– Bonds issued	–	–	–	–	499	4,892	608	5,999
– Subordinated bonds issued	–	–	–	–	–	57,956	79,922	137,878
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	1,993	19,978	21,971
Other liabilities	43	116,666	29,664	38,420	104,146	52,674	2,732	344,345
Total liabilities	43	7,439,752	1,473,799	1,436,053	3,050,839	1,567,345	119,716	15,087,547
Long/(short) position	2,775,996	(6,833,978)	(781,008)	(481,209)	(208,839)	2,604,684	4,156,590	1,232,236
Notional amount of derivatives								
– Interest rate contracts	–	–	17,121	13,704	131,685	42,132	2,750	207,392
– Exchange rate contracts	–	–	355,381	291,997	562,810	37,253	5,372	1,252,813
– Other contracts	–	–	6,347	6,912	13,088	–	–	26,347
Total	–	–	378,849	312,613	707,583	79,385	8,122	1,486,552

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis(continued)

Bank (continued)

	2013							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,271,563	197,934	–	–	–	–	–	2,469,497
Deposits and placements with banks and non-bank financial institutions	–	34,693	206,969	146,795	166,207	7,281	269	562,214
Financial assets held under resale agreements	–	–	275,879	3,020	2,060	–	–	280,959
Loans and advances to customers	30,494	270,259	254,957	514,890	2,132,335	2,015,925	2,806,555	8,025,415
Investments								
– Financial assets at fair value through profit or loss	–	–	77,841	136,925	102,392	36,965	2,731	356,854
– Available-for-sale financial assets	9,987	–	9,626	33,969	125,033	327,363	208,767	714,745
– Held-to-maturity investments	544	–	10,462	35,385	174,609	1,072,803	801,938	2,095,741
– Debt securities classified as receivables	368	–	–	7,000	5,022	67,652	102,210	182,252
– Investments in subsidiaries	22,004	–	–	–	–	–	–	22,004
Other assets	223,224	29,724	23,262	40,219	51,782	4,090	1,415	373,716
Total assets	2,558,184	532,610	858,996	918,203	2,759,440	3,532,079	3,923,885	15,083,397
Liabilities								
Borrowings from central banks	–	–	70,212	4,701	3,820	–	–	78,733
Deposits and placements from banks and non-bank financial institutions	–	463,411	241,523	64,968	50,747	6,317	–	826,966
Financial liabilities at fair value through profit or loss	–	21,627	107,297	159,837	88,970	–	–	377,731
Financial assets sold under repurchase agreements	–	–	55,161	247	49	–	–	55,457
Deposits from customers	–	6,627,593	898,020	1,005,768	2,420,030	1,091,390	12,976	12,055,777
Debt securities issued								
– Certificates of deposit issued	–	–	35,709	35,080	75,050	13,083	631	159,553
– Bonds issued	–	–	–	–	499	2,496	–	2,995
– Subordinated bonds issued	–	–	–	12,000	9,998	–	137,860	159,858
Other liabilities	–	102,470	30,244	37,658	97,572	38,385	1,397	307,726
Total liabilities	–	7,215,101	1,438,166	1,320,259	2,746,735	1,151,671	152,864	14,024,796
Long/(short) position	2,558,184	(6,682,491)	(579,170)	(402,056)	12,705	2,380,408	3,771,021	1,058,601
Notional amount of derivatives								
– Interest rate contracts	–	–	6,264	35,983	164,528	43,752	4,252	254,779
– Exchange rate contracts	–	–	414,744	290,086	768,642	22,146	5,946	1,501,564
– Other contracts	–	–	3,925	2,314	7,420	–	–	13,659
Total	–	–	424,933	328,383	940,590	65,898	10,198	1,770,002

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet credit commitments of the Group and the Bank as at the end of reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	2014							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	91,216	92,293	–	15,633	68,081	8,579	–	–
Deposits and placements from banks and non-bank financial institutions	1,206,520	1,218,693	586,146	278,566	110,485	232,376	7,262	3,858
Financial liabilities at fair value through profit or loss	296,009	300,029	18,052	112,230	99,577	70,170	–	–
Financial assets sold under repurchase agreements	181,528	181,633	–	181,179	298	156	–	–
Deposits from customers	12,898,675	13,264,096	6,750,324	904,117	1,176,840	2,763,233	1,651,486	18,096
Debt securities issued								
– Certificates of deposit issued	240,303	242,299	–	28,076	71,278	126,859	15,486	600
– Bond issued	24,533	27,094	–	64	339	3,157	21,089	2,445
– Subordinated bonds issued	144,845	192,199	–	–	1,219	5,739	91,547	93,694
– Eligible Tier 2 capital bonds issued	21,971	34,450	–	–	–	1,294	7,176	25,980
Other financial liabilities	98,912	98,912	96,218	507	320	1,368	–	499
Total	15,204,512	15,651,698	7,450,740	1,520,372	1,528,437	3,212,931	1,794,046	145,172
Off- balance sheet loan commitments and credit card commitments (Note)		926,816	723,996	63,991	31,610	64,423	41,102	1,694
Guarantees, acceptances and other credit commitments (Note)		1,352,581	–	363,442	243,751	447,179	267,126	31,083

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Group (continued)

	2013							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	79,157	79,537	–	70,576	4,909	4,052	–	–
Deposits and placements from banks and non-bank financial institutions	848,012	852,612	459,039	240,148	72,900	74,164	6,361	–
Financial liabilities at fair value through profit or loss	380,380	387,188	24,186	108,270	162,019	92,713	–	–
Financial assets sold under repurchase agreements	61,873	61,891	–	60,372	1,453	66	–	–
Deposits from customers	12,223,037	12,543,365	6,654,567	956,794	1,089,270	2,564,169	1,262,662	15,903
Debt securities issued								
– Certificates of deposit issued	193,749	196,291	–	37,609	43,047	100,127	14,721	787
– Bond issued	3,933	4,234	–	–	–	627	3,607	–
– Subordinated bonds issued	159,858	211,824	–	–	13,504	15,972	27,040	155,308
Other financial liabilities	81,203	81,203	78,978	233	289	1,201	–	502
Total	14,031,202	14,418,145	7,216,770	1,474,002	1,387,391	2,853,091	1,314,391	172,500
Off- balance sheet loan commitments and credit card commitments (Note)		919,330	690,271	75,850	29,924	74,029	45,692	3,564
Guarantees, acceptances and other credit commitments (Note)		1,390,897	–	386,481	285,487	421,491	252,247	45,191

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank

	2014							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	90,409	91,463	–	15,571	67,699	8,193	–	–
Deposits and placements from banks and non-bank financial institutions	1,160,898	1,169,583	589,664	280,812	98,868	196,286	3,953	–
Financial liabilities at fair value through profit or loss	292,642	296,625	17,235	111,735	98,343	69,312	–	–
Financial assets sold under repurchase agreements	177,256	177,355	–	176,935	278	142	–	–
Deposits from customers	12,654,493	13,018,382	6,718,141	849,953	1,101,319	2,690,032	1,640,896	18,041
Debt securities issued								
– Certificates of deposit issued	201,656	203,423	–	26,236	67,614	94,718	14,255	600
– Bonds issued	5,999	6,574	–	–	37	660	5,229	648
– Subordinated bonds issued	137,878	182,348	–	–	1,120	5,640	85,040	90,548
– Eligible Tier 2 capital bonds issued	21,971	34,450	–	–	–	1,294	7,176	25,980
Other financial liabilities	59,134	59,134	56,660	489	276	1,210	–	499
Total	14,802,336	15,239,337	7,381,700	1,461,731	1,435,554	3,067,487	1,756,549	136,316
Off-balance sheet loan commitments and credit card commitments (Note)		885,111	723,406	28,782	31,218	62,909	37,102	1,694
Guarantees, acceptances and other credit commitments (Note)		1,417,916	–	368,986	256,049	483,671	278,126	31,084

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank (continued)

	2013							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	78,733	79,104	–	70,475	4,720	3,909	–	–
Deposits and placements from banks and non-bank financial institutions	826,966	829,855	463,560	242,119	65,737	51,932	6,507	–
Financial liabilities at fair value through profit or loss	377,731	384,540	21,627	108,139	162,061	92,713	–	–
Financial assets sold under repurchase agreements	55,457	55,473	–	55,175	249	49	–	–
Deposits from customers	12,055,777	12,375,042	6,629,070	910,625	1,034,089	2,525,313	1,260,117	15,828
Debt securities issued								
– Certificates of deposit issued	159,553	161,643	–	35,790	35,257	75,937	13,872	787
– Bonds issued	2,995	3,235	–	–	–	597	2,638	–
– Subordinated bonds issued	159,858	211,824	–	–	13,504	15,972	27,040	155,308
Other financial liabilities	54,767	54,767	52,722	219	245	1,079	–	502
Total	13,771,837	14,155,483	7,166,979	1,422,542	1,315,862	2,767,501	1,310,174	172,425
Off-balance sheet loan commitments and credit card commitments (Note)		883,644	690,271	45,608	29,725	73,060	41,416	3,564
Guarantees, acceptances and other credit commitments (Note)		1,470,588	–	392,496	314,952	453,868	264,030	45,242

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

65 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In 2014, the Group continued to standardise and strengthen operational risk management. Through integrated application of tools and methods such as operational risk self-assessments, the key risk indicators and the assessments over key risk, the Group continued to establish risk monitoring, risk assessment and inspection over significant business lines and key areas. The Group also strengthened operational risk prevention and control over key business areas and key positions.

– For risk changes in practice, the Group continued to review and improve the development and management of the system of incompatible positions (duties) and emphasised on the rigid mandatory restrictions over checks and balances.

– The Group continued to optimise the information system of operational risk management and further promote its support functions such as self-assessments for risk and control, events of internal and external losses, key risk indicators, scenario analysis, capital measurement and business continuity management.

– In order to guarantee the safety and stability of the operation in respective business lines, the Group continued to promote its business continuity management system, established overall self-assessment of the system and steadily promoted the development of contingency plans and emergency drills, and deepen the applications of operation risk management instruments on risk identification, control improvement and monitoring warning based on system platform to consistently improve the level of specialisation and precision of operation risk management.

– The Group continued to implement the anti-money laundering (AML) policies and improved the system mechanisms and internal controls, focusing on the establishment of AML guidance. The Group has further developed the specialised control for AML, researched on and improved suspicious transactions identification policies, established AML nature analysis, organised the implementation of measures such as AML risk assessments about products and services, etc. to improve the Group's ability to prevent money laundering activities and terrorism financing activities.

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments

(a) Valuation technique, input and process

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Board of Supervisors, Senior Management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

The major valuation techniques and inputs used by the Group are set out in Note 4(3)(g) and Note 4(23)(c). For the year ended 31 December 2014, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2013.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	272	94,846	–	95,118
– Equity instruments and funds	603	8	–	611
Financial assets designated as at fair value through profit or loss				
– Debt securities	31	–	967	998
– Equity instruments	1,905	–	1,951	3,856
– Other debt instruments	–	61,736	169,916	231,652
Positive fair value of derivatives	–	12,470	1,299	13,769
Available-for-sale financial assets				
– Debt securities	29,513	876,918	3,672	910,103
– Equity instruments and funds	8,130	921	4,797	13,848
Total	40,454	1,046,899	182,602	1,269,955
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	295,192	817	296,009
Negative fair value of derivatives	–	11,085	1,288	12,373
Total	–	306,277	2,105	308,382

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Group (continued)

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	236	76,296	–	76,532
– Equity instruments and funds	562	55	–	617
Financial assets designated as at fair value through profit or loss				
– Debt securities	788	–	1,644	2,432
– Equity instruments	1,958	–	3,945	5,903
– Other debt instruments	–	278,566	–	278,566
Positive fair value of derivatives	–	17,921	989	18,910
Available-for-sale financial assets				
– Debt securities	33,912	708,501	4,213	746,626
– Equity instruments and funds	7,912	285	4,041	12,238
Total	45,368	1,081,624	14,832	1,141,824
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	377,820	2,560	380,380
Negative fair value of derivatives	–	18,883	989	19,872
Total	–	396,703	3,549	400,252

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Bank

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	–	88,800	–	88,800
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	–	61,736	169,916	231,652
Positive fair value of derivatives	–	8,592	1,288	9,880
Available-for-sale financial assets				
– Debt securities	12,093	825,991	1,219	839,303
– Equity instruments and funds	3,902	–	1	3,903
Total	15,995	985,119	172,424	1,173,538
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	292,642	–	292,642
Negative fair value of derivatives	–	9,324	1,288	10,612
Total	–	301,966	1,288	303,254

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Bank (continued)

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	–	76,288	–	76,288
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	–	280,566	–	280,566
Positive fair value of derivatives	–	15,514	989	16,503
Available-for-sale financial assets				
– Debt securities	9,795	695,864	2,754	708,413
– Equity instruments and funds	5,321	–	19	5,340
Total	15,116	1,068,232	3,762	1,087,110
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	377,731	–	377,731
Negative fair value of derivatives	–	15,807	989	16,796
Total	–	393,538	989	394,527

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed WMPs, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial asset at fair value through profit or loss classified as level 3 is the underlying assets of principal guaranteed WMPs. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate.

As at 31 December 2014 and 2013, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group and the Bank.

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	2014									
	Financial assets designated as at fair value through profit or loss				Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Other debt instruments	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2014	1,644	3,945	–	989	4,213	4,041	14,832	(2,560)	(989)	(3,549)
Total gains or losses:										
In profit or loss	(208)	(50)	16,407	307	438	(29)	16,865	224	(307)	(83)
In other comprehensive income	–	–	–	–	(328)	(97)	(425)	–	–	–
Purchases	18	6,824	1,494,792	11	2,406	2,683	1,506,734	–	–	–
Sales and settlements	(487)	(8,768)	(1,341,283)	(8)	(3,057)	(1,801)	(1,355,404)	2,559	8	2,567
Transfer in	–	–	–	–	–	–	–	(1,040)	–	(1,040)
As at 31 December 2014	967	1,951	169,916	1,299	3,672	4,797	182,602	(817)	(1,288)	(2,105)

	2013								
	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2013	3,141	4,760	1,831	4,333	472	14,537	(2,718)	(1,831)	(4,549)
Total gains or losses:									
In profit or loss	(179)	(449)	(724)	420	(55)	(987)	158	724	882
In other comprehensive income	–	–	–	(158)	26	(132)	–	–	–
Purchases	207	3,904	–	2,509	3,638	10,258	–	–	–
Sales and settlements	(1,525)	(4,272)	(118)	(2,891)	(48)	(8,854)	–	118	118
Transfer in	–	2	–	–	8	10	–	–	–
As at 31 December 2013	1,644	3,945	989	4,213	4,041	14,832	(2,560)	(989)	(3,549)

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

Bank

	2014						
	Financial assets designated at fair value through profit or loss	Positive fair value of derivatives	Available-for-sale financial assets: Debt securities	Available-for-sale financial assets: Equity instruments and funds	Total assets	Negative fair value of derivatives	Total liabilities
As at 1 January 2014	–	989	2,754	19	3,762	(989)	(989)
Total gains or losses:							
In profit or loss	16,407	307	395	(19)	17,090	(307)	(307)
In other comprehensive income	–	–	(392)	–	(392)	–	–
Purchases	1,494,792	–	–	1	1,494,793	–	–
Sales and settlements	(1,341,283)	(8)	(1,538)	–	(1,342,829)	8	8
As at 31 December 2014	169,916	1,288	1,219	1	172,424	(1,288)	(1,288)

	2013					
	Positive fair value of derivatives	Available-for-sale financial assets: Debt securities	Available-for-sale financial assets: Equity instruments and funds	Total assets	Negative fair value of derivatives	Total liabilities
As at 1 January 2013	1,831	1,608	67	3,506	(1,831)	(1,831)
Total gains or losses:						
In profit or loss	(724)	458	(38)	(304)	724	724
In other comprehensive income	–	(182)	(10)	(192)	–	–
Purchases	–	1,301	–	1,301	–	–
Sales and settlements	(118)	(431)	–	(549)	118	118
As at 31 December 2013	989	2,754	19	3,762	(989)	(989)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

Group

	2014			2013		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(losses)	**16,877**	**(95)**	**16,782**	(313)	208	(105)

Bank

	2014			2013		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains	**16,802**	**(19)**	**16,783**	35	385	420

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Group

	2014					2013	
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value
Debt securities classified as receivables	**170,801**	**166,117**	**–**	**149,821**	**16,296**	189,737	174,379
Held-to-maturity investments	**2,298,663**	**2,323,985**	**2,159**	**2,320,374**	**1,452**	2,100,538	1,998,696
Total	**2,469,464**	**2,490,102**	**2,159**	**2,470,195**	**17,748**	2,290,275	2,173,075

Bank

	2014					2013	
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value
Debt securities classified as receivables	**154,576**	**149,880**	**–**	**149,558**	**322**	182,252	166,587
Held-to-maturity investments	**2,294,723**	**2,320,021**	**2,159**	**2,317,862**	**–**	2,095,741	1,993,931
Total	**2,449,299**	**2,469,901**	**2,159**	**2,467,420**	**322**	2,277,993	2,160,518

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 31 December 2014 was RMB168,614 million and RMB161,397 million (the Group and the Bank 2013: RMB146,810 million), and their carrying value was RMB166,816 million and RMB159,849 million (the Group and the Bank 2013: RMB159,858 million). The carrying values of other financial liabilities approximated their fair values as at the end of the reporting period. The Group use observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified as the Level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 31 December 2014, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

65 RISK MANAGEMENT (CONTINUED)

(7) Insurance Risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognizes insurance contract liabilities accordingly. Insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions of mortality, expenses and interest rates.

(8) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, mainly including management of capital adequacy ratio, capital planning, capital raising and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systemically important domestic banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Measures for Capital Management of Commercial Banks (trial)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	2014	2013
Common Equity Tier 1 ratio	(a)(b)(c)	**12.12%**	10.75%
Tier 1 ratio	(a)(b)(c)	**12.12%**	10.75%
Total capital ratio	(a)(b)(c)	**14.87%**	13.34%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve	(d)	**139,761**	116,321
– Surplus reserve		**130,515**	107,970
– General reserve		**169,478**	153,825
– Retained earnings		**556,756**	442,554
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**4,456**	3,729
– Others	(e)	**(6,262)**	(5,948)
Deductions for Common Equity Tier 1 capital			
– Goodwill	(f)	**2,501**	1,415
– Other intangible assets (excluding land use right)	(f)	**1,592**	1,609
– Cash-flow hedge reserve		**(10)**	(148)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,902**	3,902
Additional Tier 1 capital			
– Non-controlling interest given recognition in Additional Tier 1 capital		**37**	16
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related stock surplus		**149,839**	144,000
– Provisions in Tier 2	(g)	**127,878**	110,918
– Non-controlling interest given recognition in Tier 2 capital		**2,444**	106
Common Equity Tier 1 capital after deduction	(h)	**1,236,730**	1,061,684
Tier 1 capital after deduction	(h)	**1,236,767**	1,061,700
Total capital after deduction	(h)	**1,516,928**	1,316,724
Risk-weighted assets	(i)	**10,203,643**	9,872,790

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) Since the Half Year report of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total Capital ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(d) Capital reserve includes investment revaluation reserve.

(e) Others mainly include foreign exchange reserve.

(f) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(g) Since the Half Year report of 2014, eligible excessive loan provisions was measured based on the advanced approach and implemented parallel period rules.

(h) Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

(i) At 31 December 2014, according to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excessive risk-weighted assets due to the application of capital floor.

66 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

67 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

68 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

(Expressed in millions of RMB, unless otherwise stated)

69 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in the financial statements.

Standards	Effective for annual period beginning on or after
IFRS 9, "Financial Instruments"	1 January 2018
IFRS 14, "Regulatory Deferral Accounts"	1 January 2016
IFRS 15, "Revenue from Contracts with Customers"	1 January 2017
Amendment to IFRS 11, "Joint Arrangement"	1 January 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to IAS 19, "Employee Benefits"	1 July 2016
Amendment to IAS 27, "Separate Financial Statement"	1 January 2016
Amendments to IFRS 10, "Consolidated Financial Statements" and IAS 28, "Investments in Associates"	1 January 2016
Annual improvements 2012	1 July 2014
Annual improvements 2013	1 July 2014
Annual improvements 2014	1 January 2016

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the shareholders of China Construction Bank Corporation
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") set out on pages 121 to 272, which comprise the consolidated and Bank statements of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated and Bank statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: (852) 2289 8888, F: (852) 2810 9888, www.pwchk.com

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in millions of RMB, unless otherwise stated)

	Note	2015	2014
Interest income		**770,559**	739,126
Interest expense		**(312,807)**	(301,728)
Net interest income	6	**457,752**	437,398
Fee and commission income		**121,404**	112,238
Fee and commission expense		**(7,874)**	(3,721)
Net fee and commission income	7	**113,530**	108,517
Net trading gain	8	**3,913**	972
Dividend income	9	**733**	495
Net gain arising from investment securities	10	**5,075**	4,045
Other operating income, net:			
– Other operating income		**27,844**	21,959
– Other operating expense		**(22,160)**	(16,646)
Other operating income, net	11	**5,684**	5,313
Operating income		**586,687**	556,740
Operating expenses	12	**(194,826)**	(195,988)
		391,861	360,752
Impairment losses on:			
– Loans and advances to customers		**(92,610)**	(59,264)
– Others		**(1,029)**	(2,647)
Impairment losses	13	**(93,639)**	(61,911)
Share of profits less losses of associates and joint ventures		**275**	245
Profit before tax		**298,497**	299,086
Income tax expense	16	**(69,611)**	(70,839)
Net profit		**228,886**	228,247

The notes on pages 129 to 272 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	2015	2014 (Restated)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**51**	(294)
Others		**4**	24
Subtotal		**55**	(270)
Items that may be reclassified subsequently to profit or loss			
Gains of available-for-sale financial assets arising during the period		**27,721**	34,391
Less: Income tax relating to available-for-sale financial assets		**(6,956)**	(8,572)
Reclassification adjustments included in profit or loss		**(1,429)**	(2,135)
Net gain on cash flow hedges		**10**	138
Exchange difference on translating foreign operations		**1,436**	(520)
Subtotal		**20,782**	23,302
Other comprehensive income for the year, net of tax		**20,837**	23,032
Total comprehensive income for the year		**249,723**	251,279
Net profit attributable to:			
Equity shareholders of the Bank		**228,145**	227,830
Non-controlling interests		**741**	417
		228,886	228,247
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**248,311**	250,562
Non-controlling interests		**1,412**	717
		249,723	251,279
Basic and diluted earnings per share (in RMB Yuan)	17	**0.91**	0.91

The notes on pages 129 to 272 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015
(Expressed in millions of RMB, unless otherwise stated)

	Note	2015	2014 (Restated)
Assets:			
Cash and deposits with central banks	18	**2,401,544**	2,610,781
Deposits with banks and non-bank financial institutions	19	**352,966**	266,461
Precious metals		**86,549**	47,931
Placements with banks and non-bank financial institutions	20	**310,779**	248,525
Financial assets at fair value through profit or loss	21	**271,173**	332,235
Positive fair value of derivatives	22	**31,499**	13,769
Financial assets held under resale agreements	23	**310,727**	273,751
Interest receivable	24	**96,612**	91,495
Loans and advances to customers	25	**10,234,523**	9,222,897
Available-for-sale financial assets	26	**1,066,752**	926,139
Held-to-maturity investments	27	**2,563,980**	2,298,663
Receivables	28	**369,501**	170,801
Interests in associates and joint ventures	30	**4,986**	3,084
Fixed assets	32	**159,531**	151,607
Land use rights	33	**15,231**	15,758
Intangible assets	34	**2,103**	2,435
Goodwill	35	**2,140**	2,253
Deferred tax assets	36	**25,379**	39,494
Other assets	37	**43,514**	26,014
Total assets		**18,349,489**	16,744,093
Liabilities:			
Borrowings from central banks	40	**42,048**	91,216
Deposits from banks and non-bank financial institutions	41	**1,439,395**	1,004,118
Placements from banks and non-bank financial institutions	42	**321,712**	202,402
Financial liabilities at fair value through profit or loss	43	**302,649**	296,009
Negative fair value of derivatives	22	**27,942**	12,373
Financial assets sold under repurchase agreements	44	**268,012**	181,528
Deposits from customers	45	**13,668,533**	12,899,153
Accrued staff costs	46	**33,190**	34,535
Taxes payable	47	**49,411**	62,644
Interest payable	48	**205,684**	185,874
Provisions	49	**7,108**	7,068
Debt securities issued	50	**415,544**	431,652
Deferred tax liabilities	36	**624**	401
Other liabilities	51	**122,554**	83,272
Total liabilities		**16,904,406**	15,492,245
Equity:			
Share capital	52(1)	**250,011**	250,011
Other equity instruments			
Preference Shares	52(2)	**19,659**	–
Capital reserve	53	**135,249**	135,391
Investment revaluation reserve	54	**23,058**	4,066
Surplus reserve	55	**153,032**	130,515
General reserve	56	**186,422**	169,496
Retained earnings	57	**672,154**	558,705
Exchange reserve		**(5,565)**	(6,674)
Total equity attributable to equity shareholders of the Bank		**1,434,020**	1,241,510
Non-controlling interests		**11,063**	10,338
Total equity		**1,445,083**	1,251,848
Total liabilities and equity		**18,349,489**	16,744,093

Approved and authorised for issue by the Board of Directors on 30 March 2016.

Wang Zuji	**Chung Shui Ming Timpson**	**Zhang Long**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 129 to 272 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015
(Expressed in millions of RMB, unless otherwise stated)

	Note	2015	2014
Assets:			
Cash and deposits with central banks	18	**2,383,573**	2,600,028
Deposits with banks and non-bank financial institutions	19	**361,141**	280,848
Precious metals		**86,549**	47,931
Placements with banks and non-bank financial institutions	20	**333,398**	247,606
Financial assets at fair value through profit or loss	21	**260,207**	320,452
Positive fair value of derivatives	22	**24,396**	9,880
Financial assets held under resale agreements	23	**309,539**	273,444
Interest receivable	24	**93,988**	88,930
Loans and advances to customers	25	**9,899,993**	8,876,246
Available-for-sale financial assets	26	**945,797**	844,914
Held-to-maturity investments	27	**2,554,049**	2,294,723
Receivables	28	**350,966**	154,576
Investments in subsidiaries	29	**32,885**	26,794
Fixed assets	32	**144,363**	141,880
Land use rights	33	**14,795**	15,341
Intangible assets	34	**1,359**	1,506
Deferred tax assets	36	**24,298**	38,115
Other assets	37	**69,437**	56,569
Total assets		**17,890,733**	16,319,783
Liabilities:			
Borrowings from central banks	40	**41,154**	90,409
Deposits from banks and non-bank financial institutions	41	**1,442,259**	1,008,746
Placements from banks and non-bank financial institutions	42	**304,195**	152,152
Financial liabilities at fair value through profit or loss	43	**301,778**	292,642
Negative fair value of derivatives	22	**23,320**	10,612
Financial assets sold under repurchase agreements	44	**264,569**	177,256
Deposits from customers	45	**13,393,246**	12,654,493
Accrued staff costs	46	**31,593**	33,234
Taxes payable	47	**48,515**	61,881
Interest payable	48	**204,336**	184,627
Provisions	49	**5,813**	5,399
Debt securities issued	50	**356,711**	367,504
Deferred tax liabilities	36	**81**	43
Other liabilities	51	**53,067**	48,549
Total liabilities		**16,470,637**	15,087,547
Equity:			
Share capital	52(1)	**250,011**	250,011
Other equity instruments			
Preference Shares	52(2)	**19,659**	–
Capital reserve	53	**135,441**	135,387
Investment revaluation reserve	54	**22,549**	4,288
Surplus reserve	55	**153,032**	130,515
General reserve	56	**182,319**	165,916
Retained earnings	57	**658,545**	547,542
Exchange reserve		**(1,460)**	(1,423)
Total equity		**1,420,096**	1,232,236
Total liabilities and equity		**17,890,733**	16,319,783

Approved and authorised for issue by the Board of Directors 30 March 2016.

Wang Zuji	**Chung Shui Ming Timpson**	**Zhang Long**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 129 to 272 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments – preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2014 (Restated)	**250,011**	**–**	**135,391**	**4,066**	**130,515**	**169,496**	**558,705**	**(6,674)**	**10,338**	**1,251,848**
Movements during the year	**–**	**19,659**	**(142)**	**18,992**	**22,517**	**16,926**	**113,449**	**1,109**	**725**	**193,235**
(1) Total comprehensive income for the year	**–**	**–**	**65**	**18,992**	**–**	**–**	**228,145**	**1,109**	**1,412**	**249,723**
(2) Changes in share capital	**–**	**19,659**	**(207)**	**–**	**–**	**–**	**–**	**–**	**(678)**	**18,774**
i Capital injection by other equity holder	**–**	**19,659**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,659**
ii Establishment of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**	**9**
iii Change in shareholdings in subsidiaries	**–**	**–**	**(207)**	**–**	**–**	**–**	**–**	**–**	**(687)**	**(894)**
(3) Profit distribution	**–**	**–**	**–**	**–**	**22,517**	**16,926**	**(114,696)**	**–**	**(9)**	**(75,262)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**–**	**22,517**	**–**	**(22,517)**	**–**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**16,926**	**(16,926)**	**–**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(75,253)**	**–**	**(9)**	**(75,262)**
As at 31 December 2015	**250,011**	**19,659**	**135,249**	**23,058**	**153,032**	**186,422**	**672,154**	**(5,565)**	**11,063**	**1,445,083**

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2013	250,011	135,523	(19,290)	107,970	153,835	444,084	(6,182)	8,378	1,074,329
Movements during the year (Restated)	–	(132)	23,356	22,545	15,661	114,621	(492)	1,960	177,519
(1) Total comprehensive income for the year	–	(132)	23,356	–	–	227,830	(492)	717	251,279
(2) Changes in share capital	–	–	–	–	–	–	–	1,265	1,265
i Acquisition of subsidiaries	–	–	–	–	–	–	–	1,135	1,135
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	130	130
(3) Profit distribution	–	–	–	22,545	15,661	(113,209)	–	(22)	(75,025)
i Appropriation to surplus reserve	–	–	–	22,545	–	(22,545)	–	–	–
ii Appropriation to general reserve	–	–	–	–	15,661	(15,661)	–	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(75,003)	–	(22)	(75,025)
As at 31 December 2014 (Restated)	250,011	135,391	4,066	130,515	169,496	558,705	(6,674)	10,338	1,251,848

The notes on pages 129 to 272 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Other equity instruments – preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2014	**250,011**	**–**	**135,387**	**4,288**	**130,515**	**165,916**	**547,542**	**(1,423)**	**1,232,236**
Movements during the year	**–**	**19,659**	**54**	**18,261**	**22,517**	**16,403**	**111,003**	**(37)**	**187,860**
(1) Total comprehensive income for the year	**–**	**–**	**54**	**18,261**	**–**	**–**	**225,176**	**(37)**	**243,454**
(2) Changes in share capital	**–**	**19,659**	**–**	**–**	**–**	**–**	**–**	**–**	**19,659**
i Capital injection by other equity holder	**–**	**19,659**	**–**	**–**	**–**	**–**	**–**	**–**	**19,659**
(3) Profit distribution	**–**	**–**	**–**	**–**	**22,517**	**16,403**	**(114,173)**	**–**	**(75,253)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**–**	**22,517**	**–**	**(22,517)**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**16,403**	**(16,403)**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(75,253)**	**–**	**(75,253)**
As at 31 December 2015	**250,011**	**19,659**	**135,441**	**22,549**	**153,032**	**182,319**	**658,545**	**(1,460)**	**1,420,096**

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2013	250,011	135,508	(19,275)	107,970	150,675	434,877	(1,165)	1,058,601
Movements during the year	–	(121)	23,563	22,545	15,241	112,665	(258)	173,635
(1) Total comprehensive income for the year	–	(121)	23,563	–	–	225,454	(258)	248,638
(2) Profit distribution	–	–	–	22,545	15,241	(112,789)	–	(75,003)
i Appropriation to surplus reserve	–	–	–	22,545	–	(22,545)	–	–
ii Appropriation to general reserve	–	–	–	–	15,241	(15,241)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(75,003)	–	(75,003)
As at 31 December 2014	250,011	135,387	4,288	130,515	165,916	547,542	(1,423)	1,232,236

The notes on pages 129 to 272 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2015	2014
Cash flows from operating activities			
Profit before tax		**298,497**	299,086
Adjustments for:			
– Impairment losses	13	**93,639**	61,911
– Depreciation and amortisation	12	**19,736**	17,811
– Interest income from impaired financial assets		**(3,161)**	(2,055)
– Revaluation (gain)/loss on financial instruments at fair value through profit or loss		**(3,344)**	263
– Share of profit less losses of associates and joint ventures		**(275)**	(245)
– Dividend income	9	**(733)**	(495)
– Unrealised foreign exchange loss		**8,628**	7,980
– Interest expense on bonds issued		**9,851**	8,859
– Net gain on disposal of investment securities	10	**(5,075)**	(4,045)
– Net gain on disposal of fixed assets and other long-term assets		**(78)**	(108)
		417,685	388,962
Changes in operating assets:			
Net decrease/(increase) in deposits with central banks and with banks and non-bank financial institutions		**130,948**	(184,773)
Net increase in placements with banks and non-bank financial institutions		**(27,495)**	(74,969)
Net increase in loans and advances to customers		**(1,059,060)**	(883,158)
Net (increase)/decrease in financial assets held under resale agreements		**(36,975)**	12,707
Net decrease in other operating assets		**7,637**	12,888
		(984,945)	(1,117,305)
Changes in operating liabilities:			
Net (decrease)/increase in borrowings from central banks		**(50,300)**	11,605
Net increase in placements from banks and non-bank financial institutions		**110,038**	36,256
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,163,129**	947,653
Net increase in financial assets sold under repurchase agreements		**86,340**	119,467
Net (decrease)/increase in certificates of deposit issued		**(69,604)**	42,992
Income tax paid		**(73,476)**	(76,687)
Net increase/(decrease) in other operating liabilities		**34,627**	(35,992)
		1,200,754	1,045,294
Net cash from operating activities		**633,494**	316,951

The notes on pages 129 to 272 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	2015	2014
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**525,257**	503,662
Dividends received		**747**	504
Proceeds from disposal of fixed assets and other long-term assets		**2,064**	2,030
Purchase of investment securities		**(1,091,451)**	(810,304)
Purchase of fixed assets and other long-term assets		**(28,589)**	(35,490)
Acquisition of subsidiaries, associates and joint ventures		**(1,657)**	(4,289)
Net cash used in investing activities		**(593,629)**	(343,887)
Cash flows from financing activities			
Issue of bonds		**55,053**	42,238
Capital contribution by non-controlling interests		**142**	130
Contribution by preference shareholders		**19,659**	–
Consideration paid for acquisition of non-controlling interests		**(1,027)**	–
Dividends paid		**(75,262)**	(75,025)
Repayment of borrowings		**(2,815)**	(22,500)
Interest paid on bonds issued		**(9,573)**	(7,693)
Net cash used in financing activities		**(13,823)**	(62,850)
Effect of exchange rate changes on cash and cash equivalents		**8,161**	2,731
Net increase/(decrease) in cash and cash equivalents		**34,203**	(87,055)
Cash and cash equivalents as at 1 January	58	**353,718**	440,773
Cash and cash equivalents as at 31 December	58	**387,921**	353,718
Cash flows from operating activities include:			
Interest received		**762,542**	726,117
Interest paid, excluding interest expense on bonds issued		**(282,166)**	(261,713)

The notes on pages 129 to 272 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of RMB, unless otherwise stated)

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively. As at 31 December 2015, the Bank issued the total ordinary share capital of RMB250,011 million, a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No.100000000039122 from the State Administration for Industry and Commerce of the PRC. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Ltd. ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 30 March 2016.

2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements for the year ended 31 December 2015 comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at designated cost. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

2 BASIS OF PREPARATION (CONTINUED)

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(24).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following new or revised IFRSs and Interpretations effective for the current year. There is no early adoption of any new IFRSs not yet effective for the year ended 31 December 2015.

Amendment to IAS 19, "Defined benefit plans: Employee contributions".

The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The amendments did not have a significant effect on the group financial statements.

Annual improvements 2012. These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment', IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'. The Group has applied the amendments and there has been no significant impact on the group financial statements as a result.

Annual improvements 2013. These amendments include changes from the 2011-2013 cycle of the annual improvements project that affect IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. The Group has applied the amendments and there has been no significant impact on the group financial statements as a result.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Significant intragroup balances and transactions, and any significant profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) Associates and joint arrangements

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near future, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and receivables.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in “net trading gain” of the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the “capital reserve”. The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(c) Embedded derivatives

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3).

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

The difference between the carrying amount of the financial asset derecognised and the consideration received and the cumulative changes in fair value previously recognised in equity are recognised in profit or loss.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(e) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortisation process.

(f) Impairment

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following evidence:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of significant financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed and loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a roll rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual losses level is likely to be greater or less than that suggested by historical experience.

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

Impairment losses recognised on a collective basis represent a transitional step which identifies the impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables and held-to-maturity investments that were impaired but were not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

Loans and receivables and held-to-maturity investments (continued)

Impairment reversal and loan write-offs

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

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

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(g) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(h) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(i) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(j) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. 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 a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

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

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Bank premises	30 – 35 years	3%	2.8% – 3.2%
Equipment	3 – 8 years	3%	12.1% – 32.3%
Others	4 – 11 years	3%	8.8% – 24.3%

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(c) Disposal

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease

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

(a) Finance lease

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receivables and initial direct costs at the commencement of the lease term, is included in “loans and advances to customers” on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(f).

(b) Operating lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(7) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(11).

(8) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group’s interest in the fair value of the acquiree’s identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit (“CGU”) or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group’s interest in the net fair value of the acquiree’s identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses (Note 4(11)).

(11) Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Allowances for impairment losses on non-financial assets (continued)

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(12) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

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

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Employee benefits (continued)

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(13) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group; and

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Provisions and contingent liabilities

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

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(15) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

(16) Financial guarantees

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

(17) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group 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.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Income recognition

Provided it is probable that economic benefits will flow to the Group and the amount, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Interest income

Interest income for interest bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest 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 Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is 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 profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as commission on expiry.

(c) Finance income from finance leases and hire purchase contracts

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(d) Dividend income

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. 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. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(20) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(21) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(22) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(23) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. 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 and advance, an available-for-sale or a held-to-maturity debt investment. 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 flows. The same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net off any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments 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 and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or other-than-temporary decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or other-than-temporary, the Group considers if the fair value of an available-for-sale equity instrument as at the end of reporting period is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than a year (including one year) together with other relevant considerations.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Significant accounting estimates and judgements (continued)

(d) Reclassification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

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

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits payable to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's capital reserve and liability related to its employee retirement benefit obligations.

(g) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

5 TAXATION

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

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

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

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" in the statement of financial position.

(Expressed in millions of RMB, unless otherwise stated)

6 NET INTEREST INCOME

	2015	2014
Interest income arising from:		
Deposits with central banks	**39,310**	39,177
Deposits with banks and non-bank financial institutions	**13,534**	14,194
Placements with banks and non-bank financial institutions	**16,650**	11,328
Financial assets at fair value through profit or loss	**761**	1,313
Financial assets held under resale agreements	**10,238**	12,361
Investment securities	**144,561**	127,924
Loans and advances to customers		
– Corporate loans and advances	**358,241**	367,729
– Personal loans and advances	**176,872**	158,083
– Discounted bills	**10,392**	7,017
Total	**770,559**	739,126
Interest expense arising from:		
Borrowings from central banks	**(2,125)**	(1,635)
Deposits from banks and non-bank financial institutions	**(39,834)**	(42,948)
Placements from banks and non-bank financial institutions	**(6,496)**	(5,091)
Financial assets sold under repurchase agreements	**(1,578)**	(448)
Debt securities issued	**(17,173)**	(14,223)
Deposits from customers		
– Corporate deposits	**(117,649)**	(119,583)
– Personal deposits	**(127,952)**	(117,800)
Total	**(312,807)**	(301,728)
Net interest income	**457,752**	437,398

Notes:

(1) Interest income from impaired financial assets is listed as follows:

	2015	2014
Impaired loans and advances	**3,070**	1,943
Other impaired financial assets	**91**	112
Total	**3,161**	2,055

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

(Expressed in millions of RMB, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	2015	2014
Fee and commission income		
Bank card fees	**34,960**	30,569
Agency service fees	**19,994**	13,204
Wealth management service fees	**14,457**	10,856
Consultancy and advisory fees	**13,656**	18,640
Settlement and clearing fees	**13,166**	13,630
Commission on trust and fiduciary activities	**9,942**	8,837
Electronic banking service fees	**6,684**	6,407
Credit commitment fees	**3,138**	3,131
Guarantee fees	**2,490**	2,084
Others	**2,917**	4,880
Total	**121,404**	112,238
Fee and commission expense		
Bank card transaction fees	**(4,013)**	(2,409)
Inter-bank transaction fees	**(927)**	(547)
Others	**(2,934)**	(765)
Total	**(7,874)**	(3,721)
Net fee and commission income	**113,530**	108,517

8 NET TRADING GAIN

	2015	2014
Debt securities	**205**	234
Derivatives	**2,645**	442
Equity investments	**453**	474
Others	**610**	(178)
Total	**3,913**	972

For the year ended 31 December 2015, trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB8,353 million (2014: gain RMB22,744 million). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB7,322 million (2014: loss RMB22,988 million).

(Expressed in millions of RMB, unless otherwise stated)

9 DIVIDEND INCOME

	2015	2014
Dividend income from listed trading equity investments	**39**	36
Dividend income from available-for-sale equity investments		
– Listed	**331**	91
– Unlisted	**363**	368
Total	**733**	495

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2015	2014
Net gain on sale of available-for-sale financial assets	**3,339**	805
Net revaluation gain reclassified from other comprehensive income on disposal	**1,533**	2,889
Net gain on sale of held-to-maturity investments	**321**	351
Others	**(118)**	–
Total	**5,075**	4,045

11 OTHER OPERATING INCOME, NET

Other operating income

	2015	2014
Insurance related income	**19,975**	15,579
Foreign exchange gain	**2,716**	1,768
Gain on disposal of fixed assets	**205**	229
Gain on disposal of repossessed assets	**63**	86
Others	**4,885**	4,297
Total	**27,844**	21,959

Foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge long positions in foreign currency assets).

Other operating expense

For the year ended 31 December 2015, other operating expenses of the Group mainly contained insurance related claims from CCB Life.

(Expressed in millions of RMB, unless otherwise stated)

12 OPERATING EXPENSES

	2015	2014
Staff costs		
– Salaries, bonuses, allowances and subsidies	**61,087**	60,268
– Other social insurance and welfare	**8,561**	9,653
– Housing funds	**6,501**	6,014
– Union running costs and employee education costs	**2,540**	2,561
– Defined contribution plans accrued	**12,717**	12,995
– Early retirement expenses	**86**	64
– Compensation to employees for termination of employment relationship	**7**	8
	91,499	91,563
Premises and equipment expenses		
– Depreciation charges	**17,132**	15,356
– Rent and property management expenses	**8,905**	8,022
– Maintenance	**2,951**	3,309
– Utilities	**2,260**	2,172
– Others	**1,798**	1,686
	33,046	30,545
Business taxes and surcharges	**36,303**	34,983
Amortisation expenses	**2,604**	2,455
Audit fees	**149**	160
Other general and administrative expenses	**31,225**	36,282
Total	**194,826**	195,988

13 IMPAIRMENT LOSSES

	2015	2014
Loans and advances to customers		
– Additions	**159,591**	69,009
– Releases	**(66,981)**	(9,745)
Available-for-sale debt securities	**(402)**	88
Available-for-sale equity investments	**28**	271
Held-to-maturity investments	**(1,633)**	281
Receivables	**927**	196
Fixed assets	**–**	17
Others	**2,109**	1,794
Total	**93,639**	61,911

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2015				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (v))	Total (note (i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Wang Hongzhang (note (vi))	–	448	44	107	599
Wang Zuji (note (ii) & (vi))	–	261	27	77	365
Pang Xiusheng (note (ii) & (vi))	–	403	44	117	564
Zhang Gengsheng (note (ii) & (vi))	–	403	44	117	564
Non-executive directors					
Li Jun (note (ii) & (iii))	–	–	–	–	–
Chen Yuanling (note (iii))	–	–	–	–	–
Hao Aiqun (note (ii) & (iii))	–	–	–	–	–
Xu Tie (note (iii))	–	–	–	–	–
Guo Yanpeng (note (iii))	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–
Independent non-executive directors					
Zhang Long	410	–	–	–	410
Zhong Ruiming	440	–	–	–	440
Wim Kok	372	–	–	–	372
Murray Horn	463	–	–	–	463
Margaret Leung Ko May Yee	390	–	–	–	390
Supervisors					
Guo You (note (vi))	–	448	44	129	621
Liu Jin (note (vi))	–	518	44	250	812
Li Xiaoling (note (vi))	–	518	44	250	812
Li Xiukun (note (ii) & (iv))	–	–	–	–	–
Jin Yanmin (note (ii) & (iv))	–	–	–	–	–
Li Zhenyu (note (ii) & (iv))	–	–	–	–	–
Wang Xinmin	–	–	–	–	–
Bai Jianjun	250	–	–	–	250

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2015				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (v))	Total (note (i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Former executive director					
Zhang Jianguo (note (ii) & (vi))	–	352	44	129	525
Zhu Hongbo (note (ii) & (vi))	–	67	7	19	93
Hu Zheyi (note (ii) & (vi))	–	34	3	10	47
Former independent non-executive directors					
Elaine La Roche (note (ii))	400	–	–	–	400
Former supervisors					
Jin Panshi (note (ii) & (iv))	50	–	–	–	50
Zhang Huajian (note (ii) & (iv))	50	–	–	–	50
Wang Lin (note (ii) & (iv))	50	–	–	–	50
	2,875	3,452	345	1,205	7,877

	2014						
	Basic annual salaries	Annual performance bonus	Allowance	Welfare	Total (before tax) (note (vii))	Including: deferral payment	The actual payment in 2014 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Hongzhang	525	1,372	–	351	2,248	686	1,562
Zhang Jianguo (note (ii))	472	1,235	–	371	2,078	617	1,461
Non-executive directors							
Chen Yuanling (note (iii))	–	–	–	–	–	–	–
Xu Tie (note (iii))	–	–	–	–	–	–	–
Guo Yanpeng (note (iii))	–	–	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–	–	–
Independent non-executive directors							
Zhang Long	–	–	405	–	405	–	405
Elaine La Roche (note (ii))	–	–	410	–	410	–	410
Chung Shui Ming Timpson	–	–	440	–	440	–	440
Wim Kok	–	–	360	–	360	–	360
Murray Horn	–	–	420	–	420	–	420
Margaret Leung Ko May Yee	–	–	410	–	410	–	410

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2014						
	Basic annual salaries RMB'000	Annual performance bonus RMB'000	Allowance RMB'000	Welfare RMB'000	Total (before tax) (note(vii)) RMB'000	Including: deferral payment RMB'000	The actual payment in 2014 (before tax) RMB'000
Supervisors							
Guo You	385	1,006	–	310	1,701	503	1,198
Liu Jin	341	891	–	283	1,515	446	1,069
Li Xiaoling	341	891	–	283	1,515	446	1,069
Jin Panshi (note (ii) & (iv))	–	–	50	–	50	–	50
Zhang Huajian (note (ii) & (iv))	–	–	50	–	50	–	50
Wang Lin (note (ii) & (iv))	–	–	46	–	46	–	46
Wang Xinmin	–	–	192	–	192	–	192
Bai Jianjun	–	–	250	–	250	–	250
Former executive director							
Zhu Hongbo (note (ii))	446	1,166	–	322	1,934	583	1,351
Hu Zheyi (note (ii))	446	1,166	–	322	1,934	583	1,351
Former non-executive director							
Qi Shouyin (note (iii))	–	–	–	–	–	–	–
Zhang Yanling (note (iii))	–	–	–	–	–	–	–
Former independent non-executive directors							
Zhao Xijun	–	–	103	–	103	–	103
Former supervisors							
Zhang Furong	462	1,206	–	371	2,039	603	1,436
Li Weiping (note (iv))	–	–	4	–	4	–	4
Huang Shuping (note (iv))	–	–	17	–	17	–	17
	3,418	8,933	3,157	2,613	18,121	4,467	13,654

Notes:

(i) The amounts of emoluments for the year ended 31 December 2015 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election at the 2014 general meeting of the Bank and upon approval of the CBRC, from 9 July 2015, Mr. Wang Zuji commenced his position as executive director of the Bank.

Upon election at the 2014 general meeting of the Bank and upon approval of the CBRC, from 7 August 2015, Mr. Pang Xiusheng commenced his position as executive director of the Bank. From 7 August 2015, Mr. Zhang Gengsheng commenced his position as executive director of the Bank. From 30 July 2015, Ms. Hao Aiqun commenced her position as non-executive director of the Bank. From 7 September 2015, Mr. Li Jun commenced his position as non-executive director of the Bank.

The Bank published an announcement on 5 January 2015, pursuant to which, Mr. Hu Zheyi tendered his resignation to the Board as executive director and executive vice president of the Bank due to his age.

The Bank published an announcement on 10 March 2015, pursuant to which, Mr. Zhu Hongbo tendered his resignation to the Board as executive director and executive vice president of the Bank due to change of job.

The Bank published an announcement on 12 June 2015, pursuant to which, Mr. Zhang Jianguo tendered his resignation to the Board as vice chairman, executive director and president of the Bank due to work arrangement.

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes: (continued)

(ii) (continued)

The Bank published an announcement on 4 January 2016, pursuant to which, Ms. Elaine La Roche ceased to serve as independent non-executive director of the Bank due to the expiration of her term of office.

In accordance with the resolution at the first meeting of the fourth employee representatives meeting of the Bank, Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu commenced their positions as employee representative supervisors of the Bank from January 2016.

Due to work arrangement, Mr. Jin Panshi, Mr. Zhang Huajian and Mr. Wang Lin resigned from their positions as employee representative supervisors of the Bank from January 2016.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2015 and 2014.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2015 and 2014.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2015 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2015. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2014 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2014 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2014 remained to be approved by the Annual General Meeting.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities will be paid in accordance with relevant policies relating to the central remuneration reform.

(Expressed in millions of RMB, unless otherwise stated)

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2015	2014
	RMB'000	RMB'000
Salaries and allowance	**18,242**	17,318
Variable compensation	**24,457**	13,502
Contributions to defined contribution retirement schemes	**972**	939
Other benefit in kind	**248**	221
	43,919	31,980

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2015	2014
RMB5,000,001 – RMB5,500,000	**–**	1
RMB5,500,001 – RMB6,000,000	**–**	1
RMB6,000,001 – RMB6,500,000	**–**	1
RMB6,500,001 – RMB7,000,000	**–**	1
RMB7,000,001 – RMB7,500,000	**1**	–
RMB8,000,001 – RMB8,500,000	**1**	1
RMB8,500,001 – RMB9,000,000	**1**	–
RMB9,000,001 – RMB9,500,000	**1**	–
RMB10,500,001 – RMB11,000,000	**1**	–

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the year ended 31 December 2015 and 2014.

16 INCOME TAX EXPENSE

(1) Income tax expense

	2015	2014
Current tax	63,065	77,310
– Mainland China	61,708	75,647
– Hong Kong	731	1,020
– Other countries and regions	626	643
Adjustments for prior years	(1,313)	747
Deferred tax	7,859	(7,218)
Total	69,611	70,839

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the year respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	2015	2014
Profit before tax		298,497	299,086
Income tax calculated at statutory tax rate at 25%		74,624	74,772
Non-deductible expenses	(i)	10,655	5,990
Non-taxable income	(ii)	(14,355)	(10,670)
Adjustments on income tax for prior years which affect profit or loss		(1,313)	747
Income tax expense		69,611	70,839

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2015 and 2014 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

The Bank issued non-cumulative preference shares during the year ended 31 December 2015 under the terms and conditions stated in Note 52(2) Other equity instruments. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank. The Bank has not declared any dividend on preference shares for the year ended 31 December 2015.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2015 and the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2015	2014
Net profit attributable to equity shareholders of the Bank	228,145	227,830
Less: profit for the year attributable to preference shareholders of the Bank	–	–
Net profit attributable to ordinary shareholders of the Bank	228,145	227,830
Weighted average number of shares (in millions of shares)	250,011	250,011
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	0.91	0.91

(Expressed in millions of RMB, unless otherwise stated)

18 CASH AND DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	**2015**	2014	**2015**	2014
Cash		**77,678**	72,653	**74,520**	72,008
Deposits with central banks					
– Statutory deposit reserves	(1)	**2,159,725**	2,424,959	**2,157,797**	2,422,089
– Surplus deposit reserves	(2)	**140,511**	81,392	**127,626**	74,154
– Fiscal deposits		**23,630**	31,777	**23,630**	31,777
Subtotal		**2,323,866**	2,538,128	**2,309,053**	2,528,020
Total		**2,401,544**	2,610,781	**2,383,573**	2,600,028

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China of the Bank were as follows:

	2015	2014
Reserve rate for RMB deposits	**17.0%**	20.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(Expressed in millions of RMB, unless otherwise stated)

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2015	2014	**2015**	2014
Banks	**337,260**	260,940	**345,692**	275,361
Non-bank financial institutions	**15,713**	5,528	**15,453**	5,491
Gross balances	**352,973**	266,468	**361,145**	280,852
Allowances for impairment losses (Note 38)	**(7)**	(7)	**(4)**	(4)
Net balances	**352,966**	266,461	**361,141**	280,848

(2) Analysed by geographical sectors

	Group		Bank	
	2015	2014	**2015**	2014
Mainland China	**323,959**	240,795	**324,385**	240,364
Overseas	**29,014**	25,673	**36,760**	40,488
Gross balances	**352,973**	266,468	**361,145**	280,852
Allowances for impairment losses (Note 38)	**(7)**	(7)	**(4)**	(4)
Net balances	**352,966**	266,461	**361,141**	280,848

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2015	2014	**2015**	2014
Banks	**150,589**	160,333	**157,906**	146,933
Non-bank financial institutions	**160,226**	88,219	**175,525**	100,700
Gross balances	**310,815**	248,552	**333,431**	247,633
Allowances for impairment losses (Note 38)	**(36)**	(27)	**(33)**	(27)
Net balances	**310,779**	248,525	**333,398**	247,606

(2) Analysed by geographical sectors

	Group		Bank	
	2015	2014	**2015**	2014
Mainland China	**209,267**	174,250	**214,555**	116,150
Overseas	**101,548**	74,302	**118,876**	131,483
Gross balances	**310,815**	248,552	**333,431**	247,633
Allowances for impairment losses (Note 38)	**(36)**	(27)	**(33)**	(27)
Net balances	**310,779**	248,525	**333,398**	247,606

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysed by nature

		Group		Bank	
	Note	2015	2014	2015	2014
Held for trading purpose	(1)				
– Debt securities		**17,421**	95,118	**11,343**	88,800
– Equity instruments		**553**	401	**–**	–
– Funds		**10**	210	**–**	–
		17,984	95,729	**11,343**	88,800
Designated at fair value through profit or loss	(2)				
– Debt securities		**586**	998	**–**	–
– Equity instruments		**3,739**	3,856	**–**	–
– Other debt instruments		**248,864**	231,652	**248,864**	231,652
		253,189	236,506	**248,864**	231,652
Total		**271,173**	332,235	**260,207**	320,452

Analysed by types of issuers

(1) Held for trading purpose

(a) Debt securities

		Group		Bank	
	Note	2015	2014	2015	2014
Government		**6,529**	7,179	**922**	1,348
Policy banks		**296**	5,016	**296**	5,016
Banks and non-bank financial institutions		**4,705**	10,130	**4,535**	9,896
Enterprise		**5,891**	72,793	**5,590**	72,540
Total		**17,421**	95,118	**11,343**	88,800
Listed	(i)	**17,404**	95,118	**11,343**	88,800
– of which in Hong Kong		**93**	132	**–**	–
Unlisted		**17**	–	**–**	–
Total		**17,421**	95,118	**11,343**	88,800

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(b) Equity instruments and funds

	Group	
	2015	2014
Banks and non-bank financial institutions	**116**	203
Enterprise	**447**	408
Total	**563**	611
Listed	**447**	404
– of which in Hong Kong	**421**	383
Unlisted	**116**	207
Total	**563**	611

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Analysed by types of issuers (continued)

(2) Designated at fair value through profit or loss

(a) Debt securities

	Group	
	2015	2014
Enterprise	**586**	998
Total	**586**	998
Listed	**–**	31
– of which in Hong Kong	**–**	31
Unlisted	**586**	967
Total	**586**	998

(b) Equity instruments

	Group	
	2015	2014
Banks and non-bank financial institutions	**808**	1,035
Enterprise	**2,931**	2,821
Total	**3,739**	3,856
Listed	**1,412**	1,904
– of which in Hong Kong	**1,390**	1,338
Unlisted	**2,327**	1,952
Total	**3,739**	3,856

(c) Other debt instruments

	Group		Bank	
	2015	2014	**2015**	2014
Banks and non-bank financial institutions	**145,028**	231,592	**145,028**	231,592
Enterprise	**103,836**	60	**103,836**	60
Total	**248,864**	231,652	**248,864**	231,652

Other debt instruments were mainly the deposits with banks and credit assets invested by principal guaranteed wealth management products.

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

(Expressed in millions of RMB, unless otherwise stated)

22 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contract

Group

	2015			2014		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**506,536**	**1,372**	**1,291**	211,495	1,558	1,376
Exchange rate contracts	**2,427,232**	**25,675**	**25,715**	1,560,367	10,825	10,323
Other contracts	**119,735**	**4,452**	**936**	28,377	1,386	674
Total	**3,053,503**	**31,499**	**27,942**	1,800,239	13,769	12,373

Bank

	2015			2014		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**496,152**	**1,482**	**1,382**	207,392	1,541	1,357
Exchange rate contracts	**2,147,330**	**18,462**	**21,002**	1,252,813	7,516	8,581
Other contracts	**119,730**	**4,452**	**936**	26,347	823	674
Total	**2,763,212**	**24,396**	**23,320**	1,486,552	9,880	10,612

(2) Analysed by credit risk-weighted assets

	Group		Bank	
	2015	2014	**2015**	2014
Counterparty credit default risk-weighted assets				
– Interest rate contracts	1,579	1,615	1,472	1,603
– Exchange rate contracts	23,298	16,211	18,946	11,618
– Other contracts	3,559	1,564	3,558	915
Subtotal	28,436	19,390	23,976	14,136
Credit value adjustment	13,008	7,921	10,903	6,415
Total	41,444	27,311	34,879	20,551

The notional amounts of derivatives only represent the unsettled transactions volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of counterparties, maturity and back-to-back client-driven transactions.

(Expressed in millions of RMB, unless otherwise stated)

22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

The following designated hedging instruments are included in the derivatives financial instruments disclosed above.

Group

	2015			2014		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**9,091**	**62**	**(30)**	8,628	71	(59)
Cash flow hedges						
Foreign exchange forwards	**–**	**–**	**–**	1,974	10	–
Total	**9,091**	**62**	**(30)**	10,602	81	(59)

Bank

	2015			2014		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**8,597**	**58**	**(28)**	8,174	71	(56)
Cash flow hedges						
Foreign exchange forwards	**–**	**–**	**–**	317	1	–
Total	**8,597**	**58**	**(28)**	8,491	72	(56)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued and loans and advances to customers arising from changes in interest rates.

Gains or losses on fair value hedges are as follows:

The Group

	2015	2014
Net gains/(losses) on		
– hedging instruments	18	54
– hedged items	(18)	(54)

The Bank

	2015	2014
Net gains/(losses) on		
– hedging instruments	14	62
– hedged items	(14)	(62)

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2014 and 2015.

(Expressed in millions of RMB, unless otherwise stated)

22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting (continued)

(b) Cash flow hedge

As at 31 December 2015, there is no cash flow hedge for the Group and the Bank. In 2015, the Group's and the Bank's net gain and net loss from the cash flow hedge are 10 million and 1 million respectively (The Group and the Bank 2014: net gain 138 million and RMB149 million).

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements by underlying assets are shown as follows:

	Group		Bank	
	2015	2014	**2015**	2014
Debt securities				
– Government bonds	**27,673**	22,251	**27,673**	22,198
– Debt securities issued by banks and non-bank financial institutions	**94,313**	67,930	**93,125**	67,676
Subtotal	**121,986**	90,181	**120,798**	89,874
Discounted bills	**188,741**	183,570	**188,741**	183,570
Net balances	**310,727**	273,751	**309,539**	273,444

24 INTEREST RECEIVABLE

	Group		Bank	
	2015	2014	**2015**	2014
Deposits with central banks	**1,059**	1,101	**1,058**	1,100
Deposits with banks and non-bank financial institutions	**3,525**	3,397	**3,094**	3,003
Financial assets held under resale agreements	**704**	1,928	**703**	1,928
Loans and advances to customers	**26,100**	24,609	**25,259**	23,642
Debt securities	**61,921**	59,467	**60,832**	58,550
Others	**3,304**	994	**3,043**	708
Gross balances	**96,613**	91,496	**93,989**	88,931
Allowances for impairment losses (Note 38)	**(1)**	(1)	**(1)**	(1)
Net balances	**96,612**	91,495	**93,988**	88,930

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group		Bank	
	2015	2014 (Restated)	**2015**	2014
Corporate loans and advances				
– Loans	**6,398,830**	6,266,655	**6,214,624**	6,034,829
– Finance leases	**94,232**	70,891	**–**	–
	6,493,062	6,337,546	**6,214,624**	6,034,829
Personal loans and advances				
– Residential mortgages	**2,797,226**	2,273,093	**2,776,667**	2,255,985
– Personal business loans	**67,716**	79,203	**63,153**	75,002
– Personal consumer loans	**63,796**	66,279	**55,490**	58,058
– Credit cards	**395,549**	333,871	**390,274**	329,164
– Others	**207,696**	183,316	**185,384**	169,224
	3,531,983	2,935,762	**3,470,968**	2,887,433
Discounted bills	**460,095**	201,202	**459,714**	200,800
Gross loans and advances to customers	**10,485,140**	9,474,510	**10,145,306**	9,123,062
Allowances for impairment losses (Note 38)	**(250,617)**	(251,613)	**(245,313)**	(246,816)
– Individual assessment	**(82,196)**	(57,773)	**(80,899)**	(56,413)
– Collective assessment	**(168,421)**	(193,840)	**(164,414)**	(190,403)
Net loans and advances to customers	**10,234,523**	9,222,897	**9,899,993**	8,876,246

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of allowances for impairment losses

	Note	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		
			for which allowances are collectively assessed	for which allowances are individually assessed	Total
		(a)	(b)	(b)	
Group					
As at 31 December 2015					
Gross loans and advances to customers		**10,319,160**	**18,474**	**147,506**	**10,485,140**
Allowances for impairment losses		**(157,632)**	**(10,789)**	**(82,196)**	**(250,617)**
Net loans and advances to customers		**10,161,528**	**7,685**	**65,310**	**10,234,523**
As at 31 December 2014 (Restated)					
Gross loans and advances to customers		9,361,339	11,442	101,729	9,474,510
Allowances for impairment losses		(186,252)	(7,588)	(57,773)	(251,613)
Net loans and advances to customers		9,175,087	3,854	43,956	9,222,897
Bank					
As at 31 December 2015					
Gross loans and advances to customers		**9,982,912**	**18,153**	**144,241**	**10,145,306**
Allowances for impairment losses		**(153,758)**	**(10,656)**	**(80,899)**	**(245,313)**
Net loans and advances to customers		**9,829,154**	**7,497**	**63,342**	**9,899,993**
As at 31 December 2014					
Gross loans and advances to customers		9,015,838	11,067	96,157	9,123,062
Allowances for impairment losses		(182,944)	(7,459)	(56,413)	(246,816)
Net loans and advances to customers		8,832,894	3,608	39,744	8,876,246

(a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

- individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2015 is 1.58% (31 December 2014: 1.19 %).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2015 is 1.60% (31 December 2014: 1.18%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 65(1).

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

Group

	Note	2015 Allowances for loans and advances which are collectively assessed	2015 Allowances for impaired loans and advances which are collectively assessed	2015 Allowances for impaired loans and advances which are individually assessed	2015 Total
As at 1 January		**186,252**	**7,588**	**57,773**	**251,613**
Charge for the year		**708**	**8,631**	**150,252**	**159,591**
Release during the year		**(29,228)**	**(7)**	**(37,746)**	**(66,981)**
Unwinding of discount		**–**	**–**	**(3,070)**	**(3,070)**
Transfers out	(a)	**(100)**	**(49)**	**(57,436)**	**(57,585)**
Write-offs		**–**	**(5,702)**	**(29,149)**	**(34,851)**
Recoveries		**–**	**328**	**1,572**	**1,900**
As at 31 December		**157,632**	**10,789**	**82,196**	**250,617**

	Note	2014 Allowances for loans and advances which are collectively assessed	2014 Allowances for impaired loans and advances which are collectively assessed	2014 Allowances for impaired loans and advances which are individually assessed	2014 Total
As at 1 January		171,027	5,532	52,137	228,696
Charge for the year		13,995	4,975	50,039	69,009
Release during the year		–	39	(9,784)	(9,745)
Unwinding of discount		–	–	(1,943)	(1,943)
Addition through acquisition		1,393	90	644	2,127
Transfers out	(a)	(163)	(21)	(16,119)	(16,303)
Write-offs		–	(3,168)	(18,317)	(21,485)
Recoveries		–	141	1,116	1,257
As at 31 December		186,252	7,588	57,773	251,613

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses (continued)

Bank

		2015			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		182,944	7,459	56,413	246,816
Charge for the year		42	8,348	147,531	155,921
Release during the year		(29,228)	–	(37,714)	(66,942)
Unwinding of discount		–	–	(3,056)	(3,056)
Transfers out	(a)	–	–	(56,850)	(56,850)
Write-offs		–	(5,436)	(26,998)	(32,434)
Recoveries		–	285	1,573	1,858
As at 31 December		153,758	10,656	80,899	245,313

		2014			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		169,308	5,512	51,885	226,705
Charge for the year		13,587	4,847	49,868	68,302
Release during the year		–	–	(10,748)	(10,748)
Unwinding of discount		–	–	(1,943)	(1,943)
Addition through acquisition		49	–	–	49
Transfers out	(a)	–	(5)	(15,969)	(15,974)
Write-offs		–	(3,007)	(17,797)	(20,804)
Recoveries		–	112	1,117	1,229
As at 31 December		182,944	7,459	56,413	246,816

(a) Transfers out include the transfer of allowances for impairment losses upon disposal of non-performing loans and repossession of assets, and the relevant exchange gain or loss.

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

Group

	2015				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,774	4, 654	3,818	1,266	18,512
Guaranteed loans	21,819	28,007	8,329	2,318	60,473
Loans secured by tangible assets other than monetary assets	37,445	33,603	13,753	2,179	86,980
Loans secured by monetary assets	2,454	3,534	965	263	7,216
Total	70,492	69,798	26,865	6,026	173,181
As a percentage of gross loans and advances to customers	0.67%	0.66%	0.26%	0.06%	1.65%

	2014				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,675	4,332	1,817	1,057	15,881
Guaranteed loans	16,331	18,724	9,999	2,324	47,378
Loans secured by tangible assets other than monetary assets	28,211	22,221	9,946	3,198	63,576
Loans secured by monetary assets	1,188	3,735	1,229	229	6,381
Total	54,405	49,012	22,991	6,808	133,216
As a percentage of gross loans and advances to customers	0.58%	0.52%	0.24%	0.07%	1.41%

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period (continued)

Bank

	2015				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**8,424**	**4,553**	**3,704**	**1,228**	**17,909**
Guaranteed loans	**21,257**	**26,882**	**8,139**	**2,285**	**58,563**
Loans secured by tangible assets other than monetary assets	**36,627**	**33,092**	**13,653**	**2,179**	**85,551**
Loans secured by monetary assets	**2,437**	**3,493**	**965**	**263**	**7,158**
Total	**68,745**	**68,020**	**26,461**	**5,955**	**169,181**
As a percentage of gross loans and advances to customers	**0.68%**	**0.67%**	**0.26%**	**0.06%**	**1.67%**

	2014				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,273	4,194	1,812	1,020	15,299
Guaranteed loans	15,168	17,872	9,779	2,324	45,143
Loans secured by tangible assets other than monetary assets	26,886	21,839	9,890	3,197	61,812
Loans secured by monetary assets	1,050	3,720	1,229	229	6,228
Total	51,377	47,625	22,710	6,770	128,482
As a percentage of gross loans and advances to customers	0.57%	0.52%	0.25%	0.07%	1.41%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Analysed by nature

		Group		Bank	
	Note	**2015**	2014 (Restated)	**2015**	2014
Debt securities	(1)	**1,035,332**	910,072	**941,432**	839,303
Equity instruments	(2)	**14,242**	14,376	**4,365**	5,611
Funds	(2)	**17,178**	1,691	**–**	–
Total	(3)	**1,066,752**	926,139	**945,797**	844,914

(1) Debt securities

Analysed by type of issuers

		Group		Bank	
	Note	**2015**	2014 (Restated)	**2015**	2014
Government		**409,857**	219,264	**394,061**	200,938
Central banks		**11,135**	12,765	**8,313**	5,704
Policy banks		**140,916**	152,613	**136,735**	143,658
Banks and non-bank financial institutions		**286,723**	309,923	**236,447**	281,020
Public sector entities		**20**	20	**–**	–
Enterprises		**186,681**	215,487	**165,876**	207,983
Total		**1,035,332**	910,072	**941,432**	839,303
Listed	(i)	**982,143**	839,543	**931,629**	807,687
– of which in Hong Kong		**18,059**	4,798	**1,723**	1,087
Unlisted		**53,189**	70,529	**9,803**	31,616
Total		**1,035,332**	910,072	**941,432**	839,303

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(Expressed in millions of RMB, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Analysed by nature (continued)

(2) Equity instruments and funds

	Group		Bank	
	2015	2014	**2015**	2014
Debt equity swap ("DES") Investments	**1,172**	2,858	**1,172**	2,858
Other equity instruments	**13,070**	11,518	**3,193**	2,753
Funds	**17,178**	1,691	**–**	–
Total	**31,420**	16,067	**4,365**	5,611
Listed	**23,113**	8,870	**2,808**	3,919
– of which in Hong Kong	**2,969**	2,134	**709**	842
Unlisted	**8,307**	7,197	**1,557**	1,692
Total	**31,420**	16,067	**4,365**	5,611

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(3) As at 31 December 2015, the Group's and the Bank's cost of available for sale debt securities was RMB1,010,316 million and RMB928,675 million respectively (as at 31 December 2014: RMB908,428 million and RMB837,868 million respectively). The Group's and the Bank's cost of available for sale equity instruments and funds was RMB24,831 million and RMB6,791 million respectively (as at 31 December 2014: RMB16,998 million and RMB7,182 million respectively).

27 HELD-TO-MATURITY INVESTMENTS

Analysed by types of issuers

		Group		Bank	
	Note	**2015**	2014	**2015**	2014
Government		**1,353,114**	957,788	**1,352,203**	957,134
Central banks		**151,090**	175,387	**151,090**	175,387
Policy banks		**342,889**	379,518	**342,889**	379,518
Banks and non-bank financial institutions		**585,907**	625,052	**581,215**	624,453
Enterprises		**133,013**	164,562	**128,452**	161,717
Gross balances		**2,566,013**	2,302,307	**2,555,849**	2,298,209
Allowances for impairment losses (Note 38)		**(2,033)**	(3,644)	**(1,800)**	(3,486)
Net balances		**2,563,980**	2,298,663	**2,554,049**	2,294,723
Listed	(1)	**2,552,087**	2,289,217	**2,549,254**	2,286,730
– of which in Hong Kong		**1,011**	1,021	**1,011**	1,021
Unlisted		**11,893**	9,446	**4,795**	7,993
Total		**2,563,980**	2,298,663	**2,554,049**	2,294,723
Market value of listed Securities		**2,653,065**	2,314,122	**2,650,022**	2,311,611

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed category.

(Expressed in millions of RMB, unless otherwise stated)

28 RECEIVABLES

		Group		Bank	
	Note	**2015**	2014	**2015**	2014
Government					
– Special government bond	(1)	**49,200**	49,200	**49,200**	49,200
– Others		**82,177**	781	**82,177**	530
Banks and non-bank financial institutions		**91,717**	78,320	**91,717**	78,320
Enterprises		**60,348**	27,470	**60,348**	27,470
Others	(2)	**87,967**	15,975	**69,420**	–
Gross balances		**371,409**	171,746	**352,862**	155,520
Allowance for impairment losses (Note 38)		**(1,908)**	(945)	**(1,896)**	(944)
Net balances		**369,501**	170,801	**350,966**	154,576
Listed outside Hong Kong	(3)	**191,407**	47,585	**191,407**	47,334
Unlisted		**178,094**	123,216	**159,559**	107,242
Total		**369,501**	170,801	**350,966**	154,576

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank's use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) Others include asset management plans and trust plan. They will mature from January 2016 to September 2025 and expected bear interest rates ranging from 2.86% to 9.5% per annum. During the reporting period, matured plans have been repaid without overdue.

(3) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed outside Hong Kong category.

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	2015	2014
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**8,163**	4,663
CCB Brazil Financial Holding – Investimentos e Participações Ltda. ("CCB Brazil")	**5,495**	4,476
CCB Life Insurance Company Limited ("CCB Life")	**3,902**	3,902
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
China Construction Bank (London) Limited ("CCB London")	**2,861**	2,861
CCB Pension Management Corporation Limited ("CCB Pension")	**1,955**	–
China Construction Bank (Europe) S.A. ("CCB Europe")	**1,629**	1,629
Sino-German Bausparkasse Corporation Limited ("Sino-German")	**1,502**	1,502
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")	**851**	851
Golden Fountain Finance Limited ("Golden Fountain")	**676**	676
China Construction Bank (Dubai) Limited ("CCB Dubai")	**620**	620
Sing Jian Development Company Limited ("SJDCL")	**–**	383
China Construction Bank (New Zealand) Limited ("CCB New Zealand")	**314**	314
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**–**	–
Rural Banks	**1,378**	1,378
Total	**32,885**	26,794

The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (2014: 27 rural banks).

(Expressed in millions of RMB, unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(2) Major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal Activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of Voting rights held by the Bank	Method of investment
CCBFLCL	Beijing, the PRC	RMB8,000 million	Financial Leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Insurance	51%	–	51%	Acquisition
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Commercial Banking	100%	–	100%	Establishment
CCB Europe	Luxembourg	Euro 200 million	Commercial Banking	100%	–	100%	Establishment
Sino-German	Tianjin, the PRC	RMB2,000 million	House savings	75.1%	–	75.1%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Investment	100%	–	100%	Acquisition
CCB Dubai	Dubai, United Arab Emirates	US$100 million	Commercial Banking	100%	–	100%	Establishment
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%	Establishment
CCB New Zealand	New Zealand	US$50 million	Commercial Banking	100%	–	100%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%	Establishment
CCB Pension	Beijing the PRC	RMB2,300 million	Pension Management	85%	–	85%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo Brazil	R$2,258 million	Investment	99.99%	–	100%	Acquisition
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A ("CCB Brasil")	Sao Paulo Brazil	R$2,012 million	Commercial Banking	–	99.05%	99.65%	Acquisition

(Expressed in millions of RMB, unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(3) **As at 31 December 2015, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.**

(4) **Liquidation of SJDCL**

Due to the liquidation of SJDCL, the Bank received cash of RMB245 million. As at the liquidation date, the cash and cash equivalent and the net asset held by SJDCL are both 245 million.

From the beginning of the year 2015 to the liquidation date, SJDCL did not result in any significant impact to operating income, net profit and cash flow of the Group.

(5) **In December 2015, Banco Industrial e Comercial S.A. was renamed as China Construction Bank (Brasil) Banco Múltiplo S/A ("CCB Brasil").**

According to the Brazilian local applicable laws and related regulations, the Bank completed the arrangement of mandatory tender offer after the acquisition of CCB Brasil. As at 31 December 2015, the Bank acquired 99.05% interests in CCB Brasil which has withdrawn its listing and CCB Brasil has the right of mandatory redemption of the outstanding 0.95% shares from the minority shareholders.

According to the acquisition agreement, the purchase price could be adjusted after acquisition date based on the factors such as changes in net assets of CCB Brasil from reference date to acquisition date. As of 31 December 2015, the negotiation between the former shareholders and the Bank was still in progress and any adjustment to the consideration has not been determined yet.

30 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(1) **The movement of the Group's interests in associates and joint ventures is as follows:**

	2015	2014
As at 1 January	**3,084**	2,624
Acquisition during the year	**1,657**	229
Disposal during the year	**(103)**	(46)
Share of profits less losses	**275**	245
Cash dividend receivable	**(14)**	(9)
Effect of exchange difference and others	**87**	41
As at 31 December	**4,986**	3,084

(2) **Details of the interests in major associates and joint ventures are as follows:**

Name of Company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoji Capital Company Limited	Beijing, the PRC	RMB2,370 million	Investment management and consultancy	12.66%	12.66%	2,508	35	14	14
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,672	1,521	181	70
CCBT Private Equity Fund (Limited Partnership)	Beijing, the PRC	RMB565 million	Investment management and consultancy	45.70%	50.00%	1,212	430	147	123
Maotai CCBT Private Equity Fund (Limited Partnership)	Guizhou, the PRC	RMB900 million	Investment management and consultancy	38.11%	37.50%	934	1	51	33

(Expressed in millions of RMB, unless otherwise stated)

31 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust investment, fund investment, asset-backed securities and wealth management products held for investment purpose, as well as non-principal guaranteed wealth management products, trust scheme and fund, etc. which were issued or established for providing a wide range of wealth management services and collecting management fees, fee income and custodian fees.

As at 31 December 2015 and 2014, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission fee and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	2015	2014
Financial assets at fair value through profit or loss	1,639	1,799
Interest receivables	129	196
Available-for-sale financial assets	24,728	7,540
Held-to-maturity investments	–	2,980
Receivables	18,535	15,974
Interest in associates and joint ventures	2,606	1,398
Other assets	2,441	2,131
Total	50,078	32,018

For the year ended 31 December 2015 and 2014, the income from these unconsolidated structured entities held by the Group was as follows:

	2015	2014
Interest income	1,222	1,120
Fee and commission income	14,007	10,126
Net trading gain/(loss)	21	(11)
Dividend income	699	420
Net gain arising from investment securities	20	10
Share of profits less losses of associates and joint ventures	218	187
Total	16,187	11,852

As at 31 December 2015, the balance of the non-principal guaranteed wealth management product set up by the Group amounted to RMB1,366,318 million (as at 31 December 2014: RMB909,099 million). For the year ended 31 December 2015, there were debt securities purchased and sold between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions were not material to the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products and certain asset management plans and trust plan investments.

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2015	**105,224**	**28,378**	**46,807**	**42,350**	**222,759**
Additions	**2,017**	**8,688**	**7,044**	**9,182**	**26,931**
Transfer in/(out)	**6,830**	**(8,821)**	**43**	**1,948**	**–**
Disposals	**(227)**	**(971)**	**(2,589)**	**(2,702)**	**(6,489)**
As at 31 December 2015	**113,844**	**27,274**	**51,305**	**50,778**	**243,201**
Accumulated depreciation					
As at 1 January 2015	**(22,651)**	**–**	**(27,254)**	**(20,743)**	**(70,648)**
Charge for the year	**(3,783)**	**–**	**(7,369)**	**(5,980)**	**(17,132)**
Disposals	**115**	**–**	**2,522**	**1,974**	**4,611**
As at 31 December 2015	**(26,319)**	**–**	**(32,101)**	**(24,749)**	**(83,169)**
Allowances for impairment losses (Note 38)					
As at 1 January 2015	**(424)**	**–**	**–**	**(80)**	**(504)**
Disposals	**1**	**–**	**–**	**2**	**3**
As at 31 December 2015	**(423)**	**–**	**–**	**(78)**	**(501)**
Net carrying value					
As at 1 January 2015	**82,149**	**28,378**	**19,553**	**21,527**	**151,607**
As at 31 December 2015	**87,102**	**27,274**	**19,204**	**25,951**	**159,531**
Cost/deemed cost					
As at 1 January 2014	89,877	28,425	42,444	36,857	197,603
Additions through acquisitions	424	–	36	90	550
Additions	4,458	14,477	8,689	4,770	32,394
Transfer in/(out)	10,607	(13,348)	65	2,676	–
Disposals	(142)	(1,176)	(4,427)	(2,043)	(7,788)
As at 31 December 2014	105,224	28,378	46,807	42,350	222,759
Accumulated depreciation					
As at 1 January 2014	(19,188)	–	(25,058)	(17,191)	(61,437)
Additions through acquisitions	(133)	–	(32)	(37)	(202)
Charge for the year	(3,423)	–	(6,427)	(5,506)	(15,356)
Disposals	93	–	4,263	1,991	6,347
As at 31 December 2014	(22,651)	–	(27,254)	(20,743)	(70,648)
Allowances for impairment losses (Note 38)					
As at 1 January 2014	(425)	–	(1)	(62)	(488)
Additions through acquisitions	–	–	(2)	(6)	(8)
Charge for the year	–	–	–	(17)	(17)
Disposals	1	–	3	5	9
As at 31 December 2014	(424)	–	–	(80)	(504)
Net carrying value					
As at 1 January 2014	70,264	28,425	17,385	19,604	135,678
As at 31 December 2014	82,149	28,378	19,553	21,527	151,607

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS (CONTINUED)

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2015	100,406	28,254	46,136	36,605	211,401
Additions	1,831	8,662	6,830	2,968	20,291
Transfer in/(out)	6,760	(8,748)	43	1,945	–
Disposals	(96)	(962)	(2,568)	(2,345)	(5,971)
As at 31 December 2015	108,901	27,206	50,441	39,173	225,721
Accumulated depreciation					
As at 1 January 2015	(22,186)	–	(26,814)	(20,094)	(69,094)
Charge for the year	(3,633)	–	(7,244)	(5,512)	(16,389)
Disposals	79	–	2,506	1,966	4,551
As at 31 December 2015	(25,740)	–	(31,552)	(23,640)	(80,932)
Allowances for impairment losses (Note 38)					
As at 1 January 2015	(424)	–	–	(3)	(427)
Disposals	1	–	–	–	1
As at 31 December 2015	(423)	–	–	(3)	(426)
Net carrying value					
As at 1 January 2015	77,796	28,254	19,322	16,508	141,880
As at 31 December 2015	82,738	27,206	18,889	15,530	144,363
Cost/deemed cost					
As at 1 January 2014	86,581	28,260	41,965	31,954	188,760
Additions through acquisitions	10	–	2	30	42
Additions	3,339	14,442	8,521	3,990	30,292
Transfer in/(out)	10,607	(13,341)	65	2,669	–
Disposals	(131)	(1,107)	(4,417)	(2,038)	(7,693)
As at 31 December 2014	100,406	28,254	46,136	36,605	211,401
Accumulated depreciation					
As at 1 January 2014	(18,952)	–	(24,724)	(16,845)	(60,521)
Additions through acquisitions	(4)	–	(2)	(27)	(33)
Charge for the year	(3,302)	–	(6,340)	(5,200)	(14,842)
Disposals	72	–	4,252	1,978	6,302
As at 31 December 2014	(22,186)	–	(26,814)	(20,094)	(69,094)
Allowances for impairment losses (Note 38)					
As at 1 January 2014	(425)	–	(1)	(3)	(429)
Disposals	1	–	1	–	2
As at 31 December 2014	(424)	–	–	(3)	(427)
Net carrying value					
As at 1 January 2014	67,204	28,260	17,240	15,106	127,810
As at 31 December 2014	77,796	28,254	19,322	16,508	141,880

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS (CONTINUED)

Bank (continued)

Notes: As at 31 December 2015, the ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB23,847 million (as at 31 December 2014: RMB21,092 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.

33 LAND USE RIGHTS

Group

	2015	2014
Cost/deemed cost		
As at 1 January	**21,255**	20,752
Additions	**28**	652
Disposals	**(66)**	(149)
As at 31 December	**21,217**	21,255
Amortisation		
As at 1 January	**(5,355)**	(4,879)
Charge for the year	**(509)**	(512)
Disposals	**20**	36
As at 31 December	**(5,844)**	(5,355)
Allowances for impairment losses (Note 38)		
As at 1 January	**(142)**	(142)
As at 31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,758**	15,731
As at 31 December	**15,231**	15,758

(Expressed in millions of RMB, unless otherwise stated)

33 LAND USE RIGHTS (CONTINUED)

Bank

	2015	2014
Cost/deemed cost		
As at 1 January	**20,817**	20,684
Additions	**7**	282
Disposals	**(66)**	(149)
As at 31 December	**20,758**	20,817
Amortisation		
As at 1 January	**(5,334)**	(4,860)
Charge for the year	**(507)**	(510)
Disposals	**20**	36
As at 31 December	**(5,821)**	(5,334)
Allowances for impairment losses (Note 38)		
As at 1 January	**(142)**	(142)
As at 31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,341**	15,682
As at 31 December	**14,795**	15,341

34 INTANGIBLE ASSETS

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2015 (Restated)	**6,124**	**1,000**	**7,124**
Additions	**384**	**48**	**432**
Disposals	**(73)**	**(89)**	**(162)**
As at 31 December 2015	**6,435**	**959**	**7,394**
Amortisation			
As at 1 January 2015	**(4,525)**	**(156)**	**(4,681)**
Charge for the year	**(545)**	**(124)**	**(669)**
Disposals	**52**	**15**	**67**
As at 31 December 2015	**(5,018)**	**(265)**	**(5,283)**
Allowances for impairment losses (Note 38)			
As at 1 January 2015	**(1)**	**(7)**	**(8)**
As at 31 December 2015	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2015 (Restated)	**1,598**	**837**	**2,435**
As at 31 December 2015	**1,416**	**687**	**2,103**

(Expressed in millions of RMB, unless otherwise stated)

34 INTANGIBLE ASSETS (CONTINUED)

Group (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2014	5,583	602	6,185
Additions through acquisitions	–	392	392
Additions	607	52	659
Disposals	(66)	(46)	(112)
As at 31 December 2014 (Restated)	6,124	1,000	7,124
Amortisation			
As at 1 January 2014	(3,981)	(143)	(4,124)
Charge for the year	(583)	(58)	(641)
Disposals	39	45	84
As at 31 December 2014	(4,525)	(156)	(4,681)
Allowances for impairment losses (Note 38)			
As at 1 January 2014	(1)	(7)	(8)
As at 31 December 2014	(1)	(7)	(8)
Net carrying value			
As at 1 January 2014	1,601	452	2,053
As at 31 December 2014 (Restated)	1,598	837	2,435

Bank

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2015	**5,813**	**169**	**5,982**
Additions	**324**	**46**	**370**
Disposals	**(32)**	**(9)**	**(41)**
As at 31 December 2015	**6,105**	**206**	**6,311**
Amortisation			
As at 1 January 2015	**(4,373)**	**(95)**	**(4,468)**
Charge for the year	**(496)**	**(16)**	**(512)**
Disposals	**28**	**8**	**36**
As at 31 December 2015	**(4,841)**	**(103)**	**(4,944)**
Allowances for impairment losses (Note 38)			
As at 1 January 2015	**(1)**	**(7)**	**(8)**
As at 31 December 2015	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2015	**1,439**	**67**	**1,506**
As at 31 December 2015	**1,263**	**96**	**1,359**

(Expressed in millions of RMB, unless otherwise stated)

34 INTANGIBLE ASSETS (CONTINUED)

Bank (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2014	5,371	163	5,534
Additions	507	52	559
Disposals	(65)	(46)	(111)
As at 31 December 2014	5,813	169	5,982
Amortisation			
As at 1 January 2014	(3,878)	(99)	(3,977)
Charge for the year	(534)	(41)	(575)
Disposals	39	45	84
As at 31 December 2014	(4,373)	(95)	(4,468)
Allowances for impairment losses (Note 38)			
As at 1 January 2014	(1)	(7)	(8)
As at 31 December 2014	(1)	(7)	(8)
Net carrying value			
As at 1 January 2014	1,492	57	1,549
As at 31 December 2014	1,439	67	1,506

(Expressed in millions of RMB, unless otherwise stated)

35 GOODWILL

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009, CCB Life on 29 June 2011, CCB Futures Co., Ltd by Jianxin Trust on 9 April 2014 and CCB Brazil by CCB Brazil Financial Holding – Investimentos e Participações Ltda. on 29 August 2014. The movement of the goodwill is listed as follows:

	2015	2014 (Restated)
As at 1 January	**2,253**	1,610
Additions through acquisitions	**–**	793
Effect of exchange difference	**(113)**	(150)
As at 31 December	**2,140**	2,253

(2) **Acquisition of the CCB Brazil and restatement**

On 29 August 2014(the acquisition date), the fair value of identifiable net assets of CCB Brazil (RMB3,973 million) was provisional and the final valuation was determined on 29 August 2015 as RMB4,679 million. The Group adjusted the goodwill according to the difference of RMB706 million and in proportion of the shareholding. The recognised values of identifiable net assets attributable to shareholders of the Bank has been restated and the financial statement items restated are immaterial and cover goodwill, loans and advances to customers, available-for-sale financial assets, intangible assets, deferred tax assets, deposits from customers etc.

(3) **Impairment test for CGU containing goodwill**

The Group calculated the recoverable amount of CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 31 December 2015 (31 December 2014: nil).

(Expressed in millions of RMB, unless otherwise stated)

36 DEFERRED TAX

	Group		Bank	
	2015	2014 (Restated)	**2015**	2014
Deferred tax assets	**25,379**	39,494	**24,298**	38,115
Deferred tax liabilities	**(624)**	(401)	**(81)**	(43)
Total	**24,755**	39,093	**24,217**	38,072

(1) Analysed by nature

Group

	2015		2014	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences (Restated)	Deferred tax assets/ (liabilities) (Restated)
Deferred tax assets				
– Fair value adjustments	**(31,962)**	**(7,892)**	(6,093)	(1,445)
– Allowances for impairment losses	**123,244**	**31,428**	152,164	38,272
– Early retirement benefits and accrued salaries	**23,779**	**5,945**	25,193	6,298
– Others	**(18,211)**	**(4,102)**	(15,726)	(3,631)
Total	**96,850**	**25,379**	155,538	39,494
Deferred tax liabilities				
– Fair value adjustments	**(2,754)**	**(637)**	(1,372)	(292)
– Allowances for impairment losses	**464**	**79**	44	11
– Others	**(128)**	**(66)**	(302)	(120)
Total	**(2,418)**	**(624)**	(1,630)	(401)

Bank

	2015		2014	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(31,664)**	**(7,858)**	(5,554)	(1,341)
– Allowances for impairment losses	**117,310**	**29,331**	147,383	36,815
– Early retirement benefits and accrued salaries	**23,779**	**5,945**	25,056	6,264
– Others	**(5,105)**	**(3,120)**	(8,714)	(3,623)
Total	**104,320**	**24,298**	158,171	38,115
Deferred tax liabilities				
– Fair value adjustments	**(471)**	**(78)**	(6)	(2)
– Allowances for impairment losses	**420**	**69**	–	–
– Others	**(201)**	**(72)**	(117)	(41)
Total	**(252)**	**(81)**	(123)	(43)

(Expressed in millions of RMB, unless otherwise stated)

36 DEFERRED TAX (CONTINUED)

(2) Movements of deferred tax

Group

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2015	**(1,737)**	**38,283**	**6,298**	**(3,751)**	**39,093**
Recognised in profit or loss	**(313)**	**(6,776)**	**(353)**	**(417)**	**(7,859)**
Recognised in other comprehensive income	**(6,479)**	**–**	**–**	**–**	**(6,479)**
As at 31 December 2015	**(8,529)**	**31,507**	**5,945**	**(4,168)**	**24,755**
As at 1 January 2014	6,039	30,329	6,366	(4,424)	38,310
Recognised in profit or loss	248	7,375	(68)	(337)	7,218
Recognised in other comprehensive income	(8,025)	–	–	–	(8,025)
Additions through acquisitions	1	579	–	1,010	1,590
As at 31 December 2014 (Restated)	(1,737)	38,283	6,298	(3,751)	39,093

Bank

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2015	**(1,343)**	**36,815**	**6,264**	**(3,664)**	**38,072**
Recognised in profit or loss	**(461)**	**(7,415)**	**(319)**	**472**	**(7,723)**
Recognised in other comprehensive income	**(6,132)**	**–**	**–**	**–**	**(6,132)**
As at 31 December 2015	**(7,936)**	**29,400**	**5,945**	**(3,192)**	**24,217**
As at 1 January 2014	6,212	30,151	6,329	(3,599)	39,093
Recognised in profit or loss	349	6,664	(65)	(65)	6,883
Recognised in other comprehensive income	(7,904)	–	–	–	(7,904)
As at 31 December 2014	(1,343)	36,815	6,264	(3,664)	38,072

The Group and the Bank did not have significant unrecognised deferred tax as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

37 OTHER ASSETS

	Note	Group 2015	Group 2014	Bank 2015	Bank 2014
Repossessed assets	(1)				
– Buildings		**1,686**	1,748	**1,686**	1,748
– Land use rights		**314**	313	**314**	313
– Others		**762**	1,497	**211**	745
		2,762	3,558	**2,211**	2,806
Insurance business related assets		**7,976**	369	**–**	–
Fee and commission receivables		**5,475**	4,054	**4,384**	3,636
Deferred expenses		**3,477**	3,156	**3,271**	3,000
Leasehold improvements		**3,167**	3,138	**3,113**	3,102
Clearing and settlement accounts		**2,984**	480	**5,923**	480
Receivables from CCBIG	(2)	**–**	–	**37,053**	36,187
Other receivables		**22,255**	14,952	**17,637**	10,586
Gross balance		**48,096**	29,707	**73,592**	59,797
Allowances for impairment losses (Note 38)					
– Repossessed assets		**(644)**	(660)	**(516)**	(480)
– Others		**(3,938)**	(3,033)	**(3,639)**	(2,748)
Total		**43,514**	26,014	**69,437**	56,569

(1) For the year ended 31 December 2015, the original cost of repossessed assets disposed of by the Group amounted to RMB935 million (for the year ended 31 December 2014: RMB542 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

	Note	2015 As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	**7**	**–**	**–**	**–**	**7**
Placements with banks and non-bank financial institutions	20	**27**	**10**	**–**	**(1)**	**36**
Interest receivable	24	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	25(3)	**251,613**	**92,610**	**(58,755)**	**(34,851)**	**250,617**
Available for sale debt securities		**1,409**	**(402)**	**53**	**(9)**	**1,051**
Available for sale equity instrument		**4,413**	**28**	**(120)**	**(4)**	**4,317**
Held-to-maturity investments	27	**3,644**	**(1,633)**	**24**	**(2)**	**2,033**
Receivables	28	**945**	**927**	**36**	**–**	**1,908**
Fixed assets	32	**504**	**–**	**(3)**	**–**	**501**
Land use rights	33	**142**	**–**	**–**	**–**	**142**
Intangible assets	34	**8**	**–**	**–**	**–**	**8**
Other assets	37	**3,693**	**1,334**	**–**	**(445)**	**4,582**
Total		**266,406**	**92,874**	**(58,765)**	**(35,312)**	**265,203**

(Expressed in millions of RMB, unless otherwise stated)

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

Group (continued)

		2014				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	–	–	–	7
Placements with banks and non-bank financial institutions	20	27	–	–	–	27
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	228,696	59,264	(14,862)	(21,485)	251,613
Available for sale debt securities		2,743	88	29	(1,451)	1,409
Available for sale equity instrument		4,297	271	(80)	(75)	4,413
Held-to-maturity investments	27	4,521	281	47	(1,205)	3,644
Receivables	28	784	196	–	(35)	945
Fixed assets	32	488	17	8	(9)	504
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	2,661	1,324	74	(366)	3,693
Total		244,375	61,441	(14,784)	(24,626)	266,406

Bank

		2015				
	Note	**As at 1 January**	**Charge for the year/ (Write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	19	**4**	**–**	**–**	**–**	**4**
Placements with banks and non-bank financial institutions	20	**27**	**7**	**–**	**(1)**	**33**
Interest receivable	24	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	25(3)	**246,816**	**88,979**	**(58,048)**	**(32,434)**	**245,313**
Available for sale debt securities		**1,340**	**(594)**	**53**	**(9)**	**790**
Available for sale equity instrument		**4,328**	**1**	**(46)**	**–**	**4,283**
Held-to-maturity investments	27	**3,486**	**(1,699)**	**15**	**(2)**	**1,800**
Receivables	28	**944**	**951**	**1**	**–**	**1,896**
Fixed assets	32	**427**	**–**	**(1)**	**–**	**426**
Land use rights	33	**142**	**–**	**–**	**–**	**142**
Intangible assets	34	**8**	**–**	**–**	**–**	**8**
Other assets	37	**3,228**	**1,313**	**–**	**(386)**	**4,155**
Total		**260,751**	**88,958**	**(58,026)**	**(32,832)**	**258,851**

(Expressed in millions of RMB, unless otherwise stated)

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

Bank (continued)

		2014				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	4	–	–	–	4
Placements with banks and non-bank financial institutions	20	27	–	–	–	27
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	226,705	57,554	(16,639)	(20,804)	246,816
Available for sale debt securities		2,678	66	47	(1,451)	1,340
Available for sale equity instrument		4,228	260	(86)	(74)	4,328
Held-to-maturity investments	27	4,461	185	44	(1,204)	3,486
Receivables	28	773	171	–	–	944
Fixed assets	32	429	–	–	(2)	427
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	2,344	1,200	–	(316)	3,228
Total		241,800	59,436	(16,634)	(23,851)	260,751

Transfer in/(out) includes the exchange differences.

39 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	2015	2014
Deposits with banks and non-bank financial institutions	**21,023**	13,717
Placements with banks and non-bank financial institutions	**93,305**	105,861
Positive fair value of derivatives	**1,795**	–
Interest receivable	**114**	235
Loans and advances to customers	**5,659**	6,888
Available-for-sale financial assets	**60**	60
Other assets	**40,415**	36,895
Total	**162,371**	163,656

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	2015	2014
Deposits from banks and non-bank financial institutions	**11,199**	23,672
Placements from banks and non-bank financial institutions	**63,580**	26,468
Financial liabilities at fair value through profit or loss	**–**	100
Negative fair value of derivatives	**1,237**	–
Deposits from customers	**2,371**	5,075
Interest payable	**505**	318
Debt securities issued	**1,910**	724
Other liabilities	**367**	3,639
Total	**81,169**	59,996

(Expressed in millions of RMB, unless otherwise stated)

40 BORROWINGS FROM CENTRAL BANKS

	Group		Bank	
	2015	2014	**2015**	2014
Mainland China	**898**	60,811	**4**	60,004
Overseas	**41,150**	30,405	**41,150**	30,405
Total	**42,048**	91,216	**41,154**	90,409

41 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2015	2014	**2015**	2014
Banks	**160,367**	105,056	**158,599**	108,686
Non-bank financial institutions	**1,279,028**	899,062	**1,283,660**	900,060
Total	**1,439,395**	1,004,118	**1,442,259**	1,008,746

(2) Analysed by geographical sectors

	Group		Bank	
	2015	2014	**2015**	2014
Mainland China	**1,342,935**	993,523	**1,342,822**	994,753
Overseas	**96,460**	10,595	**99,437**	13,993
Total	**1,439,395**	1,004,118	**1,442,259**	1,008,746

42 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2015	2014	**2015**	2014
Banks	**300,937**	190,596	**283,753**	138,851
Non-bank financial institutions	**20,775**	11,806	**20,442**	13,301
Total	**321,712**	202,402	**304,195**	152,152

(2) Analysed by geographical sectors

	Group		Bank	
	2015	2014	**2015**	2014
Mainland China	**150,518**	79,254	**87,395**	25,789
Overseas	**171,194**	123,148	**216,800**	126,363
Total	**321,712**	202,402	**304,195**	152,152

(Expressed in millions of RMB, unless otherwise stated)

43 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2015	2014	**2015**	2014
Principal guaranteed wealth management product	**248,680**	233,655	**248,735**	233,740
Financial liabilities related to precious metals	**33,225**	36,891	**33,225**	36,891
Structured financial instruments	**20,744**	25,463	**19,818**	22,011
Total	**302,649**	296,009	**301,778**	292,642

The Group's and the Bank's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity of the Group and the Bank is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2015 and 2014.

44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	Group		Bank	
	2015	2014	**2015**	2014
Securities				
– Bills issued by the PBOC	**35,000**	50,000	**35,000**	50,000
– Government bonds	**200,409**	130,813	**197,441**	126,597
– Debt securities issued by banks and non-bank financial institutions	**32,376**	16	**31,910**	–
Subtotal	**267,785**	180,829	**264,351**	176,597
Discounted bills	**227**	699	**218**	659
Total	**268,012**	181,528	**264,569**	177,256

(Expressed in millions of RMB, unless otherwise stated)

45 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2015	2014 (Restated)	**2015**	2014
Demand deposits				
– Corporate customers	**4,261,474**	3,996,827	**4,230,728**	3,977,665
– Personal customers	**2,611,873**	2,321,675	**2,585,956**	2,303,777
Subtotal	**6,873,347**	6,318,502	**6,816,684**	6,281,442
Time deposits (including call deposits)				
– Corporate customers	**2,918,679**	2,910,245	**2,791,441**	2,797,119
– Personal customers	**3,876,507**	3,670,406	**3,785,121**	3,575,932
Subtotal	**6,795,186**	6,580,651	**6,576,562**	6,373,051
Total	**13,668,533**	12,899,153	**13,393,246**	12,654,493

Deposits from customers include:

		Group		Bank	
		2015	2014	**2015**	2014
(1)	Pledged deposits				
	– Deposits for acceptance	**118,897**	138,472	**118,754**	138,306
	– Deposits for guarantee	**49,143**	41,572	**49,143**	41,572
	– Deposits for letter of credit	**24,811**	36,088	**24,778**	36,088
	– Others	**256,033**	206,447	**253,689**	206,969
	Total	**448,884**	422,579	**446,364**	422,935
(2)	Outward remittance and remittance payables	**11,969**	9,817	**11,437**	9,254

46 ACCRUED STAFF COSTS

Group

		2015			
	Note	**As at 1 January**	**Increased**	**Decreased**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**25,864**	**61,087**	**(61,660)**	**25,291**
Other social insurance and welfare		**2,134**	**8,561**	**(8,407)**	**2,288**
Housing funds		**100**	**6,501**	**(6,466)**	**135**
Union running costs and employee education costs		**1,842**	**2,540**	**(2,259)**	**2,123**
Post-employment benefits	(1)				
– Defined contribution plans		**821**	**12,717**	**(12,632)**	**906**
– Defined benefit plans		**920**	**14**	**(806)**	**128**
Early retirement benefits		**2,850**	**160**	**(695)**	**2,315**
Compensation to employees for termination of employment relationship		**4**	**7**	**(7)**	**4**
Total		**34,535**	**91,587**	**(92,932)**	**33,190**

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

Group (continued)

		2014			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		25,189	60,268	(59,593)	25,864
Other social insurance and welfare		2,233	9,653	(9,752)	2,134
Housing funds		148	6,014	(6,062)	100
Union running costs and employee education costs		1,533	2,561	(2,252)	1,842
Post-employment benefits	(1)				
– Defined contribution plans		766	12,995	(12,940)	821
– Defined benefit plans		609	311	–	920
Early retirement benefits		3,596	182	(928)	2,850
Compensation to employees for termination of employment relationship		6	8	(10)	4
Total		34,080	91,992	(91,537)	34,535

Bank

		2015			
	Note	**As at 1 January**	**Increased**	**Decreased**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**24,618**	**57,406**	**(58,255)**	**23,769**
Other social insurance and welfare		**2,121**	**8,326**	**(8,164)**	**2,283**
Housing funds		**99**	**6,418**	**(6,383)**	**134**
Union running costs and employee education costs		**1,807**	**2,484**	**(2,229)**	**2,062**
Post-employment benefits	(1)				
– Defined contribution plans		**815**	**12,366**	**(12,283)**	**898**
– Defined benefit plans		**920**	**14**	**(806)**	**128**
Early retirement benefits		**2,850**	**160**	**(695)**	**2,315**
Compensation to employees for termination of employment relationship		**4**	**7**	**(7)**	**4**
Total		**33,234**	**87,181**	**(88,822)**	**31,593**

		2014			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		24,081	57,232	(56,695)	24,618
Other social insurance and welfare		2,221	9,458	(9,558)	2,121
Housing funds		148	5,943	(5,992)	99
Union running costs and employee education costs		1,515	2,505	(2,213)	1,807
Post-employment benefits	(1)				
– Defined contribution plans		762	12,720	(12,667)	815
– Defined benefit plans		609	311	–	920
Early retirement benefits		3,596	182	(928)	2,850
Compensation to employees for termination of employment relationship		6	8	(10)	4
Total		32,938	88,359	(88,063)	33,234

The Group and the Bank has no overdue balance of accrued staff costs as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) Defined contribution plans

Group

	2015			
	As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Basic pension insurance	**545**	**9,277**	**(9,187)**	**635**
Unemployment insurance	**30**	**628**	**(625)**	**33**
Annuity contribution	**246**	**2,812**	**(2,820)**	**238**
Total	**821**	**12,717**	**(12,632)**	**906**

	2014			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	535	8,795	(8,785)	545
Unemployment insurance	29	692	(691)	30
Annuity contribution	202	3,508	(3,464)	246
Total	766	12,995	(12,940)	821

Bank

	2015			
	As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Basic pension insurance	**541**	**8,968**	**(8,881)**	**628**
Unemployment insurance	**29**	**621**	**(617)**	**33**
Annuity contribution	**245**	**2,777**	**(2,785)**	**237**
Total	**815**	**12,366**	**(12,283)**	**898**

	2014			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	531	8,562	(8,552)	541
Unemployment insurance	29	685	(685)	29
Annuity contribution	202	3,473	(3,430)	245
Total	762	12,720	(12,667)	815

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(i) The Group and the bank

	Present value of defined benefit plan obligations		Fair value of plan assets		Net liabilities of defined benefit plans	
	2015	2014	**2015**	2014	**2015**	2014
As at 1 January	**6,654**	6,434	**5,734**	5,825	**920**	609
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**233**	277	**219**	260	**14**	17
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses	**428**	601	**–**	–	**428**	601
– Returns on plan assets	**–**	–	**479**	307	**(479)**	(307)
Other changes						
– Benefits paid	**(651)**	(658)	**(651)**	(658)	**–**	–
– Contribution to plan assets	**–**	–	**755**	–	**(755)**	–
As at 31 December	**6,664**	6,654	**6,536**	5,734	**128**	920

Interest cost was recognised in other general and administrative expenses.

(ii) Principal actuarial assumptions of the Group and the Bank as at the end of reporting period are as follows:

	2015	2014
Discount rate	**3.00%**	3.75%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**11.6 years**	12.1 years

Mortality assumptions are based on China Life Insurance Annuity Table (2000-2003) in China Life Insurance Mortality Table complied by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(iii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(130)	135
Health care cost increase rate	44	(43)

(iv) The weighted average duration of supplementary retirement benefit obligations of the Group and the Bank is 8 years.

(v) Plan assets of the Group and the Bank are as follows:

	2015	2014
Cash and cash equivalents	1,064	136
Equity instruments	383	304
Debt instruments	4,967	5,161
Others	122	133
Total	6,536	5,734

47 TAXES PAYABLE

	Group		Bank	
	2015	2014	2015	2014
Income tax	40,596	52,320	39,844	51,743
Business tax and surcharges	8,642	9,518	8,510	9,414
Value added tax	(1,315)	(880)	(1,276)	(904)
Others	1,488	1,686	1,437	1,628
Total	49,411	62,644	48,515	61,881

48 INTEREST PAYABLE

	Group		Bank	
	2015	2014	2015	2014
Deposits from customers	190,236	176,476	189,041	175,349
Deposits from banks and non-bank financial institutions	9,941	5,747	10,293	5,985
Debts securities issued	2,256	2,132	2,257	2,132
Others	3,251	1,519	2,745	1,161
Total	205,684	185,874	204,336	184,627

(Expressed in millions of RMB, unless otherwise stated)

49 PROVISIONS

	Group		Bank	
	2015	2014	**2015**	2014
Litigation provisions	**1,655**	2,155	**361**	486
Others	**5,453**	4,913	**5,452**	4,913
Total	**7,108**	7,068	**5,813**	5,399

50 DEBT SECURITIES ISSUED

		Group		Bank	
	Note	**2015**	2014	**2015**	2014
Certificates of deposit issued	(1)	**170,796**	240,303	**151,595**	201,656
Bonds issued	(2)	**40,916**	24,533	**8,366**	5,999
Subordinated bonds issued	(3)	**144,979**	144,845	**137,897**	137,878
Eligible Tier 2 capital bonds issued	(4)	**58,853**	21,971	**58,853**	21,971
Total		**415,544**	431,652	**356,711**	367,504

(1) Certificates of deposit were mainly issued by head office, overseas branches, CCB Asia and CCB Brazil.

(2) Bonds issued

					Group		Bank	
Issue date	**Maturity date**	**Interest rate per annum**	**Issue place**	**Currency**	**2015**	2014	**2015**	2014
2012-06-28	2015-06-28	3.25%	Hong Kong	RMB	**–**	500	**–**	500
2012-11-29	2015-11-29	3.20%	London	RMB	**–**	940	**–**	–
2013-12-10	2016-12-12	3.25%	Taiwan	RMB	**2,000**	2,000	**2,000**	2,000
2014-03-13	2016-03-13	3.25%	Hong Kong	RMB	**4,000**	4,000	**–**	–
2014-04-01	2017-04-01	2.375%	Hong Kong	USD	**1,948**	1,861	**–**	–
2014-04-04	2015-03-20	2.88%	Hong Kong	RMB	**–**	229	**–**	–
2014-04-25	2016-04-25	3 months LIBOR+1.35%	Hong Kong	USD	**130**	124	**–**	–
2014-05-22	2015-06-11	3.00%	Hong Kong	RMB	**–**	153	**–**	–
2014-05-28	2016-05-30	3.38%	Frankfurt	RMB	**1,500**	1,500	**1,500**	1,500
2014-05-28	2019-05-28	1.375%	Switzerland	CHF	**1,968**	1,882	**–**	–
2014-06-27	2017-06-27	3.45%	Switzerland	RMB	**1,250**	1,250	**–**	–
2014-07-02	2019-07-02	3.25%	Hong Kong	USD	**3,896**	3,723	**–**	–
2014-07-14	2015-07-14	1.70%	Hong Kong	USD	**–**	310	**–**	–
2014-09-05	2017-09-05	3.35%	Taiwan	RMB	**800**	800	**800**	800
2014-09-05	2019-09-05	3.75%	Taiwan	RMB	**600**	600	**600**	600
2014-09-05	2021-09-05	4.00%	Taiwan	RMB	**600**	600	**600**	600
2014-11-12	2015-11-12	3 months LIBOR+1.02%	Hong Kong	USD	**–**	683	**–**	–
2014-11-18	2019-11-18	3.75%	Taiwan	RMB	**1,000**	1,000	**–**	–
2014-11-18	2021-11-18	3.95%	Taiwan	RMB	**1,000**	1,000	**–**	–
2014-11-18	2016-11-18	3.30%	Taiwan	RMB	**700**	700	**–**	–
2014-11-18	2024-11-18	4.08%	Taiwan	RMB	**600**	600	**–**	–
2014-11-27	2016-12-06	3.45%	Hong Kong	RMB	**120**	120	**–**	–
2015-01-20	2020-01-20	3.125%	Hong Kong	USD	**4,546**	–	**–**	–
2015-02-11	2020-02-11	1.50%	Luxembourg	EUR	**3,545**	–	**–**	–
2015-03-31	2016-03-29	0.33%	Hong Kong	EUR	**213**	–	**–**	–
2015-04-29	2016-04-29	3.80%	Hong Kong	RMB	**400**	–	**–**	–
2015-06-18	2018-06-18	4.317%	Auckland	NZD	**222**	–	**–**	–
2015-06-18	2019-06-18	4.30%	Auckland	NZD	**7**	–	**–**	–
2015-06-18	2020-06-18	3 month New Zealand benchmark interest rate +1.2%	Auckland	NZD	**111**	–	**–**	–

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued (continued)

					Group		Bank	
Issue date	Maturity date	Interest rate per annum	Issue place	Currency	2015	2014	2015	2014
2015-07-16	2018-06-18	3.935%	Auckland	NZD	67	–	–	–
2015-07-28	2020-07-28	3.25%	Hong Kong	USD	3,247	–	–	–
2015-08-31	2016-03-03	0.70%	Hong Kong	USD	185	–	–	–
2015-09-09	2016-03-07	0.75%	Hong Kong	USD	130	–	–	–
2015-09-09	2016-03-10	0.70%	Hong Kong	USD	162	–	–	–
2015-09-10	2019-09-10	3.945%	Auckland	NZD	55	–	–	–
2015-09-14	2016-03-10	0.75%	Hong Kong	USD	108	–	–	–
2015-09-15	2016-03-17	0.75%	Hong Kong	USD	130	–	–	–
2015-09-18	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	1,900	–	1,900	–
2015-09-22	2016-03-24	0.73%	Hong Kong	USD	130	–	–	–
2015-09-29	2016-03-31	0.72%	Hong Kong	USD	338	–	–	–
2015-10-19	2017-10-19	4.30%	London	RMB	990	–	990	–
2015-10-27	2016-04-28	0.82%	Hong Kong	USD	878	–	–	–
2015-10-27	2016-04-28	0.80%	Hong Kong	USD	130	–	–	–
2015-11-02	2016-05-04	0.75%	Hong Kong	USD	200	–	–	–
2015-11-12	2016-05-11	0.88%	Hong Kong	USD	130	–	–	–
2015-11-12	2016-05-11	0.85%	Hong Kong	USD	130	–	–	–
2015-11-26	2017-11-26	4.00%	Hong Kong	RMB	1,000	–	–	–
2015-12-07	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	14	–	14	–
2015-12-29	2020-01-27	3.80%	Auckland	NZD	89	–	–	–
Total nominal value					41,169	24,575	8,404	6,000
Less: unamortised issuance costs					(253)	(42)	(38)	(1)
Carrying value as at 31 December					40,916	24,533	8,366	5,999

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

(3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC, the CBRC, the HKMA and Brazil Central Bank is as follows:

					Group		Bank	
Issue date	**Maturity date**	**Interest rate per annum**	**Currency**	Note	**2015**	2014	**2015**	2014
2009-02-24	2024-02-26	4.00%	RMB	(a)	**28,000**	28,000	**28,000**	28,000
2009-08-07	2024-08-11	4.04%	RMB	(b)	**10,000**	10,000	**10,000**	10,000
2009-11-03	2019-11-04	Benchmark rate released by Brazil Central Bank	BRL	(c)	**328**	467	**–**	–
2009-12-18	2024-12-22	4.80%	RMB	(d)	**20,000**	20,000	**20,000**	20,000
2010-04-27	2020-04-27	8.50%	USD	(c)	**1,736**	1,681	**–**	–
2010-07-30	2017-10-15	7.31%	USD	(c)	**208**	199	**–**	–
2011-11-03	2026-11-07	5.70%	RMB	(e)	**40,000**	40,000	**40,000**	40,000
2012-11-20	2027-11-22	4.99%	RMB	(f)	**40,000**	40,000	**40,000**	40,000
2014-08-20	2024-08-20	4.25%	USD	(g)	**4,870**	4,654	**–**	–
Total nominal value					**145,142**	145,001	**138,000**	138,000
Less: Unamortised issuance cost					**(163)**	(156)	**(103)**	(122)
Carrying value as at 31 December					**144,979**	144,845	**137,897**	137,878

(a) The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(b) The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(c) The subordinated bonds were issued by CCB Brazil.

(d) The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(e) The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(f) The Group has an option to redeem the bonds on 22 November 2022, subject to an approval from relevant authority.

(g) The Group has an option to redeem the bonds on 20 August 2019, subject to an approval from relevant authority.

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

					Group and Bank	
Issue date	**Maturity date**	**Interest rate per annum**	**Currency**	Note	**2015**	2014
2014-08-15	2029-08-18	5.98%	RMB	(a)	**20,000**	20,000
2014-11-12	2024-11-12	4.90%	RMB	(b)	**2,000**	2,000
2015-05-13	2025-05-13	3.875%	USD	(c)	**12,987**	–
2015-12-18	2025-12-21	4.00%	RMB	(d)	**24,000**	–
Total nominal value					**58,987**	22,000
Less: Unamortised issuance cost					**(134)**	(29)
Carrying value as at 31 December					**58,853**	21,971

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(b) The Group has an option to redeem the bonds on 12 November 2019, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate per annum will increase by 1.538% on the basis of twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019 for the next five years. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(c) The Group has an option to redeem the bonds on 13 May 2020, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 13 May 2020 and increase by 2.425% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(d) The Group has an option to redeem the bonds on 21 December 2020, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

51 OTHER LIABILITIES

	Group		Bank	
	2015	2014	**2015**	2014
Insurance business related liabilities	**58,540**	31,938	**–**	–
Deferred income	**14,089**	14,475	**13,842**	14,370
Capital expenditure payable	**8,951**	10,324	**8,951**	10,323
Leasing business related liabilities	**5,853**	4,183	**–**	–
Clearing and settlement accounts	**4,003**	3,095	**3,916**	3,109
Dormant accounts	**3,535**	2,987	**3,534**	2,987
Accrued expenses	**3,019**	1,889	**2,823**	1,677
Securities underwriting and redemption payable	**2,060**	1,480	**2,060**	1,480
Payment and collection clearance accounts	**2,049**	853	**1,616**	698
Others	**20,455**	12,048	**16,325**	13,905
Total	**122,554**	83,272	**53,067**	48,549

(Expressed in millions of RMB, unless otherwise stated)

52 SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

(1) Share capital

	Group and Bank	
	2015	2014
Listed in Hong Kong (H share)	**240,417**	240,417
Listed in Mainland China (A share)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

(2) Other equity instruments

(a) Preference shares outstanding as at the end of the reporting period

Preference Shares	Issue date	Classification	Initial interest rate	Issue price	Quantity (million)	Total amount Original Currency (USD)	Total amount (RMB)	Maturity date	Conversion conditions
2015 Offshore Preference Shares	16 December 2015	Equity instruments	4.65%	$20 per share	152.5	3,050	19,711	No maturity date	None
Total amount							19,711		
Less: Issuance fee							(52)		
Carrying amount							19,659		

The key terms are as below:

(1) Dividend

The initial annual dividend rate is 4.65% and is subsequently subject to reset per agreement, but in no case shall exceed 20.4850%. Save for such dividend at the agreed dividend payout ratio, the holders of the above offshore preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The dividends on offshore preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend on the offshore preference shares, and such cancellation shall not be deemed a default. However, If the Bank cancels all or part of the dividends to the offshore preference shareholders, from the day immediately following the date of the resolution of the general meeting of shareholders till to the Bank fully pays the dividends for the current dividend period, the Bank shall not make any dividend distribution to ordinary shareholders.

(2) Redemption

The Offshore Preference Shares have no maturity date. However, subject to receiving the prior approval of CBRC and satisfaction of the redemption conditions precedent, all or some only of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 16 December 2020 or on any dividend payment date thereafter at the redemption price which is equal to issue price plus dividends payable but not yet distributed in current period.

(Expressed in millions of RMB, unless otherwise stated)

52 SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Other equity instruments (continued)

(a) Preference shares outstanding as at the end of the reporting period (continued)

(3) Compulsory conversion of preference shares

When an Additional Tier 1 Capital Instrument Trigger Event occurs, that is Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% (or below), the Bank shall (without the need for the consent of offshore preference shareholders) convert all or some only of the preference shares in issue into such number of H shares which will be sufficient to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above 5.125% according to contract; When a Tier 2 Capital Instrument Trigger Event occurs, the Bank shall (without the need for the consent of offshore preference shareholders) convert all of the offshore preference shares in issue into such number of H shares according to contract. Tier 2 Capital Instrument Trigger Event is defined as the earlier of: (i) the CBRC having decided that without a conversion or write-off the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Once a preference share has been converted, it will not be restored in any circumstances. When the compulsory conversion of offshore preference shares occurs, the Bank shall report to the CBRC for approval and decision.

The Bank classifies offshore preference shares issued as an equity instrument and presented as an equity item on statements of financial position. Capital raised from the issuance of the above offshore preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

(b) Changes in Preference shares outstanding

	1 January 2015		Increase		31 December 2015	
Preference Shares	**Amount (million shares)**	**Carrying value (RMB million)**	**Amount (million shares)**	**Carrying value (RMB million)**	**Amount (million shares)**	**Carrying value (RMB million)**
2015 offshore preference shares	–	–	152.5	19,659	**152.5**	**19,659**

(c) Interests attribute to the holders of equity instruments

		2015	2014
1.	Total equity attribute to equity holders of the Bank	**1,434,020**	1,241,510
	(1) Equity attribute to ordinary equity holders of the Bank	**1,414,361**	1,241,510
	(2) Equity attribute to other equity holders of the Bank	**19,659**	–
2.	Total equity attribute to non-controlling interests	**11,063**	10,338
	(1) Equity attribute to non-controlling interests of ordinary shares	**11,063**	10,338

53 CAPITAL RESERVE

	Group		Bank	
	2015	2014	**2015**	2014
Share premium	**134,911**	135,118	**135,109**	135,109
Cash flow hedge reserve	**–**	(10)	**–**	1
Others	**338**	283	**332**	277
Total	**135,249**	135,391	**135,441**	135,387

(Expressed in millions of RMB, unless otherwise stated)

54 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in "investment revaluation reserve". Movements of investment revaluation reserve are as follows:

Group

		2015		
	Note	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January		5,435	(1,369)	4,066
Gains during the year				
– Debt securities		26,655	(6,689)	19,966
– Equity instruments and funds		607	(152)	455
		27,262	(6,841)	20,421
Reclassification adjustments				
– Impairment		(374)	94	(280)
– Disposals		(1,533)	383	(1,150)
– Others	(1)	1	–	1
		(1,906)	477	(1,429)
As at 31 December		30,791	(7,733)	23,058

		2014 (Restated)		
	Note	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
As at 1 January		(25,837)	6,547	(19,290)
Gains during the year				
– Debt securities		32,092	(7,997)	24,095
– Equity instruments and funds		1,862	(466)	1,396
		33,954	(8,463)	25,491
Reclassification adjustments				
– Impairment		701	(175)	526
– Disposals		(3,385)	722	(2,663)
– Others	(1)	2	–	2
		(2,682)	547	(2,135)
As at 31 December		5,435	(1,369)	4,066

(Expressed in millions of RMB, unless otherwise stated)

54 INVESTMENT REVALUATION RESERVE (CONTINUED)

Bank

		2015		
	Note	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January		5,727	(1,439)	4,288
Gains during the year				
– Debt securities		26,499	(6,658)	19,841
– Equity instruments		(101)	25	(76)
		26,398	(6,633)	19,765
Reclassification adjustments				
– Impairment		(593)	148	(445)
– Disposals		(1,413)	353	(1,060)
– Others	(1)	1	–	1
		(2,005)	501	(1,504)
As at 31 December		30,120	(7,571)	22,549

		2014		
	Note	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
As at 1 January		(25,740)	6,465	(19,275)
Gains during the year				
– Debt securities		32,045	(8,049)	23,996
– Equity instruments		1,460	(365)	1,095
		33,505	(8,414)	25,091
Reclassification adjustments				
– Impairment		668	(167)	501
– Disposals		(2,708)	677	(2,031)
– Others	(1)	2	–	2
		(2,038)	510	(1,528)
As at 31 December		5,727	(1,439)	4,288

(1) Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior years.

(Expressed in millions of RMB, unless otherwise stated)

55 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 Feb 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

56 GENERAL RESERVE

The general reserve of the Group and the Bank as at the end of the reporting period is set up based upon the requirements of:

		Group		Bank	
	Note	**2015**	2014	**2015**	2014
MOF	(1)	**181,686**	165,439	**181,686**	165,439
Hong Kong Banking Ordinance	(2)	**2,124**	2,115	**174**	165
Other regulatory bodies in Mainland China	(3)	**2,152**	1,629	**–**	–
Other overseas regulatory bodies		**460**	313	**459**	312
Total		**186,422**	169,496	**182,319**	165,916

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the Ministry of Finance on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

57 PROFIT DISTRIBUTION

In the Annual General Meeting held on 15 June 2015, the shareholders approved the profit distribution for the year ended 31 December 2014. The Bank appropriated cash dividend for the year ended 31 December 2014 in an aggregate amount of RMB75,253 million.

On 30 March 2016, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2015:

(1) Appropriate statutory surplus reserve amounted to RMB22,517 million, based on 10% of the net profit of the Bank amounted to RMB225,176 million for the year 2015 (2014: RMB22,545 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB24,247 million, pursuant to relevant regulations issued by MOF (2014: RMB16,248 million).

(3) Appropriate cash dividend RMB0.274 per share before tax (2014: RMB0.301 per share) and in aggregation amount of RMB68,503 million to all shareholders. Proposed dividends as at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(Expressed in millions of RMB, unless otherwise stated)

58 NOTES TO CASH FLOW STATEMENT

Cash and cash equivalents

	2015	2014
Cash	**77,678**	72,653
Surplus deposit reserves with central banks	**140,511**	81,392
Demand deposits with banks and non-bank financial institutions	**58,320**	43,963
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**13,193**	86,387
Placements with banks and non-bank financial institutions with original maturity with or within three months	**98,219**	69,323
Total	**387,921**	353,718

59 TRANSFERRED FINANCIAL ASSETS

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

Securities Lending Transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2015, the carrying value of debt securities lent to counterparties was RMB9,804 million (the Group and the Bank 2014: Nil).

Credit Assets Securitisation Transactions

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 31 December 2015, loans with an original carrying amount of RMB16,841 million (As at 31 December 2014: RMB7,177 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2015, the carrying amount of assets that the Group continued to recognise was RMB1,138 million (As at 31 December 2014: RMB322 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB1,177 million as at 31 December 2015 (As at 31 December 2014: RMB499 million).

60 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai and certain subsidiaries operating in Hong Kong, London, Moscow, Dubai, Luxembourg, British Virgin Islands, New Zealand and San Paulo.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

– "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

– the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

– the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2015								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	55,092	35,989	42,840	54,038	59,323	17,135	186,749	6,586	457,752
Internal net interest income/(expense)	17,014	23,628	30,196	22,276	17,479	9,803	(122,393)	1,997	–
Net interest income	72,106	59,617	73,036	76,314	76,802	26,938	64,356	8,583	457,752
Net fee and commission income	17,470	16,120	18,435	17,348	13,778	5,877	22,652	1,850	113,530
Net trading gain/(loss)	439	343	(105)	188	234	56	1,859	899	3,913
Dividend income	252	4	8	301	12	–	9	147	733
Net gain arising from investment securities	1,279	–	20	375	398	298	1,373	1,332	5,075
Other operating income, net	29	79	979	329	2,848	178	128	1,114	5,684
Operating income	91,575	76,163	92,373	94,855	94,072	33,347	90,377	13,925	586,687
Operating expenses	(32,210)	(25,536)	(31,506)	(36,720)	(34,056)	(13,781)	(15,265)	(5,752)	(194,826)
Impairment losses	(32,332)	(20,358)	(12,618)	(7,720)	(8,335)	(7,161)	(2,177)	(2,938)	(93,639)
Share of profits less losses of associates and joint ventures	–	–	–	200	–	–	–	75	275
Profit before tax	27,033	30,269	48,249	50,615	51,681	12,405	72,935	5,310	298,497
Capital expenditure	2,429	2,605	6,034	5,143	3,185	1,733	3,204	795	25,128
Depreciation and amortisation	3,044	2,006	3,019	3,692	3,110	1,651	2,691	523	19,736
	2015								
Segment assets	2,565,723	1,756,844	1,988,554	2,855,335	2,798,176	1,056,288	5,835,333	1,149,541	20,005,794
Interests in associates and joint ventures	–	–	–	2,196	–	–	–	2,790	4,986
	2,565,723	1,756,844	1,988,554	2,857,531	2,798,176	1,056,288	5,835,333	1,152,331	20,010,780
Deferred tax assets									25,379
Elimination									(1,686,670)
Total assets									18,349,489
Segment liabilities	2,571,710	1,766,077	1,972,961	2,846,741	2,795,577	1,058,505	4,506,665	1,072,216	18,590,452
Deferred tax liabilities									624
Elimination									(1,686,670)
Total liabilities									16,904,406
Off-balance sheet credit commitments	497,837	385,693	611,674	356,079	305,375	116,537	3,500	125,589	2,402,284

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2014								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	60,793	36,933	30,011	54,213	59,367	17,713	170,594	7,774	437,398
Internal net interest income/(expense)	12,898	21,017	38,503	20,037	16,818	9,643	(120,320)	1,404	–
Net interest income	73,691	57,950	68,514	74,250	76,185	27,356	50,274	9,178	437,398
Net fee and commission income	19,056	15,596	17,491	17,112	14,184	5,607	17,595	1,876	108,517
Net trading gain/(loss)	121	86	(145)	(142)	91	10	763	188	972
Dividend income	3	7	9	369	16	4	65	22	495
Net gain arising from investment securities	572	94	3	–	254	294	2,514	314	4,045
Other operating income/(expense), net	527	380	799	325	2,146	204	2,366	(1,434)	5,313
Operating income	93,970	74,113	86,671	91,914	92,876	33,475	73,577	10,144	556,740
Operating expenses	(32,786)	(26,040)	(31,538)	(36,644)	(34,581)	(14,074)	(15,766)	(4,559)	(195,988)
Impairment losses	(19,713)	(11,364)	(6,921)	(9,236)	(8,055)	(4,470)	(2,815)	663	(61,911)
Share of profits less losses of associates and joint ventures	–	–	–	152	–	–	–	93	245
Profit before tax	41,471	36,709	48,212	46,186	50,240	14,931	54,996	6,341	299,086
Capital expenditure	4,031	3,098	4,400	7,132	5,294	2,862	5,170	2,199	34,186
Depreciation and amortisation	2,845	1,863	2,664	3,305	2,812	1,508	2,541	273	17,811
	2014 (Restated)								
Segment assets	2,839,279	2,230,031	3,030,726	2,589,502	2,579,135	995,140	6,252,529	933,340	21,449,682
Interests in associates and joint ventures	–	–	–	955	–	–	–	2,129	3,084
	2,839,279	2,230,031	3,030,726	2,590,457	2,579,135	995,140	6,252,529	935,469	21,452,766
Deferred tax assets									39,494
Elimination									(4,748,167)
Total assets									16,744,093
Segment liabilities	2,829,616	2,226,878	3,013,946	2,580,217	2,572,912	993,889	5,143,025	879,528	20,240,011
Deferred tax liabilities									401
Elimination									(4,748,167)
Total liabilities									15,492,245
Off-balance sheet credit commitments	513,530	340,119	579,144	342,489	291,548	106,264	7,500	98,803	2,279,397

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2015				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	244,837	26,725	171,724	14,466	457,752
Internal net interest (expense)/income	(4,278)	130,274	(118,845)	(7,151)	–
Net interest income	240,559	156,999	52,879	7,315	457,752
Net fee and commission income	35,497	56,306	17,892	3,835	113,530
Net trading (loss)/gain	(4,593)	(127)	7,728	905	3,913
Dividend income	–	–	–	733	733
Net gain arising from investment securities	–	–	331	4,744	5,075
Other operating (expense)/income, net	(186)	(350)	2,785	3,435	5,684
Operating income	271,277	212,828	81,615	20,967	586,687
Operating expenses	(75,665)	(96,466)	(11,435)	(11,260)	(194,826)
Impairment losses	(87,428)	(1,178)	208	(5,241)	(93,639)
Share of profits less losses of associates and joint ventures	–	–	–	275	275
Profit before tax	108,184	115,184	70,388	4,741	298,497
Capital expenditure	7,305	11,937	1,615	4,271	25,128
Depreciation and amortisation	6,556	10,713	1,449	1,018	19,736
	2015				
Segment assets	7,036,556	3,626,845	6,748,218	1,031,726	18,443,345
Interests in associates and joint ventures	–	–	–	4,986	4,986
	7,036,556	3,626,845	6,748,218	1,036,712	18,448,331
Deferred tax assets					25,379
Elimination					(124,221)
Total assets					18,349,489
Segment liabilities	7,841,404	7,203,232	547,997	1,435,370	17,028,003
Deferred tax liabilities					624
Elimination					(124,221)
Total liabilities					16,904,406
Off-balance sheet credit commitments	1,737,208	539,283	–	125,793	2,402,284

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2014				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	231,445	18,702	173,732	13,519	437,398
Internal net interest income/(expense)	4,211	143,122	(138,081)	(9,252)	–
Net interest income	235,656	161,824	35,651	4,267	437,398
Net fee and commission income	42,032	44,679	18,855	2,951	108,517
Net trading (loss)/gain	(6,948)	(5,595)	13,308	207	972
Dividend income	–	–	–	495	495
Net gain arising from investment securities	–	–	876	3,169	4,045
Other operating income, net	301	24	3,795	1,193	5,313
Operating income	271,041	200,932	72,485	12,282	556,740
Operating expenses	(73,419)	(106,506)	(6,852)	(9,211)	(195,988)
Impairment losses	(45,736)	(13,873)	(937)	(1,365)	(61,911)
Share of profits less losses of associates and joint ventures	–	–	–	245	245
Profit before tax	151,886	80,553	64,696	1,951	299,086
Capital expenditure	8,246	22,184	617	3,139	34,186
Depreciation and amortisation	4,558	12,263	341	649	17,811
	2014 (Restated)				
Segment assets	6,106,160	3,005,155	6,588,297	1,055,944	16,755,556
Interests in associates and joint ventures	–	–	–	3,084	3,084
	6,106,160	3,005,155	6,588,297	1,059,028	16,758,640
Deferred tax assets					39,494
Elimination					(54,041)
Total assets					16,744,093
Segment liabilities	7,118,017	6,820,246	446,096	1,161,526	15,545,885
Deferred tax liabilities					401
Elimination					(54,041)
Total liabilities					15,492,245
Off-balance sheet credit commitments	1,705,786	474,580	–	99,031	2,279,397

(Expressed in millions of RMB, unless otherwise stated)

61 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group		Bank	
	2015	2014	**2015**	2014
Entrusted loans	**1,932,138**	1,570,356	**1,904,204**	1,541,133
Entrusted funds	**1,932,138**	1,570,356	**1,904,204**	1,541,133

62 PLEDGED ASSETS

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by asset type

	Group		Bank	
	2015	2014	**2015**	2014
Discounted bills	**227**	699	**218**	659
Bonds	**268,279**	247,527	**264,845**	243,295
Total	**268,506**	248,226	**265,063**	243,954

(b) Carrying value of pledged assets analysed by classification in the statement of financial position

	Group		Bank	
	2015	2014	**2015**	2014
Loans and advances to customers	**227**	699	**218**	659
Available-for-sale financial assets	**3,888**	5,414	**494**	1,198
Held-to-maturity investments	**264,391**	242,113	**264,351**	242,097
Total	**268,506**	248,226	**265,063**	243,954

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2015 and 2014, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

63 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	Group		Bank	
	2015	2014	**2015**	2014
Loan commitments				
– with an original maturity within one year	**149,566**	141,519	**143,420**	137,888
– with an original maturity of one year or over	**312,872**	278,155	**305,297**	272,643
Credit card commitments	**577,047**	507,142	**539,283**	474,580
	1,039,485	926,816	**988,000**	885,111
Bank acceptances	**324,963**	369,636	**324,533**	369,301
Financing guarantees	**141,604**	109,195	**175,374**	176,923
Non-financing guarantees	**649,326**	556,039	**645,814**	551,028
Sight letters of credit	**20,383**	20,638	**20,373**	20,632
Usance letters of credit	**175,860**	238,275	**175,813**	241,269
Others	**50,663**	58,798	**50,636**	58,763
Total	**2,402,284**	2,279,397	**2,380,543**	2,303,027

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

	Group		Bank	
	2015	2014	**2015**	2014
Credit risk-weighted amount of contingent liabilities and commitments	**993,117**	903,326	**995,166**	927,183

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	2015	2014	**2015**	2014
Within one year	**5,650**	5,234	**5,241**	4,834
After one year but within two years	**4,387**	4,295	**4,092**	4,012
After two years but within three years	**3,177**	3,227	**3,029**	3,035
After three years but within five years	**3,469**	3,615	**3,326**	3,418
After five years	**2,737**	2,471	**2,159**	2,057
Total	**19,420**	18,842	**17,847**	17,356

(Expressed in millions of RMB, unless otherwise stated)

63 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(4) Capital commitments

As at the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2015	2014	**2015**	2014
Contracted for	**4,049**	5,214	**3,989**	5,135
Authorised but not contracted for	**2,033**	1,406	**1,990**	1,362
Total	**6,082**	6,620	**5,979**	6,497

(5) Underwriting obligations

As at 31 December 2015, there was no unexpired underwriting commitment of the Group and the Bank (as at 31 December 2014: nil).

(6) Government bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2015, were RMB73,647 million, and the Bank were RMB73,903 million. (31 December 2014: The Group and the Bank RMB61,633 million).

(7) Outstanding litigation and disputes

As at 31 December 2015, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB6,501 million (as at 31 December 2014: RMB5,677 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 49). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above is committed and contingent liabilities in accordance with their accounting policies (Note 4 (14)).

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2015, Huijin directly held 57.31% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB145,142 million (as at 31 December 2014: RMB145,001 million). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with parent companies are as follows:

Amounts

	2015		2014	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**460**	**0.06%**	576	0.08%
Interest expense	**451**	**0.14%**	430	0.14%

Balances outstanding as at the end of the reporting period

	2015		2014	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable	**150**	**0.16%**	185	0.20%
Held-to-maturity investments	**12,770**	**0.50%**	16,680	0.73%
Financial liabilities at fair value through profit or loss	**–**	**–**	13,000	4.39%
Deposits from customers	**2,339**	**0.02%**	5,621	0.04%
Interest payable	**19**	**0.01%**	6	0.00%
Credit commitments	**288**	**0.02%**	288	0.01%

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

Amounts

		2015		2014	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**45,602**	**5.92%**	37,290	5.05%
Interest expense		**2,179**	**0.70%**	3,086	1.02%
Fee and commission income		**241**	**0.20%**	290	0.26%
Fee and commission expense		**79**	**1.00%**	13	0.35%
Operating expenses	(i)	**1,120**	**0.71%**	1,715	1.07%

Balances outstanding as at the end of the reporting period

		2015		2014	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**24,251**	**6.87%**	14,521	5.45%
Placements with banks and non-bank financial institutions		**30,668**	**9.87%**	71,414	28.74%
Financial assets at fair value through profit or loss		**1,987**	**0.73%**	7,713	2.32%
Positive fair value of derivatives		**186**	**0.59%**	288	2.09%
Financial assets held under resale agreements		**22,871**	**7.36%**	7,695	2.81%
Interest receivable		**16,462**	**17.04%**	14,305	15.63%
Loans and advances to customers		**100,256**	**0.98%**	36,281	0.39%
Available for sale financial assets		**240,539**	**22.55%**	228,819	24.71%
Held-to-maturity investments		**509,481**	**19.87%**	476,497	20.73%
Receivables		**63,442**	**17.17%**	59,922	35.08%
Other assets	(ii)	**–**	**–**	208	0.80%
Deposits from banks and non-bank financial institutions	(iii)	**116,218**	**8.07%**	70,040	6.98%
Placements from banks and non-bank financial institutions		**63,911**	**19.87%**	52,964	26.17%
Financial liabilities at fair value through profit or loss		**2,246**	**0.74%**	457	0.15%
Negative fair value of derivatives		**38**	**0.14%**	341	2.76%
Financial assets sold under repurchase agreements		**141,189**	**52.68%**	50,530	27.84%
Deposits from customers		**22,940**	**0.17%**	27,813	0.22%
Interest payable		**308**	**0.15%**	156	0.08%
Other liabilities		**–**	**–**	64	0.08%
Credit commitments		**22,104**	**1.46%**	13,278	0.59%

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2015	2014
Interest income	**18**	22
Interest expense	**7**	5
Fee and commission income	**–**	4

Balances outstanding as at the end of the reporting period

	2015	2014
Loans and advances to customers	**741**	1,838
Financial liabilities at fair value through profit or loss	**–**	148
Deposits from customers	**1,007**	1,255

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2015	2014
Interest income	**2,259**	1,965
Interest expense	**509**	803
Fee and commission income	**903**	677
Fee and commission expense	**335**	65
Net trading loss	**(23)**	(19)
Dividend income	**28**	27
Other operating expense, net	**(139)**	(484)

Balances outstanding as at the end of the reporting period are presented in Note 39.

As at 31 December 2015, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB36,284 million (as at 31 December 2014: RMB71,214 million).

For the year ended 31 December 2015, the transactions between subsidiaries of the Group are mainly deposit taking and deposits from banks and non-bank financial institutions. As at 31 December 2015, the balances of the above transactions were RMB1,000 million (as at 31 December 2014: RMB2,843 million) and RMB1,775 million (as at 31 December 2014: RMB401 million) respectively.

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the year ended 31 December 2015 and 2014.

As at 31 December 2015, RMB3,280 million of the Group's supplementary retirement benefit plan assets (as at 31 December 2014: RMB2,977 million) were managed by CCB Principal and management fees receivable from the Bank was RMB30.07 million (as at 31 December 2014: RMB28.86 million).

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

The compensation of directors and supervisors is disclosed in Note 14. The senior executives' annual compensation before individual income tax during the year is as follows:

	2015			
	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (i))	Total (note (ii))
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Vice President				
Yang Wensheng	403	44	117	564
Huang Yi	403	44	117	564
Yu Jingbo	403	44	113	560
Chief Disciplinary Officer				
Zhu Kepeng	134	16	40	190
Chief Risk Officer				
Zeng Jianhua	647	44	251	942
Chief Financial Officer				
Xu Yiming	647	44	251	942
Secretary to the Board				
Chen Caihong	647	44	251	942
	3,284	280	1,140	4,704

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2014					
	Basic annual salaries	Annual performance bonus	Allowance	Total (before tax) (note(iii))	Including: deferral payment	The actual payment in 2014 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Vice President						
Pang Xiusheng	446	1,166	322	1,934	583	1,351
Zhang Gengsheng	446	1,166	322	1,934	583	1,351
Yang Wensheng	446	1,166	322	1,934	583	1,351
Huang Yi	409	1,068	296	1,773	534	1,239
Yu Jingbo	421	1,102	294	1,817	551	1,266
Chief Risk Officer						
Zeng Jianhua	409	1,070	284	1,763	535	1,228
Chief Financial Officer						
Xu Yiming	205	535	144	884	267	617
Secretary to the Board						
Chen Caihong	409	1,070	284	1,763	535	1,228
Former Vice President						
Zhao Huan	37	97	27	161	49	112
	3,228	8,440	2,295	13,963	4,220	9,743

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2015 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2015. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2014 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2014 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2014 was the final amount.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities will be paid in accordance with relevant policies relating to the central remuneration reform..

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

65 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carry out their responsibilities according to Articles of Association and other related regulatory requirements. The Board of Directors of the Bank has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities. Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is the overall business risk management department. Credit Management Department is the overall credit risk management department. Credit Approval Department is the overall credit business approval department. Internal Control and Compliance Department is the coordination department for operating risk management and internal control and compliance risk management. Other departments are responsible for various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control and Compliance Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading and is responsible for the special assets resolutions. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Credit Approval Department is responsible for the group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors credit businesses, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Credit grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

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

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	Group		Bank	
	2015	2014 (Restated)	**2015**	2014
Deposits with central banks	**2,323,866**	2,538,128	**2,309,053**	2,528,020
Deposits with banks and non-bank financial institutions	**352,966**	266,461	**361,141**	280,848
Placements with banks and non-bank financial institutions	**310,779**	248,525	**333,398**	247,606
Debt investments at fair value through profit or loss	**266,871**	327,768	**260,207**	320,452
Positive fair value of derivatives	**31,499**	13,769	**24,396**	9,880
Financial assets held under resale agreements	**310,727**	273,751	**309,539**	273,444
Interest receivable	**96,612**	91,495	**93,988**	88,930
Loans and advances to customers	**10,234,523**	9,222,897	**9,899,993**	8,876,246
Available-for-sale debt securities	**1,035,332**	910,072	**941,432**	839,303
Held-to-maturity investments	**2,563,980**	2,298,663	**2,554,049**	2,294,723
Receivables	**369,501**	170,801	**350,966**	154,576
Other financial assets	**37,324**	19,261	**61,357**	50,491
Total	**17,933,980**	16,381,591	**17,499,519**	15,964,519
Off-balance sheet credit commitments	**2,402,284**	2,279,397	**2,380,543**	2,303,027
Maximum credit risk exposure	**20,336,264**	18,660,988	**19,880,062**	18,267,546

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows

	Note	Group		Bank	
		2015	2014 (Restated)	**2015**	2014
Individually assessed and impaired gross amount		**147,506**	101,729	**144,241**	96,157
Allowances for impairment losses		**(82,196)**	(57,773)	**(80,899)**	(56,413)
Subtotal		**65,310**	43,956	**63,342**	39,744
Collectively assessed and impaired gross amount		**18,474**	11,442	**18,153**	11,067
Allowances for impairment losses		**(10,789)**	(7,588)	**(10,656)**	(7,459)
Subtotal		**7,685**	3,854	**7,497**	3,608
Overdue but not impaired					
– not more than 90 days		**31,443**	32,401	**29,636**	30,640
– between 90 days and 180 days		**4**	4	**–**	–
– more than 180 days		**–**	123	**–**	107
Gross amount		**31,447**	32,528	**29,636**	30,747
Allowances for impairment losses	(i)	**(4,424)**	(4,819)	**(4,129)**	(4,791)
Subtotal		**27,023**	27,709	**25,507**	25,956
Neither overdue nor impaired					
– Unsecured loans		**3,019,394**	2,527,985	**2,872,354**	2,377,183
– Guaranteed loans		**1,771,076**	1,771,410	**1,692,230**	1,670,575
– Loans secured by tangible assets other than monetary assets		**4,493,357**	4,158,664	**4,414,941**	4,087,982
– Loans secured by monetary assets		**1,003,886**	870,752	**973,751**	849,351
Gross amount		**10,287,713**	9,328,811	**9,953,276**	8,985,091
Allowances for impairment losses	(i)	**(153,208)**	(181,433)	**(149,629)**	(178,153)
Subtotal		**10,134,505**	9,147,378	**9,803,647**	8,806,938
Total		**10,234,523**	9,222,897	**9,899,993**	8,876,246

(i) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued)

Group

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2015		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	7,064	13,592	32,260
Portion not covered	4,255	6,998	115,246
Total	11,319	20,590	147,506

	2014		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	8,017	10,350	19,122
Portion not covered	8,145	6,016	82,607
Total	16,162	16,366	101,729

Bank

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2015		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	6,685	13,194	31,810
Portion not covered	3,209	6,548	112,431
Total	9,894	19,742	144,241

	2014		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	7,435	9,917	18,915
Portion not covered	7,520	5,875	77,242
Total	14,955	15,792	96,157

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued)

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(c) Loans and advances to customers analysed by economic sector concentrations

Group

	2015			2014		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance (Restated)	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	1,389,829	13.24%	489,547	1,446,259	15.26%	529,550
– Transportation, storage and postal services	1,221,103	11.64%	464,515	1,105,769	11.67%	412,629
– Production and supply of electric power, heat, gas and water	671,632	6.41%	194,565	636,254	6.72%	185,585
– Leasing and commercial services	658,284	6.28%	286,263	602,041	6.35%	270,183
– Real estate	522,916	4.99%	410,355	575,283	6.07%	472,791
– Wholesale and retail trade	502,129	4.79%	234,835	473,501	5.00%	179,181
– Water, environment and public utility management	316,480	3.02%	166,754	328,023	3.46%	173,852
– Construction	272,991	2.60%	90,796	275,305	2.92%	99,641
– Mining	258,323	2.46%	36,724	244,516	2.58%	34,371
– Public management, social securities and social organisation	122,773	1.17%	52,413	126,050	1.33%	55,044
– Agriculture, forestry, farming, fishing	110,861	1.06%	42,553	136,791	1.44%	58,497
– Education	79,275	0.76%	22,026	79,945	0.84%	22,409
– Others	366,466	3.50%	86,177	307,809	3.25%	70,730
Total corporate loans and advances	6,493,062	61.92%	2,577,523	6,337,546	66.89%	2,564,463
Personal loans and advances	3,531,983	33.69%	3,038,719	2,935,762	30.99%	2,538,346
Discounted bills	460,095	4.39%	12	201,202	2.12%	–
Total loans and advances to customers	10,485,140	100.00%	5,616,254	9,474,510	100.00%	5,102,809

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2015				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged/(release) to profit or loss during the year	Written off during the year
Manufacturing	72,766	(38,735)	(27,606)	48,879	12,345
Transportation, storage and postal services	3,265	(2,032)	(22,505)	(810)	1,921

	2014				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	49,637	(28,678)	(34,351)	22,392	10,537
Transportation, storage and postal services	4,962	(3,661)	(25,661)	2,632	422

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank

	2015			2014		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	1,333,675	13.15%	484,256	1,372,900	15.05%	525,535
– Transportation, storage and postal services	1,166,661	11.50%	449,689	1,062,056	11.64%	399,799
– Production and supply of electric power, heat, gas and water	659,594	6.50%	193,265	622,392	6.82%	183,757
– Leasing and commercial services	646,857	6.38%	282,033	592,391	6.49%	270,339
– Real estate	470,018	4.63%	381,301	531,945	5.83%	444,658
– Wholesale and retail trade	462,003	4.55%	228,582	423,854	4.65%	173,576
– Water, environment and public utility management	314,559	3.10%	165,582	327,802	3.59%	173,781
– Construction	267,540	2.64%	89,764	269,183	2.96%	98,708
– Mining	245,126	2.42%	36,432	237,468	2.60%	33,973
– Public management, social securities and social organisation	122,248	1.20%	52,210	124,753	1.37%	54,689
– Agriculture, forestry, farming, fishing	107,338	1.06%	42,133	130,627	1.43%	56,996
– Education	77,498	0.76%	21,020	79,379	0.87%	22,259
– Others	341,507	3.37%	79,372	260,079	2.85%	65,665
Total corporate loans and advances	6,214,624	61.26%	2,505,639	6,034,829	66.15%	2,503,735
Personal loans and advances	3,470,968	34.21%	3,000,307	2,887,433	31.65%	2,504,497
Discounted bills	459,714	4.53%	–	200,800	2.20%	–
Total loans and advances to customers	10,145,306	100.00%	5,505,946	9,123,062	100.00%	5,008,232

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2015				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged/(release) to profit or loss during the year	Written off during the year
Manufacturing	71,647	(38,312)	(26,929)	47,763	11,847
Transportation, storage and postal services	3,205	(1,990)	(21,706)	(987)	1,855

	2014				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	48,497	(28,318)	(33,699)	21,719	10,377
Transportation, storage and postal services	4,839	(3,562)	(25,058)	2,398	399

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

Group

	2015			2014		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance (Restated)	Percentage	Balance secured by collateral
Yangtze River Delta	1,968,394	18.76%	1,269,793	1,877,906	19.82%	1,192,535
Bohai Rim	1,812,640	17.29%	811,161	1,633,965	17.25%	735,143
Western	1,803,236	17.20%	1,035,556	1,641,394	17.32%	972,967
Central	1,768,362	16.87%	1,075,030	1,552,809	16.39%	950,452
Pearl River Delta	1,432,094	13.66%	1,026,685	1,299,615	13.72%	878,946
Northeastern	612,441	5.84%	295,842	562,403	5.94%	298,668
Head office	402,733	3.84%	–	342,476	3.61%	–
Overseas	685,240	6.54%	102,187	563,942	5.95%	74,098
Gross loans and advances to customers	10,485,140	100.00%	5,616,254	9,474,510	100.00%	5,102,809

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2015		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	49,223	(24,924)	(33,213)
Pearl River Delta	30,285	(16,977)	(23,087)
Western	24,668	(11,248)	(31,631)
Bohai Rim	22,941	(11,611)	(30,393)
Central	19,617	(9,219)	(27,775)
Northeastern	11,998	(6,853)	(10,954)
Head Office	4,671	(376)	(9,039)
Overseas	2,577	(988)	(2,329)
Total	165,980	(82,196)	(168,421)

	2014		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	39,321	(21,753)	(41,168)
Pearl River Delta	17,719	(9,486)	(28,329)
Western	13,039	(6,436)	(36,155)
Bohai Rim	10,860	(5,921)	(33,727)
Central	14,671	(8,455)	(32,171)
Northeastern	8,471	(4,008)	(12,438)
Head Office	3,250	(376)	(7,314)
Overseas	5,840	(1,338)	(2,538)
Total	113,171	(57,773)	(193,840)

The definitions of geographical segments are set out in Note 60(1).

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Bank

	2015			2014		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	1,959,573	19.32%	1,266,150	1,869,069	20.49%	1,188,909
Western	1,802,812	17.76%	1,035,440	1,641,041	17.99%	972,863
Central	1,767,300	17.42%	1,074,637	1,551,816	17.01%	950,088
Bohai Rim	1,700,634	16.76%	767,935	1,547,173	16.96%	700,950
Pearl River Delta	1,432,094	14.12%	1,026,685	1,299,615	14.25%	878,946
Northeastern	612,330	6.04%	295,750	562,285	6.16%	298,567
Head office	402,733	3.97%	–	342,476	3.75%	–
Overseas	467,830	4.61%	39,349	309,587	3.39%	17,909
Gross loans and advances to customers	10,145,306	100.00%	5,505,946	9,123,062	100.00%	5,008,232

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2015		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	48,845	(24,734)	(32,916)
Pearl River Delta	30,285	(16,977)	(23,087)
Western	24,668	(11,248)	(31,612)
Bohai Rim	22,267	(11,455)	(28,076)
Central	19,606	(9,216)	(27,744)
Northeastern	11,998	(6,853)	(10,951)
Head Office	4,671	(376)	(9,039)
Overseas	54	(40)	(989)
Total	162,394	(80,899)	(164,414)

	2014		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	39,090	(21,671)	(40,902)
Pearl River Delta	17,719	(9,486)	(28,329)
Western	13,039	(6,436)	(36,143)
Bohai Rim	10,723	(5,815)	(32,196)
Central	14,661	(8,452)	(32,138)
Northeastern	8,471	(4,008)	(12,435)
Head Office	3,250	(376)	(7,314)
Overseas	271	(169)	(946)
Total	107,224	(56,413)	(190,403)

The definitions of geographical segments are set out in Note 60(1).

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	Group		Bank	
	2015	2014 (Restated)	**2015**	2014
Unsecured loans	**3,034,953**	2,544,807	**2,892,196**	2,393,294
Guaranteed loans	**1,833,933**	1,826,894	**1,747,164**	1,721,536
Loans secured by tangible assets other than monetary assets	**4,591,009**	4,223,844	**4,510,932**	4,152,298
Loans secured by monetary assets	**1,025,245**	878,965	**995,014**	855,934
Gross loans and advances to customers	**10,485,140**	9,474,510	**10,145,306**	9,123,062

(f) Rescheduled loans and advances to customers

Group

	2015		2014	
	Total	**Percentage of gross loans and advances to customers**	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	**6,466**	**0.06%**	3,073	0.03%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	**1,940**	**0.02%**	2,498	0.03%

Bank

	2015		2014	
	Total	**Percentage of gross loans and advances to customers**	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	**5,405**	**0.05%**	339	0.00%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	**1,811**	**0.02%**	32	0.00%

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2015	2014	**2015**	2014
Individually assessed and impaired gross amount	**76**	55	**73**	52
Allowances for impairment losses	**(43)**	(34)	**(37)**	(31)
Subtotal	**33**	21	**36**	21
Neither overdue nor impaired				
– Grade A to AAA	**883,645**	707,514	**841,929**	703,135
– Grade B to BBB	**3,161**	2,819	**2,365**	2,555
– Unrated	**87,633**	78,383	**159,748**	96,187
Subtotal	**974,439**	788,716	**1,004,042**	801,877
Total	**974,472**	788,737	**1,004,078**	801,898

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

Group

	2015					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	325	–	–	–	–	325
– Enterprises	3,219	–	–	–	–	3,219
– Others	200	200	–	–	–	400
Total	3,744	200	–	–	–	3,944
Allowances for impairment losses						(923)
Subtotal						3,021
Neither overdue nor impaired						
– Government	1,282,135	593,329	20,103	2,975	2,924	1,901,466
– Central banks	155,155	3,422	913	–	2,771	162,261
– Policy banks	484,102	–	–	–	–	484,102
– Banks and non-bank financial institutions	1,020,578	73,303	2,758	12,048	5,229	1,113,916
– Public sector entities	–	20	–	–	–	20
– Enterprises	134,251	336,413	5,493	8,873	2,370	487,400
– Others	70,380	9,034	7,353	800	–	87,567
Total	3,146,601	1,015,521	36,620	24,696	13,294	4,236,732
Allowances for impairment losses						(4,069)
Subtotal						4,232,663
Total						4,235,684

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Group (continued)

	2014 (Restated)					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	310	–	–	–	625	935
– Enterprises	1,791	2,914	53	–	–	4,758
Total	2,101	2,914	53	–	625	5,693
Allowances for impairment losses						(1,319)
Subtotal						4,374
Neither overdue nor impaired						
– Government	1,190,607	12,838	27,387	318	3,725	1,234,875
– Central banks	182,026	57	2,741	3,360	–	188,184
– Policy banks	536,095	–	1,021	32	–	537,148
– Banks and non-bank financial institutions	1,163,140	66,227	12,082	7,315	5,546	1,254,310
– Public sector entities	–	20	–	–	–	20
– Enterprises	98,483	362,311	13,588	2,286	429	477,097
– Others	2,955	6,832	6,188	–	–	15,975
Total	3,173,306	448,285	63,007	13,311	9,700	3,707,609
Allowances for impairment losses						(4,679)
Subtotal						3,702,930
Total						3,707,304

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank

	2015					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	325	–	–	–	–	325
– Enterprises	92	–	–	–	–	92
Total	417	–	–	–	–	417
Allowances for impairment losses						(417)
Subtotal						–
Neither overdue nor impaired						
– Government	1,278,747	589,909	4,597	2,975	2,924	1,879,152
– Central banks	152,333	3,422	913	–	2,771	159,439
– Policy banks	479,920	–	–	–	–	479,920
– Banks and non-bank financial institutions	978,930	71,616	1,479	4,414	2,340	1,058,779
– Enterprises	125,769	332,434	3,389	2,130	291	464,013
– Others	69,420	–	–	–	–	69,420
Total	3,085,119	997,381	10,378	9,519	8,326	4,110,723
Allowances for impairment losses						(4,069)
Subtotal						4,106,654
Total						4,106,654

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank (continued)

	2014					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	310	–	–	–	625	935
– Enterprises	88	2,914	–	–	–	3,002
Total	398	2,914	–	–	625	3,937
Allowances for impairment losses						(1,092)
Subtotal						2,845
Neither overdue nor impaired						
– Government	1,188,076	12,465	5,231	318	3,725	1,209,815
– Central banks	175,466	57	2,240	3,360	–	181,123
– Policy banks	528,160	–	–	32	–	528,192
– Banks and non-bank financial institutions	1,144,813	65,317	4,810	4,971	4,663	1,224,574
– Enterprises	94,043	358,621	12,689	1,434	397	467,184
Total	3,130,558	436,460	24,970	10,115	8,785	3,610,888
Allowances for impairment losses						(4,679)
Subtotal						3,606,209
Total						3,609,054

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading market risk and the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

	2015			
	As at 31 December	**Average**	**Maximum**	**Minimum**
Risk valuation of trading portfolio	**149**	**83**	**200**	**48**
Of which:				
– Interest rate risk	**46**	**38**	**172**	**17**
– Foreign exchange risk(i)	**142**	**71**	**206**	**13**
– Commodity risk	**1**	**3**	**12**	**–**

	2014			
	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	189	67	194	17
Of which:				
– Interest rate risk	173	31	173	9
– Foreign exchange risk(i)	36	54	119	12
– Commodity risk	1	1	21	–

(i) The VaR in relation to bullion is included in foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based 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 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent 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;

– 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; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group for the year by RMB40,586 million (as at 31 December 2014: RMB38,702 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group for the year would decrease or increase by RMB40,443 million (as at 31 December 2014: RMB30,346 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the department who manages the interest related risk or related business departments to mitigate interest rate risk have not been taken into account. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in repricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate repricing gap. The main reason for measuring the interest rate repricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

The following tables indicate the average interest rate ("AIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

Group

		2015						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.53%	114,845	2,286,699	–	–	–	2,401,544
Deposits and placements with banks and non-bank financial institutions		3.91%	–	448,836	210,523	4,386	–	663,745
Financial assets held under resale agreements		3.29%	–	242,317	68,410	–	–	310,727
Loans and advances to customers	(ii)	5.42%	–	5,771,201	4,191,281	198,752	73,289	10,234,523
Investments	(iii)	3.97%	40,707	384,287	798,241	1,663,387	1,389,770	4,276,392
Other assets		–	462,558	–	–	–	–	462,558
Total assets		4.43%	618,110	9,133,340	5,268,455	1,866,525	1,463,059	18,349,489
Liabilities								
Borrowings from central banks		3.20%	–	37,806	4,242	–	–	42,048
Deposits and placements from banks and non-bank financial institutions		2.31%	–	1,546,782	162,526	51,799	–	1,761,107
Financial liabilities at fair value through profit or loss		3.60%	19,443	150,998	132,208	–	–	302,649
Financial assets sold under repurchase agreements		2.72%	–	268,002	10	–	–	268,012
Deposits from customers		1.84%	121,249	8,970,336	3,066,679	1,503,008	7,261	13,668,533
Debt securities issued		4.07%	–	140,575	66,470	84,011	124,488	415,544
Other liabilities		–	446,513	–	–	–	–	446,513
Total liabilities		1.97%	587,205	11,114,499	3,432,135	1,638,818	131,749	16,904,406
Asset-liability gap		2.46%	30,905	(1,981,159)	1,836,320	227,707	1,331,310	1,445,083

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Group (continued)

		2014 (Restated)						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	128,271	2,482,510	–	–	–	2,610,781
Deposits and placements with banks and non-bank financial institutions		4.63%	–	343,959	161,608	9,419	–	514,986
Financial assets held under resale agreements		4.99%	–	238,256	35,495	–	–	273,751
Loans and advances to customers	(ii)	5.85%	–	5,008,392	4,059,338	83,238	71,929	9,222,897
Investments	(iii)	4.03%	23,619	489,185	528,865	1,585,263	1,103,990	3,730,922
Other assets		–	390,756	–	–	–	–	390,756
Total assets		4.72%	542,646	8,562,302	4,785,306	1,677,920	1,175,919	16,744,093
Liabilities								
Borrowings from central banks		3.04%	–	82,858	8,358	–	–	91,216
Deposits and placements from banks and non-bank financial institutions		3.26%	–	978,962	221,176	6,382	–	1,206,520
Financial liabilities at fair value through profit or loss		1.43%	18,052	209,672	68,285	–	–	296,009
Financial assets sold under repurchase agreements		2.86%	–	181,374	154	–	–	181,528
Deposits from customers		1.92%	132,430	8,686,314	2,650,532	1,421,910	7,967	12,899,153
Debt securities issued		3.47%	–	115,280	116,058	95,854	104,460	431,652
Other liabilities		–	386,167	–	–	–	–	386,167
Total liabilities		2.11%	536,649	10,254,460	3,064,563	1,524,146	112,427	15,492,245
Asset-liability gap		2.61%	5,997	(1,692,158)	1,720,743	153,774	1,063,492	1,251,848

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB85,374 million as at 31 December 2015 (as at 31 December 2014: RMB66,984 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, receivables and investments in associates and joint ventures.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank

		2015						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.53%	101,292	2,282,281	–	–	–	2,383,573
Deposits and placements with banks and non-bank financial institutions		3.63%	–	478,273	216,266	–	–	694,539
Financial assets held under resale agreements		3.28%	–	241,129	68,410	–	–	309,539
Loans and advances to customers	(ii)	5.42%	–	5,529,377	4,113,783	186,269	70,564	9,899,993
Investments	(iii)	3.99%	37,251	351,615	767,900	1,609,643	1,377,495	4,143,904
Other assets		–	459,185	–	–	–	–	459,185
Total assets		4.41%	597,728	8,882,675	5,166,359	1,795,912	1,448,059	17,890,733
Liabilities								
Borrowings from central banks		3.20%	–	37,716	3,438	–	–	41,154
Deposits and placements from banks and non-bank financial institutions		2.18%	–	1,577,844	114,691	53,919	–	1,746,454
Financial liabilities at fair value through profit or loss		3.80%	18,985	150,643	132,150	–	–	301,778
Financial assets sold under repurchase agreements		2.31%	–	264,563	6	–	–	264,569
Deposits from customers		1.84%	106,667	8,782,696	2,997,838	1,498,874	7,171	13,393,246
Debt securities issued		3.33%	–	101,945	55,020	75,258	124,488	356,711
Other liabilities		–	366,725	–	–	–	–	366,725
Total liabilities		1.92%	492,377	10,915,407	3,303,143	1,628,051	131,659	16,470,637
Asset-liability gap		2.49%	105,351	(2,032,732)	1,863,216	167,861	1,316,400	1,420,096

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank (continued)

		2014						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	122,153	2,477,875	–	–	–	2,600,028
Deposits and placements with banks and non-bank financial institutions		4.06%	–	380,091	143,963	4,400	–	528,454
Financial assets held under resale agreements		4.96%	–	237,949	35,495	–	–	273,444
Loans and advances to customers	(ii)	5.91%	–	4,753,217	3,983,089	70,169	69,771	8,876,246
Investments	(iii)	4.05%	32,405	463,784	501,083	1,550,392	1,093,795	3,641,459
Other assets		–	400,152	–	–	–	–	400,152
Total assets		4.72%	554,710	8,312,916	4,663,630	1,624,961	1,163,566	16,319,783
Liabilities								
Borrowings from central banks		3.03%	–	82,426	7,983	–	–	90,409
Deposits and placements from banks and non-bank financial institutions		3.18%	–	964,089	191,957	4,852	–	1,160,898
Financial liabilities at fair value through profit or loss		1.43%	17,235	207,968	67,439	–	–	292,642
Financial assets sold under repurchase agreements		3.47%	–	177,116	140	–	–	177,256
Deposits from customers		1.92%	100,287	8,555,196	2,578,874	1,412,224	7,912	12,654,493
Debt securities issued		3.20%	–	105,105	86,154	75,089	101,156	367,504
Other liabilities		–	344,345	–	–	–	–	344,345
Total liabilities		2.09%	461,867	10,091,900	2,932,547	1,492,165	109,068	15,087,547
Asset-liability gap		2.64%	92,843	(1,778,984)	1,731,083	132,796	1,054,498	1,232,236

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB82,683 million as at 31 December 2015 (As at 31 December 2014: RMB63,704 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, receivables and investments in subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The group actively manages foreign currency exposure risk, minimizes foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact to the pre-tax profits and other comprehensive income of the group is not material.

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

Group

		2015			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,211,080	119,786	70,678	2,401,544
Deposits and placements with banks and non-bank financial institutions	(i)	843,723	92,685	38,064	974,472
Loans and advances to customers		9,347,418	646,063	241,042	10,234,523
Investments		4,160,960	62,675	52,757	4,276,392
Other assets		430,526	14,218	17,814	462,558
Total assets		16,993,707	935,427	420,355	18,349,489
Liabilities					
Borrowings from central banks		16,041	21,751	4,256	42,048
Deposits and placements from banks and non-bank financial institutions	(ii)	1,754,011	208,219	66,889	2,029,119
Financial liabilities at fair value through profit or loss		286,732	15,280	637	302,649
Deposits from customers		13,011,964	401,284	255,285	13,668,533
Debt securities issued		258,044	125,261	32,239	415,544
Other liabilities		429,389	6,538	10,586	446,513
Total liabilities		15,756,181	778,333	369,892	16,904,406
Net position		1,237,526	157,094	50,463	1,445,083
Net notional amount of derivatives		288,525	(360,087)	77,993	6,431
Credit commitments		2,209,582	92,679	100,023	2,402,284

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Group (continued)

		2014 (Restated)			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,553,937	40,375	16,469	2,610,781
Deposits and placements with banks and non-bank financial institutions	(i)	670,774	73,065	44,898	788,737
Loans and advances to customers		8,471,056	568,883	182,958	9,222,897
Investments		3,644,031	35,464	51,427	3,730,922
Other assets		314,775	42,649	33,332	390,756
Total assets		15,654,573	760,436	329,084	16,744,093
Liabilities					
Borrowings from central banks		68,982	7,055	15,179	91,216
Deposits and placements from banks and non-bank financial institutions	(ii)	1,173,773	162,537	51,738	1,388,048
Financial liabilities at fair value through profit or loss		270,329	24,316	1,364	296,009
Deposits from customers		12,280,266	405,376	213,511	12,899,153
Debt securities issued		265,130	122,514	44,008	431,652
Other liabilities		356,103	1,129	28,935	386,167
Total liabilities		14,414,583	722,927	354,735	15,492,245
Net position		1,239,990	37,509	(25,651)	1,251,848
Net notional amount of derivatives		(21,184)	19,298	50,412	48,526
Credit commitments		2,041,479	144,592	93,326	2,279,397

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

	Note	2015			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,204,311	119,146	60,116	2,383,573
Deposits and placements with banks and non-bank financial institutions	(i)	869,165	97,670	37,243	1,004,078
Loans and advances to customers		9,200,987	575,402	123,604	9,899,993
Investments		4,095,926	21,627	26,351	4,143,904
Other assets		403,493	51,289	4,403	459,185
Total assets		16,773,882	865,134	251,717	17,890,733
Liabilities					
Borrowings from central banks		15,147	21,751	4,256	41,154
Deposits and placements from banks and non-bank financial institutions	(ii)	1,717,935	207,568	85,520	2,011,023
Financial liabilities at fair value through profit or loss		286,651	15,096	31	301,778
Deposits from customers		12,933,631	346,476	113,139	13,393,246
Debt securities issued		241,929	93,602	21,180	356,711
Other liabilities		354,949	4,403	7,373	366,725
Total liabilities		15,550,242	688,896	231,499	16,470,637
Net position		1,223,640	176,238	20,218	1,420,096
Net notional amount of derivatives		269,525	(303,533)	40,418	6,410
Credit commitments		2,213,149	121,853	45,541	2,380,543

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank (continued)

		2014			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,549,507	39,978	10,543	2,600,028
Deposits and placements with banks and non-bank financial institutions	(i)	652,427	104,419	45,052	801,898
Loans and advances to customers		8,300,128	493,987	82,131	8,876,246
Investments		3,597,518	20,513	23,428	3,641,459
Other assets		327,890	53,055	19,207	400,152
Total assets		15,427,470	711,952	180,361	16,319,783
Liabilities					
Borrowings from central banks		68,175	7,055	15,179	90,409
Deposits and placements from banks and non-bank financial institutions	(ii)	1,137,458	151,614	49,082	1,338,154
Financial liabilities at fair value through profit or loss		268,356	24,238	48	292,642
Deposits from customers		12,209,331	354,977	90,185	12,654,493
Debt securities issued		239,392	91,552	36,560	367,504
Other liabilities		319,301	14,497	10,547	344,345
Total liabilities		14,242,013	643,933	201,601	15,087,547
Net position		1,185,457	68,019	(21,240)	1,232,236
Net notional amount of derivatives		11,733	(5,917)	40,391	46,207
Credit commitments		2,072,000	186,445	44,582	2,303,027

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM Department. The ALM Department is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;

– optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and

– managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

Group

	2015							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,183,358	218,186	–	–	–	–	–	2,401,544
Deposits and placements with banks and non-bank financial institutions	–	64,768	178,137	200,987	210,163	9,690	–	663,745
Financial assets held under resale agreements	–	–	166,890	75,427	68,410	–	–	310,727
Loans and advances to customers	84,254	431,544	301,975	540,601	2,561,181	2,744,588	3,570,380	10,234,523
Investments								
– Financial assets at fair value through profit or loss	4,301	–	28,452	44,072	125,694	62,885	5,769	271,173
– Available-for-sale financial assets	31,420	–	10,097	36,054	144,847	545,503	298,831	1,066,752
– Held-to-maturity investments	–	–	8,851	79,769	407,854	1,106,884	960,622	2,563,980
– Receivables	–	–	12,681	12,997	91,533	109,525	142,765	369,501
– Investments in associates and joint ventures	4,986	–	–	–	–	–	–	4,986
Other assets	210,352	49,476	24,933	57,701	105,588	12,790	1,718	462,558
Total assets	2,518,671	763,974	732,016	1,047,608	3,715,270	4,591,865	4,980,085	18,349,489
Liabilities								
Borrowings from central banks	–	–	24,161	13,645	4,242	–	–	42,048
Deposits and placements from banks and non-bank financial institutions	–	1,213,163	174,380	113,540	183,794	72,226	4,004	1,761,107
Financial liabilities at fair value through profit or loss	–	19,443	71,245	79,753	132,208	–	–	302,649
Financial assets sold under repurchase agreements	–	–	267,902	100	10	–	–	268,012
Deposits from customers	–	6,957,679	920,974	1,102,123	2,610,766	2,058,410	18,581	13,668,533
Debt securities issued								
– Certificates of deposit issued	–	5	53,697	44,566	65,683	6,744	101	170,796
– Bonds issued	–	–	–	5,348	6,283	27,113	2,172	40,916
– Subordinated bonds issued	–	–	–	–	–	65,048	79,931	144,979
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	14,897	43,956	58,853
Other liabilities	624	116,531	38,625	52,189	162,974	73,417	2,153	446,513
Total liabilities	624	8,306,821	1,550,984	1,411,264	3,165,960	2,317,855	150,898	16,904,406
Long/(short) position	2,518,047	(7,542,847)	(818,968)	(363,656)	549,310	2,274,010	4,829,187	1,445,083
Notional amount of derivatives								
– Interest rate contracts	–	–	50,555	60,114	326,230	66,504	3,133	506,536
– Exchange rate contracts	–	–	460,982	504,496	1,305,375	150,764	5,615	2,427,232
– Other contracts	–	–	29,724	16,848	72,287	876	–	119,735
Total	–	–	541,261	581,458	1,703,892	218,144	8,748	3,053,503

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Group (continued)

	2014 (Restated)							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,456,736	154,045	–	–	–	–	–	2,610,781
Deposits and placements with banks and non-bank financial institutions	–	67,172	119,649	153,727	162,134	12,058	246	514,986
Financial assets held under resale agreements	–	–	179,452	58,804	35,495	–	–	273,751
Loans and advances to customers	55,547	356,911	273,461	566,001	2,298,193	2,521,847	3,150,937	9,222,897
Investments								
– Financial assets at fair value through profit or loss	4,467	–	89,983	89,880	76,083	62,882	8,940	332,235
– Available-for-sale financial assets	18,623	–	25,250	64,173	170,404	467,501	180,188	926,139
– Held-to-maturity investments	1,452	–	6,808	32,906	173,056	1,202,843	881,598	2,298,663
– Receivables	368	–	2,775	5,432	6,539	66,764	88,923	170,801
– Investments in associates and joint ventures	3,084	–	–	–	–	–	–	3,084
Other assets	213,384	29,532	26,097	47,340	66,041	6,952	1,410	390,756
Total assets	2,753,661	607,660	723,475	1,018,263	2,987,945	4,340,847	4,312,242	16,744,093
Liabilities								
Borrowings from central banks	–	–	15,381	67,477	8,358	–	–	91,216
Deposits and placements from banks and non-bank financial institutions	–	585,618	277,699	108,671	224,925	6,549	3,058	1,206,520
Financial liabilities at fair value through profit or loss	–	18,052	111,383	98,289	68,285	–	–	296,009
Financial assets sold under repurchase agreements	–	–	181,079	295	154	–	–	181,528
Deposits from customers	–	6,748,886	889,470	1,143,267	2,658,778	1,442,869	15,883	12,899,153
Debt securities issued								
– Certificates of deposit issued	–	–	27,976	71,028	125,624	15,027	648	240,303
– Bonds issued	–	–	–	233	2,590	19,501	2,209	24,533
– Subordinated bonds issued	–	–	–	–	–	63,773	81,072	144,845
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	1,993	19,978	21,971
Other liabilities	401	115,239	33,723	45,916	135,031	53,092	2,765	386,167
Total liabilities	401	7,467,795	1,536,711	1,535,176	3,223,745	1,602,804	125,613	15,492,245
Long/(short) position	2,753,260	(6,860,135)	(813,236)	(516,913)	(235,800)	2,738,043	4,186,629	1,251,848
Notional amount of derivatives								
– Interest rate contracts	–	–	17,556	13,717	133,341	44,131	2,750	211,495
– Exchange rate contracts	–	–	437,789	378,044	691,726	46,807	6,001	1,560,367
– Other contracts	–	–	6,447	6,985	13,547	1,367	31	28,377
Total	–	–	461,792	398,746	838,614	92,305	8,782	1,800,239

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

	2015							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,181,429	202,144	–	–	–	–	–	2,383,573
Deposits and placements with banks and non-bank financial institutions	–	70,060	209,126	194,429	215,752	5,172	–	694,539
Financial assets held under resale agreements	–	–	165,702	75,427	68,410	–	–	309,539
Loans and advances to customers	81,645	423,867	277,528	508,980	2,475,904	2,583,729	3,548,340	9,899,993
Investments								
– Financial assets at fair value through profit or loss	–	–	28,159	43,985	125,209	58,233	4,621	260,207
– Available-for-sale financial assets	4,366	–	4,480	24,837	120,126	502,233	289,755	945,797
– Held-to-maturity investments	–	–	8,630	75,420	406,575	1,104,606	958,818	2,554,049
– Receivables	–	–	12,483	12,597	88,414	95,997	141,475	350,966
– Investments in subsidiaries	32,885	–	–	–	–	–	–	32,885
Other assets	229,112	40,400	23,747	54,764	101,850	7,768	1,544	459,185
Total assets	2,529,437	736,471	729,855	990,439	3,602,240	4,357,738	4,944,553	17,890,733
Liabilities								
Borrowings from central banks	–	–	24,161	13,555	3,438	–	–	41,154
Deposits and placements from banks and non-bank financial institutions	–	1,220,678	203,579	116,623	134,428	71,146	–	1,746,454
Financial liabilities at fair value through profit or loss	–	18,984	71,017	79,627	132,150	–	–	301,778
Financial assets sold under repurchase agreements	–	–	264,466	97	6	–	–	264,569
Deposits from customers	–	6,898,890	849,483	1,033,354	2,539,852	2,053,160	18,507	13,393,246
Debt securities issued								
– Certificates of deposit issued	–	5	50,524	37,147	58,783	5,054	82	151,595
– Bonds issued	–	–	–	–	3,481	4,292	593	8,366
– Subordinated bonds issued	–	–	–	–	–	57,966	79,931	137,897
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	14,897	43,956	58,853
Other liabilities	48,596	57,074	32,394	40,247	113,304	72,988	2,122	366,725
Total liabilities	48,596	8,195,631	1,495,624	1,320,650	2,985,442	2,279,503	145,191	16,470,637
Long/(short) position	2,480,841	(7,459,160)	(765,769)	(330,211)	616,798	2,078,235	4,799,362	1,420,096
Notional amount of derivatives								
– Interest rate contracts	–	–	56,318	61,610	335,319	39,915	2,990	496,152
– Exchange rate contracts	–	–	429,270	410,522	1,166,865	135,313	5,360	2,147,330
– Other contracts	–	–	29,724	16,843	72,287	876	–	119,730
Total	–	–	515,312	488,975	1,574,471	176,104	8,350	2,763,212

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank (continued)

	2014							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,453,866	146,162	–	–	–	–	–	2,600,028
Deposits and placements with banks and non-bank financial institutions	–	81,064	129,070	159,440	151,604	7,030	246	528,454
Financial assets held under resale agreements	–	–	179,145	58,804	35,495	–	–	273,444
Loans and advances to customers	52,150	352,186	242,407	505,451	2,193,056	2,399,377	3,131,619	8,876,246
Investments								
– Financial assets at fair value through profit or loss	–	–	89,739	89,850	75,492	61,869	3,502	320,452
– Available-for-sale financial assets	8,089	–	19,193	57,875	145,283	440,514	173,960	844,914
– Held-to-maturity investments	–	–	6,808	32,906	172,893	1,202,428	879,688	2,294,723
– Receivables	368	–	1,478	4,660	4,669	57,121	86,280	154,576
– Investments in subsidiaries	26,794	–	–	–	–	–	–	26,794
Other assets	234,772	26,362	24,951	45,858	63,508	3,690	1,011	400,152
Total assets	2,776,039	605,774	692,791	954,844	2,842,000	4,172,029	4,276,306	16,319,783
Liabilities								
Borrowings from central banks	–	–	15,321	67,105	7,983	–	–	90,409
Deposits and placements from banks and non-bank financial institutions	–	589,145	280,045	97,574	190,481	3,653	–	1,160,898
Financial liabilities at fair value through profit or loss	–	17,235	110,889	97,079	67,439	–	–	292,642
Financial assets sold under repurchase agreements	–	–	176,840	276	140	–	–	177,256
Deposits from customers	–	6,716,706	834,896	1,068,206	2,586,501	1,432,356	15,828	12,654,493
Debt securities issued								
– Certificates of deposit issued	–	–	26,144	67,393	93,650	13,821	648	201,656
– Bonds issued	–	–	–	–	499	4,892	608	5,999
– Subordinated bonds issued	–	–	–	–	–	57,956	79,922	137,878
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	1,993	19,978	21,971
Other liabilities	43	116,666	29,664	38,420	104,146	52,674	2,732	344,345
Total liabilities	43	7,439,752	1,473,799	1,436,053	3,050,839	1,567,345	119,716	15,087,547
Long/(short)position	2,775,996	(6,833,978)	(781,008)	(481,209)	(208,839)	2,604,684	4,156,590	1,232,236
Notional amount of derivatives								
– Interest rate contracts	–	–	17,121	13,704	131,685	42,132	2,750	207,392
– Exchange rate contracts	–	–	355,381	291,997	562,810	37,253	5,372	1,252,813
– Other contracts	–	–	6,347	6,912	13,088	–	–	26,347
Total	–	–	378,849	312,613	707,583	79,385	8,122	1,486,552

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet credit commitments of the Group and the Bank as at the end of reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	2015							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	42,048	42,510	–	24,523	13,677	4,310	–	–
Deposits and placements from banks and non-bank financial institutions	1,761,107	1,784,978	1,220,543	175,072	115,194	189,612	79,301	5,256
Financial liabilities at fair value through profit or loss	302,649	304,350	19,443	71,583	80,379	132,945	–	–
Financial assets sold under repurchase agreements	268,012	268,096	–	267,986	100	10	–	–
Deposits from customers	13,668,533	14,066,150	6,959,367	933,650	1,131,199	2,718,065	2,301,457	22,412
Debt securities issued								
– Certificates of deposit issued	170,796	172,518	5	53,797	44,932	66,816	6,864	104
– Bond issued	40,916	44,707	–	189	5,526	6,975	29,684	2,333
– Subordinated bonds issued	144,979	185,557	–	–	1,223	5,743	92,319	86,272
– Eligible Tier 2 capital bonds issued	58,853	82,009	–	–	–	2,711	25,483	53,815
Other financial liabilities	137,111	137,111	131,454	1,622	601	2,257	–	1,177
Total	16,595,004	17,087,986	8,330,812	1,528,422	1,392,831	3,129,444	2,535,108	171,369
Off-balance sheet loan commitments and credit card commitments (Note)		1,039,485	860,456	75,469	19,376	40,592	39,341	4,251
Guarantees, acceptances and other credit commitments (Note)		1,362,799	–	332,601	169,052	339,391	481,361	40,394

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Group (continued)

	2014 (Restated)							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	91,216	92,293	–	15,633	68,081	8,579	–	–
Deposits and placements from banks and non-bank financial institutions	1,206,520	1,218,693	586,146	278,566	110,485	232,376	7,262	3,858
Financial liabilities at fair value through profit or loss	296,009	300,029	18,052	112,230	99,577	70,170	–	–
Financial assets sold under repurchase agreements	181,528	181,633	–	181,179	298	156	–	–
Deposits from customers	12,899,153	13,264,574	6,750,324	904,117	1,176,840	2,763,711	1,651,486	18,096
Debt securities issued								
– Certificates of deposit issued	240,303	242,299	–	28,076	71,278	126,859	15,486	600
– Bond issued	24,533	27,094	–	64	339	3,157	21,089	2,445
– Subordinated bonds issued	144,845	192,199	–	–	1,219	5,739	91,547	93,694
– Eligible Tier 2 capital bonds issued	21,971	34,450	–	–	–	1,294	7,176	25,980
Other financial liabilities	98,912	98,912	96,218	507	320	1,368	–	499
Total	15,204,990	15,652,176	7,450,740	1,520,372	1,528,437	3,213,409	1,794,046	145,172
Off-balance sheet loan commitments and credit card commitments (Note)		926,816	723,996	63,991	31,610	64,423	41,102	1,694
Guarantees, acceptances and other credit commitments (Note)		1,352,581	–	363,442	243,751	447,179	267,126	31,083

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank

	2015							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	41,154	41,585	–	24,523	13,585	3,477	–	–
Deposits and placements from banks and non-bank financial institutions	1,746,454	1,763,663	1,226,167	204,282	117,865	137,799	77,550	–
Financial liabilities at fair value through profit or loss	301,778	303,480	18,985	71,355	80,252	132,888	–	–
Financial assets sold under repurchase agreements	264,569	264,656	–	264,552	98	6	–	–
Deposits from customers	13,393,246	13,789,118	6,899,774	862,095	1,062,275	2,646,624	2,296,011	22,339
Debt securities issued								
– Certificates of deposit issued	151,595	152,958	5	50,642	37,417	59,661	5,150	83
– Bonds issued	8,366	9,016	–	–	53	3,701	4,646	616
– Subordinated bonds issued	137,897	175,588	–	–	1,120	5,640	82,556	86,272
– Eligible Tier 2 capital bonds issued	58,853	82,008	–	–	–	2,757	25,667	53,584
Other financial liabilities	66,948	66,948	61,549	1,606	506	2,110	–	1,177
Total	16,170,860	16,649,020	8,206,480	1,479,055	1,313,171	2,994,663	2,491,580	164,071
Off-balance sheet loan commitments and credit card commitments (Note)		988,000	860,456	34,306	18,188	39,093	33,335	2,622
Guarantees, acceptances and other credit commitments (Note)		1,392,543	–	333,974	172,476	352,897	492,917	40,279

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank (continued)

	2014							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	90,409	91,463	–	15,571	67,699	8,193	–	–
Deposits and placements from banks and non-bank financial institutions	1,160,898	1,169,583	589,664	280,812	98,868	196,286	3,953	–
Financial liabilities at fair value through profit or loss	292,642	296,625	17,235	111,735	98,343	69,312	–	–
Financial assets sold under repurchase agreements	177,256	177,355	–	176,935	278	142	–	–
Deposits from customers	12,654,493	13,018,382	6,718,141	849,953	1,101,319	2,690,032	1,640,896	18,041
Debt securities issued								
– Certificates of deposit issued	201,656	203,423	–	26,236	67,614	94,718	14,255	600
– Bonds issued	5,999	6,574	–	–	37	660	5,229	648
– Subordinated bonds issued	137,878	182,348	–	–	1,120	5,640	85,040	90,548
– Eligible Tier 2 capital bonds issued	21,971	34,450	–	–	–	1,294	7,176	25,980
Other financial liabilities	59,134	59,134	56,660	489	276	1,210	–	499
Total	14,802,336	15,239,337	7,381,700	1,461,731	1,435,554	3,067,487	1,756,549	136,316
Off-balance sheet loan commitments and credit card commitments (Note)		885,111	723,406	28,782	31,218	62,909	37,102	1,694
Guarantees, acceptances and other credit commitments (Note)		1,417,916	–	368,986	256,049	483,671	278,126	31,084

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

65 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In 2015, the Group continued to standardise and strengthen operational risk management. Through integrated application of tools and methods such as operational risk self-assessments, the key risk indicators and data management of losses, the Group continued to establish risk monitoring, risk assessment and inspection over significant business lines and key areas. The Group also strengthened operational risk prevention and control over key business areas and key positions.

– For changes in operation and management, the Group continued to review and improve the system of incompatible positions (duties) and emphasised on the rigid mandatory restrictions over checks and balances.

– The Group continued to optimise the information system of operational risk management and further promote its support functions such as self-assessments for risk and control, events of internal and external losses, key risk indicators, scenario analysis, capital measurement and business continuity management.

– In order to prevent risk and improve efficiency preferably, and to eliminate the potential risks at the source, the Group enhanced to review self-assessment results to make problem directions distinct, actively promoted system and optimised process based on self-assessment.

– In order to guarantee the safety and stability of the operation in respective business lines, the Group continued to promote its business continuity management system, established overall self-assessment of the system, steadily promoted the establishment of continuous management system and the development of contingency plans and emergency drills.

– The Group continued to implement the anti-money laundering (AML) policies and improved the system mechanisms and internal controls, focusing on the establishment of AML guidance. The Group has further developed the specialised control for AML, researched on and improved suspicious transactions identification policies, established AML nature analysis, organised the implementation of measures such as AML risk assessments about products and services, etc. to improve the Group's ability to prevent money laundering activities and terrorism financing activities.

(5) Fair value of financial instruments

(a) Valuation technique, input and process

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Board of Supervisors, Senior Management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

The major valuation techniques and inputs used by the Group are set out in Note 4(3)(g) and Note 4(24)(c). For the year ended 31 December 2015, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2014.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	44	17,377	–	17,421
– Equity instruments and funds	563	–	–	563
Financial assets designated as at fair *value through profit or loss*				
– Debt securities	–	–	586	586
– Equity instruments	1,413	–	2,326	3,739
– Other debt instruments	–	40,660	208,204	248,864
Positive fair value of derivatives	–	30,616	883	31,499
Available-for-sale financial assets				
– Debt securities	40,907	984,821	9,604	1,035,332
– Equity instruments and funds	24,352	–	5,027	29,379
Total	67,279	1,073,474	226,630	1,367,383
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	302,130	519	302,649
Negative fair value of derivatives	–	27,078	864	27,942
Total	–	329,208	1,383	330,591

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Group (continued)

	2014 (Restated)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	272	94,846	–	95,118
– Equity instruments and funds	603	8	–	611
Financial assets designated as at fair value through profit or loss				
– Debt securities	31	–	967	998
– Equity instruments	1,905	–	1,951	3,856
– Other debt instruments	–	61,736	169,916	231,652
Positive fair value of derivatives	–	12,470	1,299	13,769
Available-for-sale financial assets				
– Debt securities	29,513	876,887	3,672	910,072
– Equity instruments and funds	8,130	921	4,797	13,848
Total	40,454	1,046,868	182,602	1,269,924
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	295,192	817	296,009
Negative fair value of derivatives	–	11,085	1,288	12,373
Total	–	306,277	2,105	308,382

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Bank

	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	–	11,343	–	11,343
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	–	40,660	208,204	248,864
Positive fair value of derivatives	–	23,532	864	24,396
Available-for-sale financial assets				
– Debt securities	15,302	924,854	1,276	941,432
– Equity instruments and funds	2,808	–	1	2,809
Total	18,110	1,000,389	210,345	1,228,844
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	301,778	–	301,778
Negative fair value of derivatives	–	22,456	864	23,320
Total	–	324,234	864	325,098

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Bank (continued)

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	–	88,800	–	88,800
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	–	61,736	169,916	231,652
Positive fair value of derivatives	–	8,592	1,288	9,880
Available-for-sale financial assets				
– Debt securities	12,093	825,991	1,219	839,303
– Equity instruments and funds	3,902	–	1	3,903
Total	15,995	985,119	172,424	1,173,538
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	292,642	–	292,642
Negative fair value of derivatives	–	9,324	1,288	10,612
Total	–	301,966	1,288	303,254

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed Wealth Management Products, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial asset at fair value through profit or loss classified as level 3 is the underlying assets of principal guaranteed Wealth Management Products. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate.

As at 31 December 2015 and 2014, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group and the Bank.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	2015									
	Financial assets designated as at fair value through profit or loss				Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Other debt instruments	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2015	967	1,951	169,916	1,299	3,672	4,797	182,602	(817)	(1,288)	(2,105)
Total gains or losses:										
In profit or loss	(283)	(2)	5,754	(414)	(83)	(64)	4,908	83	422	505
In other comprehensive income	–	–	–	–	194	(214)	(20)	–	–	–
Purchases	523	3,903	388,910	3	8,192	3,632	405,163	(302)	–	(302)
Sales and settlements	(621)	(3,526)	(356,376)	(5)	(2,371)	(3,124)	(366,023)	517	2	519
Transfer in	–	–	–	–	–	–	–	–	–	–
As at 31 December 2015	586	2,326	208,204	883	9,604	5,027	226,630	(519)	(864)	(1,383)

	2014									
	Financial assets designated as at fair value through profit or loss				Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Other debt instruments	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2014	1,644	3,945	–	989	4,213	4,041	14,832	(2,560)	(989)	(3,549)
Total gains or losses:										
In profit or loss	(208)	(50)	16,407	307	438	(29)	16,865	224	(307)	(83)
In other comprehensive income	–	–	–	–	(328)	(97)	(425)	–	–	–
Purchases	18	6,824	1,494,792	11	2,406	2,683	1,506,734	–	–	–
Sales and settlements	(487)	(8,768)	(1,341,283)	(8)	(3,057)	(1,801)	(1,355,404)	2,559	8	2,567
Transfer in	–	–	–	–	–	–	–	(1,040)	–	(1,040)
As at 31 December 2014	967	1,951	169,916	1,299	3,672	4,797	182,602	(817)	(1,288)	(2,105)

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

Bank

	2015						
	Financial assets designated at fair value through profit or loss	Positive fair value of derivatives	Available-for-sale financial assets: Debt securities	Available-for-sale financial assets: Equity instruments and funds	Total assets	Negative fair value of derivatives	Total liabilities
As at 1 January 2015	169,916	1,288	1,219	1	172,424	(1,288)	(1,288)
Total gains or losses:							
In profit or loss	5,754	(422)	–	–	5,332	422	422
In other comprehensive income	–	–	(1)	–	(1)	–	–
Purchases	388,910	–	–	–	388,910	–	–
Sales and settlements	(356,376)	(2)	58	–	(356,320)	2	2
As at 31 December 2015	208,204	864	1,276	1	210,345	(864)	(864)

	2014						
	Financial assets designated at fair value through profit or loss	Positive fair value of derivatives	Available-for-sale financial assets: Debt securities	Available-for-sale financial assets: Equity instruments and funds	Total assets	Negative fair value of derivatives	Total liabilities
As at 1 January 2014	–	989	2,754	19	3,762	(989)	(989)
Total gains or losses:							
In profit or loss	16,407	307	395	(19)	17,090	(307)	(307)
In other comprehensive income	–	–	(392)	–	(392)	–	–
Purchases	1,494,792	–	–	1	1,494,793	–	–
Sales and settlements	(1,341,283)	(8)	(1,538)	–	(1,342,829)	8	8
As at 31 December 2014	169,916	1,288	1,219	1	172,424	(1,288)	(1,288)

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

Group

	2015			2014		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(losses)	**5,899**	**(486)**	**5,413**	16,877	(95)	16,782

Bank

	2015			2014		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(losses)	**5,754**	**–**	**5,754**	16,802	(19)	16,783

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group’s financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments and receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

The following table shows the carrying values and the fair values of receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Group

	2015					2014				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Receivables	**369,501**	**373,854**	**–**	**285,262**	**88,592**	170,801	166,117	–	149,821	16,296
Held-to-maturity investments	**2,563,980**	**2,665,423**	**1,099**	**2,661,813**	**2,511**	2,298,663	2,323,985	2,159	2,320,374	1,452
Total	**2,933,481**	**3,039,277**	**1,099**	**2,947,075**	**91,103**	2,469,464	2,490,102	2,159	2,470,195	17,748

Bank

	2015					2014				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Receivables	**350,966**	**355,770**	**–**	**285,212**	**70,558**	154,576	149,880	–	149,558	322
Held-to-maturity investments	**2,554,049**	**2,655,282**	**1,033**	**2,654,249**	**–**	2,294,723	2,320,021	2,159	2,317,862	–
Total	**2,905,015**	**3,011,052**	**1,033**	**2,939,461**	**70,558**	2,449,299	2,469,901	2,159	2,467,420	322

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 31 December 2015 was RMB217,554 million and RMB210,363 million (the Group and the Bank as at 31 December 2014: RMB168,614 million and RMB161,397 million), and their carrying value was RMB203,832 million and RMB196,750 million (the Group and the Bank as at 31 December 2014: RMB166,816 million and RMB159,849 million). The carrying values of other financial liabilities approximated their fair values as at the end of the reporting period. The Group use observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified as the Level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 31 December 2015, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

65 RISK MANAGEMENT (CONTINUED)

(7) Insurance Risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognizes insurance contract liabilities accordingly. Insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions of mortality, expenses and interest rates.

(8) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, mainly including management of capital adequacy ratio, capital planning, capital raising and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systematically important banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Measures for Capital Management of Commercial Banks (trial)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	2015	2014 (Restated)
Common Equity Tier 1 ratio	(a)(b)(c)	**13.13%**	12.11%
Tier 1 ratio	(a)(b)(c)	**13.32%**	12.11%
Total capital ratio	(a)(b)(c)	**15.39%**	14.86%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve	(d)	**157,613**	139,265
– Surplus reserve		**153,032**	130,515
– General reserve		**186,383**	169,478
– Retained earnings		**669,802**	556,756
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**4,121**	4,456
– Others	(e)	**(5,330)**	(6,435)
Deductions for Common Equity Tier 1 capital			
– Goodwill	(f)	**1,946**	2,058
– Other intangible assets (excluding land use right)	(f)	**1,657**	1,984
– Cash-flow hedge reserve		**–**	(10)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,902**	3,902
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related stock surplus		**19,659**	–
– Non-controlling interest given recognition in Additional Tier 1 capital		**61**	37
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related stock surplus		**170,147**	149,839
– Provisions in Tier 2	(g)	**50,014**	127,878
– Non-controlling interest given recognition in Tier 2 capital		**2,165**	2,444
Common Equity Tier 1 capital after deduction	(h)	**1,408,127**	1,236,112
Tier 1 capital after deduction	(h)	**1,427,847**	1,236,149
Total capital after deduction	(h)	**1,650,173**	1,516,310
Risk-weighted assets	(i)	**10,722,082**	10,203,754

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) Since the Half Year report of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total Capital ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(d) Capital reserve includes investment revaluation reserve.

(e) Others mainly include foreign exchange reserve.

(f) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(g) Since the Half Year report of 2014, eligible excessive loan provisions was measured based on the advanced approach and implemented parallel period rules.

(h) Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

(i) At 31 December 2015, according to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excessive risk-weighted assets due to the application of capital floor.

(Expressed in millions of RMB, unless otherwise stated)

66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	Note	2015	2014
Assets:			
Cash and deposits with central banks	18	**2,383,573**	2,600,028
Deposits with banks and non-bank financial institutions	19	**361,141**	280,848
Precious metals		**86,549**	47,931
Placements with banks and non-bank financial institutions	20	**333,398**	247,606
Financial assets at fair value through profit or loss	21	**260,207**	320,452
Positive fair value of derivatives	22	**24,396**	9,880
Financial assets held under resale agreements	23	**309,539**	273,444
Interest receivable	24	**93,988**	88,930
Loans and advances to customers	25	**9,899,993**	8,876,246
Available-for-sale financial assets	26	**945,797**	844,914
Held-to-maturity investments	27	**2,554,049**	2,294,723
Receivables	28	**350,966**	154,576
Investments in subsidiaries	29	**32,885**	26,794
Fixed assets	32	**144,363**	141,880
Land use rights	33	**14,795**	15,341
Intangible assets	34	**1,359**	1,506
Deferred tax assets	36	**24,298**	38,115
Other assets	37	**69,437**	56,569
Total assets		**17,890,733**	16,319,783

	Note	2015	2014
Liabilities:			
Borrowings from central banks	40	**41,154**	90,409
Deposits from banks and non-bank financial institutions	41	**1,442,259**	1,008,746
Placements from banks and non-bank financial institutions	42	**304,195**	152,152
Financial liabilities at fair value through profit or loss	43	**301,778**	292,642
Negative fair value of derivatives	22	**23,320**	10,612
Financial assets sold under repurchase agreements	44	**264,569**	177,256
Deposits from customers	45	**13,393,246**	12,654,493
Accrued staff costs	46	**31,593**	33,234
Taxes payable	47	**48,515**	61,881
Interest payable	48	**204,336**	184,627
Provisions	49	**5,813**	5,399
Debt securities issued	50	**356,711**	367,504
Deferred tax liabilities	36	**81**	43
Other liabilities	51	**53,067**	48,549
Total liabilities		**16,470,637**	15,087,547

(Expressed in millions of RMB, unless otherwise stated)

66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	Note	2015	2014
Equity:			
Share capital	52(1)	**250,011**	250,011
Other equity instruments Preference Shares	52(2)	**19,659**	–
Capital reserve	53	**135,441**	135,387
Investment revaluation reserve	54	**22,549**	4,288
Surplus reserve	55	**153,032**	130,515
General reserve	56	**182,319**	165,916
Retained earnings	57	**658,545**	547,542
Exchange reserve		**(1,460)**	(1,423)
Total equity		**1,420,096**	1,232,236
Total liabilities and equity		**17,890,733**	16,319,783

Approved and authorised for issue by the Board of Directors 30 March 2016.

	Share capital	Other equity instruments-preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2014	250,011	–	135,387	4,288	130,515	165,916	547,542	(1,423)	1,232,236
Movements during the year	–	19,659	54	18,261	22,517	16,403	111,003	(37)	187,860
(1) Total comprehensive income for the year	–	–	54	18,261	–	–	225,176	(37)	243,454
(2) Changes in share capital	–	19,659	–	–	–	–	–	–	19,659
i Capital injection by other equity holder	–	19,659	–	–	–	–	–	–	19,659
(3) Profit distribution	–	–	–	–	22,517	16,403	(114,173)	–	(75,253)
i Appropriation to surplus reserve	–	–	–	–	22,517	–	(22,517)	–	–
ii Appropriation to general reserve	–	–	–	–	–	16,403	(16,403)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	–	(75,253)	–	(75,253)
As at 31 December 2015	250,011	19,659	135,441	22,549	153,032	182,319	658,545	(1,460)	1,420,096

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2013	250,011	135,508	(19,275)	107,970	150,675	434,877	(1,165)	1,058,601
Movements during the year	–	(121)	23,563	22,545	15,241	112,665	(258)	173,635
(1) Total comprehensive income for the year	–	(121)	23,563	–	–	225,454	(258)	248,638
(2) Profit distribution	–	–	–	22,545	15,241	(112,789)	–	(75,003)
i Appropriation to surplus reserve	–	–	–	22,545	–	(22,545)	–	–
ii Appropriation to general reserve	–	–	–	–	15,241	(15,241)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(75,003)	–	(75,003)
As at 31 December 2014	250,011	135,387	4,288	130,515	165,916	547,542	(1,423)	1,232,236

(Expressed in millions of RMB, unless otherwise stated)

67 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

68 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

69 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

70 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the financial statements.

Standards	**Effective for annual period beginning on or after**
IFRS 9, "Financial Instruments"	1 January 2018
IFRS 14, "Regulatory Deferral Accounts"	1 January 2016
IFRS 15, "Revenue from Contracts with Customers"	1 January 2018
IFRS 16, "Leases"	1 January 2019
Amendment to IFRS 11, "Joint Arrangement"	1 January 2016
Amendments to IAS 12, "Income Taxes"	1 January 2017
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendment to IAS 27, "Separate Financial Statement"	1 January 2016
Amendments to IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of interests in other entities" and IAS 28, "Investments in Associates"	1 January 2016
Annual improvements 2014	1 January 2016
Amendments to IAS/HKAS 1 "Disclosure initiative"	1 January 2016

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change
	2016 (Unaudited)	2015 (Unaudited)	(%)
Interest income	**346,411**	384,194	(9.83)
Interest expense	**(135,421)**	(159,575)	(15.14)
Net interest income	**210,990**	224,619	(6.07)
Fee and commission income	**70,907**	66,520	6.60
Fee and commission expense	**(3,717)**	(2,875)	29.29
Net fee and commission income	**67,190**	63,645	5.57
Net trading gain	**1,696**	1,750	(3.09)
Dividend income	**1,405**	471	198.30
Net gain arising from investment securities	**7,337**	3,432	113.78
Other operating income net:			
– Other operating income	**46,186**	18,767	146.10
– Other operating expense	**(39,125)**	(14,867)	163.17
Other operating income, net	**7,061**	3,900	81.05
Operating income	**295,679**	297,817	(0.72)
Operating expenses	**(79,116)**	(87,429)	(9.51)
	216,563	210,388	2.94
Impairment losses on:			
– Loans and advances to customers	**(46,798)**	(40,441)	15.72
– Others	**188**	(808)	(123.27)
Impairment losses	**(46,610)**	(41,249)	13.00
Share of (loss)/profit of associates and joint ventures	**(75)**	68	(210.29)
Profit before tax	**169,878**	169,207	0.40
Income tax expense	**(35,975)**	(36,963)	(2.67)
Net profit	**133,903**	132,244	1.25

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change
	2016	2015	(%)
	(Unaudited)	(Unaudited)	
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	**49**	444	(88.96)
Other	**7**	2	250.00
Subtotal	**56**	446	(87.44)
Items that may be reclassified subsequently to profit or loss			
(Losses)/Gains of available-for-sale financial assets arising during the period	**(4,690)**	5,863	(180.00)
Income tax impact relating to available-for-sale financial assets	**1,254**	(1,407)	(189.13)
Reclassification adjustments included in profit or loss	**(3,812)**	(1,128)	237.94
Net losses on cash flow hedges	**-**	(2)	(100.00)
Exchange difference on translating foreign operations	**2,976**	(902)	(429.93)
Subtotal	**(4,272)**	2,424	(276.24)
Other comprehensive income for the period, net of tax	**(4,216)**	2,870	(246.90)
Total comprehensive income for the period	**129,687**	135,114	(4.02)
Net profit attributable to:			
Equity shareholders of the Bank	**133,410**	131,895	1.15
Non-controlling interests	**493**	349	41.26
	133,903	132,244	1.25
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**129,645**	134,504	(3.61)
Non-controlling interests	**42**	610	(93.11)
	129,687	135,114	(4.02)
Basic and diluted earnings per share (in RMB Yuan)	**0.53**	0.53	-

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	Change (%)
Assets:			
Cash and deposits with central banks	**2,584,262**	2,401,544	7.61
Deposits with banks and non-bank financial institutions	**634,094**	352,966	79.65
Precious metals	**210,272**	86,549	142.95
Placements with banks and non-bank financial institutions	**280,915**	310,779	(9.61)
Financial assets at fair value through profit or loss	**365,430**	271,173	34.76
Positive fair value of derivatives	**41,323**	31,499	31.19
Financial assets held under resale agreements	**81,218**	310,727	(73.86)
Interest receivable	**104,543**	96,612	8.21
Loans and advances to customers	**10,861,990**	10,234,523	6.13
Available-for-sale financial assets	**1,259,746**	1,066,752	18.09
Held-to-maturity investments	**2,562,778**	2,563,980	(0.05)
Investment classified as receivables	**483,786**	369,501	30.93
Interests in associates and joint ventures	**5,746**	4,986	15.24
Fixed assets	**161,362**	159,531	1.15
Land use rights	**14,980**	15,231	(1.65)
Intangible assets	**1,989**	2,103	(5.42)
Goodwill	**2,312**	2,140	8.04
Deferred tax assets	**34,312**	25,379	35.20
Other assets	**69,090**	43,514	58.78
Total assets	**19,760,148**	18,349,489	7.69

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	Change (%)
Liabilities:			
Borrowings from central banks	**210,013**	42,048	399.46
Deposits from banks and non-bank financial institutions	**1,622,024**	1,439,395	12.69
Placements from banks and non-bank financial institutions	**340,571**	321,712	5.86
Financial liabilities at fair value through profit or loss	**339,357**	302,649	12.13
Negative fair value of derivatives	**53,173**	27,942	90.30
Financial assets sold under repurchase agreements	**100,505**	268,012	(62.50)
Deposits from customers	**14,675,541**	13,668,533	7.37
Accrued staff costs	**29,033**	33,190	(12.52)
Taxes payable	**36,667**	49,411	(25.79)
Interest payable	**205,035**	205,684	(0.32)
Provisions	**8,290**	7,108	16.63
Debt securities issued	**399,676**	415,544	(3.82)
Deferred tax liabilities	**343**	624	(45.03)
Other liabilities	**233,960**	122,554	90.90
Total liabilities	**18,254,188**	16,904,406	7.98
Equity:			
Share capital	**250,011**	250,011	-
Other equity instruments -Preference Shares	**19,659**	19,659	-
Capital reserve	**135,008**	135,249	(0.18)
Investment revaluation reserve	**16,261**	23,058	(29.48)
Surplus reserve	**153,032**	153,032	-
General reserve	**210,874**	186,422	13.12
Retained earnings	**712,609**	672,154	6.02
Exchange reserve	**(2,589)**	(5,565)	(53.48)
Total equity attributable to equity shareholders of the Bank	**1,494,865**	1,434,020	4.24
Non-controlling interests	**11,095**	11,063	0.29
Total equity	**1,505,960**	1,445,083	4.21
Total liabilities and equity	**19,760,148**	18,349,489	7.69

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments -preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2015	**250,011**	**19,659**	**135,249**	**23,058**	**153,032**	**186,422**	**672,154**	**(5,565)**	**11,063**	**1,445,083**
Movements during the period	**-**	**-**	**(241)**	**(6,797)**	**-**	**24,452**	**40,455**	**2,976**	**32**	**60,877**
(1) Total comprehensive income for the period	**-**	**-**	**56**	**(6,797)**	**-**	**-**	**133,410**	**2,976**	**42**	**129,687**
(2) Changes in share capital										
i Acquisition of subsidiaries	**-**	**-**	**(269)**	**-**	**-**	**-**	**-**	**-**	**25**	**(244)**
ii Additional investments by non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**13**
iii Change in shareholdings in Subsidiaries	**-**	**-**	**(28)**	**-**	**-**	**-**	**-**	**-**	**(19)**	**(47)**
(3) Profit distribution										
i Appropriation to general reserve	**-**	**-**	**-**	**-**	**-**	**24,452**	**(24,452)**	**-**	**-**	**-**
ii Appropriation to equity shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(68,503)**	**-**	**(29)**	**(68,532)**
As at 30 June 2016	**250,011**	**19,659**	**135,008**	**16,261**	**153,032**	**210,874**	**712,609**	**(2,589)**	**11,095**	**1,505,960**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)								
	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2014	250,011	135,391	4,066	130,515	169,496	558,705	(6,674)	10,338	1,251,848
Movements during the period	-	444	3,038	-	16,430	40,212	(873)	836	60,087
(1) Total comprehensive income for the period	-	444	3,038	-	-	131,895	(873)	610	135,114
(2) Changes in share capital									
i. Non-controlling interests of new subsidiaries	-	-	-	-	-	-	-	4	4
ii. Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	234	234
(3) **Profit distribution**									
i. Appropriation to general reserve	-	-	-	-	16,430	(16,430)	-	-	-
ii. Appropriation to equity shareholders	-	-	-	-	-	(75,253)	-	(12)	(75,265)
As at 30 June 2015	250,011	135,835	7,104	130,515	185,926	598,917	(7,547)	11,174	1,311,935

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	(Audited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments -preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2014	250,011	-	135,391	4,066	130,515	169,496	558,705	(6,674)	10,338	1,251,848
Movements during the year	-	19,659	(142)	18,992	22,517	16,926	113,449	1,109	725	193,235
(1) Total comprehensive income for the year	-	-	65	18,992	-	-	228,145	1,109	1,412	249,723
(2) Changes in share capital										
i Capital injection by other equity holders	-	19,659	-	-	-	-	-	-	-	19,659
ii Establishment of subsidiaries	-	-	-	-	-	-	-	-	9	9
iii Change in shareholdings in subsidiaries	-	-	(207)	-	-	-	-	-	(687)	(894)
(3) Profit distribution										
i Appropriation to surplus reserve	-	-	-	-	22,517	-	(22,517)	-	-	-
ii Appropriation to general reserve	-	-	-	-	-	16,926	(16,926)	-	-	-
iii Appropriation to equity shareholders	-	-	-	-	-	-	(75,253)	-	(9)	(75,262)
As at 31 December 2015	250,011	19,659	135,249	23,058	153,032	186,422	672,154	(5,565)	11,063	1,445,083

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities		
Profit before tax	**169,878**	169,207
Adjustments for:		
- Impairment losses	**46,610**	41,249
- Depreciation and amortisation	**7,803**	9,649
- Interest income from impaired financial assets	**(1,917)**	(1,355)
- Revaluation loss/(gain) on financial instruments at fair value through profit or loss	**516**	(2,055)
- Share of loss/(profit) of associates and joint ventures	**75**	(68)
- Dividend income	**(1,405)**	(471)
- Unrealised foreign exchange gain	**(4,261)**	(2,781)
- Interest expense on bonds issued	**5,660**	4,664
- Net gain on disposal of investment securities	**(7,337)**	(3,432)
- Net (gain)/loss on disposal of fixed assets and other long-term assets	**(64)**	2
	215,558	214,609

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Cash flows from operating activities (continued)		
Changes in operating assets:		
Net increase in deposits with central banks and with banks and non-bank financial institutions	**(276,260)**	(285,879)
Net increase in placements with banks and non-bank financial institutions	**(10,396)**	(25,230)
Net increase in loans and advances to customers	**(648,979)**	(707,240)
Net decrease/(increase) in financial assets held under resale agreements	**229,510**	(222,107)
Net (increase)/decrease in financial assets at fair value through profit or loss	**(91,993)**	149,128
Increase in other operating assets	**(144,850)**	(69,660)
	(942,968)	(1,160,988)
Changes in operating liabilities:		
Net increase/(decrease) in borrowings from central banks	**167,495**	(51,102)
Net increase in placements from banks and non-bank financial institutions	**12,766**	111,470
Net increase in deposits from customers and from banks and non-bank financial institutions	**1,166,928**	1,528,787
Net decrease in financial assets sold under repurchase agreements	**(167,563)**	(173,030)
Net decrease in certificates of deposit issued	**(16,487)**	(25,478)
Income tax paid	**(52,801)**	(58,090)
Net increase/(decrease) in financial liabilities at fair value through profit or loss	**36,386**	(90,800)
Increase in other operating liabilities	**52,418**	24,249
	1,199,142	1,266,006
Net cash from operating activities	**471,732**	319,627

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Proceeds from sale and redemption of investments	**516,005**	489,960
Dividends received	**1,412**	482
Proceeds from disposal of fixed assets and other long-term assets	**128**	728
Purchase of investment securities	**(833,804)**	(701,289)
Purchase of fixed assets and other long-term assets	**(9,153)**	(6,942)
Acquisition of subsidiaries, associates and joint ventures	**(1,010)**	(681)
Net cash used in investing activities	**(326,422)**	(217,742)
Cash flows from financing activities		
Issue of bonds	**7,009**	21,086
Capital contribution by non-controlling interests	**38**	238
Consideration paid for acquisition of non-controlling interests	**(19)**	-
Dividends paid	**(2,620)**	(2,838)
Repayment of borrowings	**(8,894)**	(882)
Interest paid on bonds issued	**(1,191)**	(2,751)
Net cash (used)/from financing activities	**(5,677)**	14,853
Effect of exchange rate changes on cash and cash equivalents	**4,141**	(89)
Net increase in cash and cash equivalents	**143,774**	116,649
Cash and cash equivalents as at 1 January	**387,921**	353,718
Cash and cash equivalents as at 30 June	**531,695**	470,367
Cash flows from operating activities include:		
Interest received	**336,641**	374,000
Interest paid, excluding interest expense on bonds issued	**(133,572)**	(143,912)

Notes:

1 The preparation of the announcement is based on the same accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2015.

2 Unless otherwise stated, the financial figures are expressed in millions of RMB.

3 For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

4 Net gain arising from investment securities

	Six months ended 30 June	
	2016	2015
Net gain on sale of available-for-sale financial assets	**960**	2,174
Net revaluation gain reclassified from other comprehensive income on disposal	**5,024**	1,185
Net gain on sale of held-to-maturity investments	**467**	189
Net gain on sale of receivables	**748**	-
Others	**138**	(116)
Total	**7,337**	3,432

5 Operating expenses

	Six months ended 30 June	
	2016	2015
Staff costs		
– Salaries, bonuses, allowances and subsidies	**26,393**	27,213
– Other social insurance and welfare	**3,453**	3,516
– Housing funds	**3,097**	3,040
– Union running costs and employee education costs	**837**	977
– Defined contribution plans accrued	**6,174**	6,060
– Early retirement expenses	**17**	51
– Compensation to employees for termination of employment relationship	**1**	4
	39,972	40,861
Premises and equipment expenses		
– Depreciation charges	**6,742**	8,409
– Rent and property management expenses	**4,411**	4,164
– Maintenance	**889**	923
– Utilities	**890**	988
– Others	**776**	243
	13,708	14,727
Business taxes and surcharges	**13,359**	18,234
Amortisation expenses	**1,061**	1,240
Audit fees	**69**	71
Other general and administrative expenses	**10,947**	12,296
Total	**79,116**	87,429

6 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2016	2015
Current tax	**42,851**	39,211
- Mainland China	**42,221**	38,370
- Hong Kong	**360**	582
- Other countries and regions	**270**	259
Adjustments for prior years	**(187)**	(1,216)
Deferred tax	**(6,689)**	(1,032)
Total	**35,975**	36,963

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

		Six months ended 30 June	
	Note	**2016**	2015
Profit before tax		**169,878**	169,207
Income tax calculated at statutory tax rate at 25%		**42,470**	42,302
Non-deductible expenses	(i)	**3,305**	1,968
Non-taxable income	(ii)	**(9,613)**	(6,091)
Adjustments on income tax for prior years which affect profit or loss		**(187)**	(1,216)
Income tax expense		**35,975**	36,963

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and PRC local government bonds.

7 Earnings per share

Basic earnings per share for the six months ended 30 June 2016 and 2015 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

The Bank issued non-cumulative preference shares during the year ended 31 December 2015. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank. The Bank has not declared any dividend on preference shares for the six months ended 30 June 2016.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2016 and the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2016	2015
Net profit attributable to shareholders of the Bank	**133,410**	131,895
Weighted average number of shares (in millions of shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	**0.53**	0.53

8 Derivatives and hedge accounting

(1) Analysed by type of contract

	30 June 2016			31 December 2015		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**436,015**	**1,611**	**1,384**	506,536	1,372	1,291
Exchange rate contracts	**3,466,539**	**32,250**	**30,888**	2,427,232	25,675	25,715
Other contracts (Note)	**285,333**	**7,462**	**20,901**	119,735	4,452	936
Total	**4,187,887**	**41,323**	**53,173**	3,053,503	31,499	27,942

(2) Analysed by credit risk-weighted assets

	30 June 2016	31 December 2015
Counterparty credit default risk-weighted assets		
- Interest rate contracts	**946**	1,579
- Exchange rate contracts	**19,735**	23,298
- Other contracts (Note)	**5,158**	3,559
Subtotal	**25,839**	28,436
Credit value adjustment	**15,864**	13,008
Total	**41,703**	41,444

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of the status of counterparties, maturity characteristics and back-to-back client-driven transactions.

Note: Other contracts mainly consist of precious metals contracts.

8 Derivatives and hedge accounting (continued)

(3) Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments as disclosed above.

	30 June 2016			31 December 2015		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**4,936**	**187**	**(163)**	9,091	62	(30)
Total	**4,936**	**187**	**(163)**	9,091	62	(30)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued, placements with banks and non-bank financial institutions and loans and advances to customers arising from changes in interest rates.

Net (losses)/gains on fair value hedges are as follows:

	Six months ended 30 June	
	2016	2015
Net (losses)/gains on		
– hedging instruments	**(8)**	(25)
– hedged items	**8**	25

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the six month ended 30 June 2015 and 2016.

(b) Cash flow hedge

As at 30 June 2016, there is no cash flow hedge for the Group. For the six months ended 30 June 2016, there is no gain or loss from cash flow hedge for the Group (The Group for the six months ended 30 June 2015: net loss 2 million).

9 Deposits from customers

	30 June 2016	31 December 2015
Demand deposits		
- Corporate customers	**4,704,178**	4,261,474
- Personal customers	**2,752,217**	2,611,873
Subtotal	**7,456,395**	6,873,347
Time deposits (including call deposits)		
- Corporate customers	**3,130,489**	2,918,679
- Personal customers	**4,088,657**	3,876,507
Subtotal	**7,219,146**	6,795,186
Total	**14,675,541**	13,668,533

Deposits from customers include:

		30 June 2016	31 December 2015
(1)	Pledged deposits		
	- Deposits for acceptance	**129,741**	118,897
	- Deposits for letter of credit	**54,680**	49,143
	- Deposits for guarantee	**22,630**	24,811
	- Others	**317,548**	256,033
	Total	**524,599**	448,884
(2)	Outward remittance and remittance payables	**14,563**	11,969

10 Profit Distribution

The Bank declared a cash dividend of RMB 68,503 million for the year ended 31 December 2015 according to the profit distribution plan approved by the Annual General Meeting held on 17 June 2016.

11 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	30 June 2016	31 December 2015
Loan commitments		
- with an original maturity under one year	**224,025**	149,566
- with an original maturity of one year or over	**395,567**	312,872
Credit card commitments	**634,934**	577,047
	1,254,526	1,039,485
Bank acceptances	**324,821**	324,963
Financing guarantees	**117,899**	141,604
Non-financing guarantees	**716,042**	649,326
Sight letters of credit	**24,514**	20,383
Usance letters of credit	**126,378**	175,860
Others	**88,575**	50,663
Total	**2,652,755**	2,402,284

11 Commitments and contingent liabilities(continued)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

	30 June 2016	31 December 2015
Credit risk-weighted amount of contingent liabilities and commitments	**1,058,462**	993,117

(3) Operating lease commitments

The Group leases certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	30 June 2016	31 December 2015
Within one year	**6,620**	5,650
After one year but within two years	**4,423**	4,387
After two years but within three years	**3,161**	3,177
After three years but within five years	**3,554**	3,469
After five years	**2,330**	2,737
Total	**20,088**	19,420

11 Commitments and contingent liabilities(continued)

(4) Capital commitments

As at the end of the reporting period, the Group had capital commitments as follows:

	30 June 2016	31 December 2015
Contracted for	**2,405**	4,049
Authorised but not contracted for	**1,116**	2,033
Total	**3,521**	6,082

(5) Underwriting obligations

As at 30 June 2016, there was no unexpired underwriting commitment of the Group (31 December 2015: nil).

(6) Government bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2016, were RMB 73,209 million (as at 31 December 2015: RMB 73,647 million)

(7) Outstanding litigation and disputes

As at 30 June 2016, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB 6,298 million (as at 31 December 2015: RMB 6,501 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the above is committed and contingent liabilities in accordance with their accounting policies.

12 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group’s accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as “internal net interest income/expense”. Interest income and expense earned from third parties are referred to as “external net interest income/expense”.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Dubai, Toronto, London and certain subsidiaries operations in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, New Zealand and Sao Paulo.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

12 Operating segments(continued)

(1) Geographical segments (continued)

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

- "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

- the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

- the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

- the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

12 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2016								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	20,515	18,244	18,343	22,645	25,019	5,998	96,397	3,829	210,990
Internal net interest income/(expense)	13,794	10,678	17,373	14,805	11,998	6,203	(74,536)	(315)	-
Net interest income	34,309	28,922	35,716	37,450	37,017	12,201	21,861	3,514	210,990
Net fee and commission income	12,115	10,595	12,096	10,595	7,741	3,377	9,705	966	67,190
Net trading gain/(loss)	456	319	(123)	108	91	11	524	310	1,696
Dividend income	1,134	4	1	168	-	-	1	97	1,405
Net gain arising from investment securities	559	-	-	518	85	-	5,728	447	7,337
Other operating income, net	510	431	748	308	1,552	77	1,084	2,351	7,061
Operating income	49,083	40,271	48,438	49,147	46,486	15,666	38,903	7,685	295,679
Operating expenses	(12,834)	(10,326)	(13,272)	(14,792)	(13,128)	(5,491)	(6,336)	(2,937)	(79,116)
Impairment losses	(10,667)	(9,129)	(5,900)	(8,525)	(8,557)	(2,912)	(116)	(804)	(46,610)
Share of (loss)/profit of associates and joint ventures	-	-	-	(98)	-	-	-	23	(75)
Profit before tax	25,582	20,816	29,266	25,732	24,801	7,263	32,451	3,967	169,878
Capital expenditure	266	205	4,094	301	238	79	139	4,788	10,110
Depreciation and amortisation	1,209	808	1,292	1,495	1,225	633	804	337	7,803
	30 June 2016								
Segment assets	3,191,937	1,975,214	2,701,148	2,739,085	2,651,341	854,630	7,801,602	1,245,877	23,160,834
Interests in associates and joint ventures	-	-	8	2,783	-	-	-	2,955	5,746
	3,191,937	1,975,214	2,701,156	2,741,868	2,651,341	854,630	7,801,602	1,248,832	23,166,580
Deferred tax assets									34,312
Elimination									(3,440,744)
Total assets									19,760,148
Segment liabilities	3,165,548	1,960,892	2,670,624	2,717,236	2,635,441	850,126	6,527,150	1,167,572	21,694,589
Deferred tax liabilities									343
Elimination									(3,440,744)
Total liabilities									18,254,188
Off-balance sheet credit commitments	549,805	413,655	698,067	406,388	317,559	140,151	2,552	124,578	2,652,755

12 Operating segments (continued)

(1) Geographical segments (continued)

	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
	Six months ended 30 June 2015								
External net interest income	28,450	17,531	20,203	26,247	29,426	8,259	91,594	2,909	224,619
Internal net interest income/(expense)	7,865	11,770	14,673	11,306	8,459	5,121	(60,690)	1,496	-
Net interest income	36,315	29,301	34,876	37,553	37,885	13,380	30,904	4,405	224,619
Net fee and commission income	10,953	9,564	10,449	10,290	7,627	3,250	10,558	954	63,645
Net trading gain/(loss)	80	69	(60)	40	49	19	593	960	1,750
Dividend income	-	4	13	158	5	-	8	283	471
Net gain arising from investment securities	1,042	-	20	233	-	298	1,264	575	3,432
Other operating income, net	251	104	475	144	1,264	118	1,261	283	3,900
Operating income	48,641	39,042	45,773	48,418	46,830	17,065	44,588	7,460	297,817
Operating expenses	(14,857)	(11,586)	(14,477)	(16,749)	(15,295)	(6,467)	(5,271)	(2,727)	(87,429)
Impairment losses	(13,727)	(8,991)	(3,255)	(5,271)	(3,918)	(2,645)	(1,690)	(1,752)	(41,249)
Share of profit of associates and joint ventures	-	-	-	17	-	-	-	51	68
Profit before tax	20,057	18,465	28,041	26,415	27,617	7,953	37,627	3,032	169,207
Capital expenditure	375	404	1,590	1,396	658	362	228	1,481	6,494
Depreciation and amortisation	1,526	989	1,458	1,799	1,523	816	1,337	201	9,649
	31 December 2015								
Segment assets	2,565,723	1,756,844	1,988,554	2,855,335	2,798,176	1,056,288	5,835,333	1,149,541	20,005,794
Interests in associates and joint ventures	-	-	-	2,196	-	-	-	2,790	4,986
	2,565,723	1,756,844	1,988,554	2,857,531	2,798,176	1,056,288	5,835,333	1,152,331	20,010,780
Deferred tax assets									25,379
Elimination									(1,686,670)
Total assets									18,349,489
Segment liabilities	2,571,710	1,766,077	1,972,961	2,846,741	2,795,577	1,058,505	4,506,665	1,072,216	18,590,452
Deferred tax liabilities									624
Elimination									(1,686,670)
Total liabilities									16,904,406
Off-balance sheet credit commitments	497,837	385,693	611,674	356,079	305,375	116,537	3,500	125,589	2,402,284

12 Operating segments(continued)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group’s treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group’s overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

12 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2016				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	92,191	26,518	84,303	7,978	210,990
Internal net interest income/(expenses)	17,707	52,708	(68,269)	(2,146)	-
Net interest income	109,898	79,226	16,034	5,832	210,990
Net fee and commission income	21,814	33,195	12,598	(417)	67,190
Net trading (loss)/gain	(3,157)	213	4,366	274	1,696
Dividend income	-	-	-	1,405	1,405
Net gain arising from investment securities	-	-	5,698	1,639	7,337
Other operating (expense)/income, net	(6)	104	7,432	(469)	7,061
Operating income	128,549	112,738	46,128	8,264	295,679
Operating expenses	(28,987)	(39,860)	(4,610)	(5,659)	(79,116)
Impairment losses	(32,348)	(12,933)	(59)	(1,270)	(46,610)
Share of loss of associates and joint ventures	-	-	-	(75)	(75)
Profit before tax	67,214	59,945	41,459	1,260	169,878
Capital expenditure	551	903	93	8,563	10,110
Depreciation and amortisation	2,534	4,154	428	687	7,803
	30 June 2016				
Segment assets	7,087,540	4,053,923	7,718,995	1,099,941	19,960,399
Interests in associates and joint ventures	-	-	-	5,746	5,746
	7,087,540	4,053,923	7,718,995	1,105,687	19,966,145
Deferred tax assets					34,312
Elimination					(240,309)
Total assets					19,760,148
Segment liabilities	9,489,901	6,947,822	515,946	1,540,485	18,494,154
Deferred tax liabilities					343
Elimination					(240,309)
Total liabilities					18,254,188
Off-balance sheet credit commitments	1,933,310	594,591	-	124,854	2,652,755

12 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2015				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	125,408	6,950	85,258	7,003	224,619
Internal net interest income/(expense)	(6,975)	70,732	(60,839)	(2,918)	-
Net interest income	118,433	77,682	24,419	4,085	224,619
Net fee and commission income	23,965	27,066	10,883	1,731	63,645
Net trading (loss)/gain	(2,559)	(470)	3,778	1,001	1,750
Dividend income	-	-	-	471	471
Net gain arising from investment securities	-	-	223	3,209	3,432
Other operating income/(expense), net	158	(21)	2,132	1,631	3,900
Operating income	139,997	104,257	41,435	12,128	297,817
Operating expenses	(35,486)	(42,814)	(4,047)	(5,082)	(87,429)
Impairment losses	(32,034)	(6,345)	(496)	(2,374)	(41,249)
Share of profit of associates and joint ventures	-	-	-	68	68
Profit before tax	72,477	55,098	36,892	4,740	169,207
Capital expenditure	1,381	2,570	179	2,364	6,494
Depreciation and amortisation	3,088	5,745	400	416	9,649
	31 December 2015				
Segment assets	7,036,556	3,626,845	6,748,218	1,031,726	18,443,345
Interests in associates and joint ventures	-	-	-	4,986	4,986
	7,036,556	3,626,845	6,748,218	1,036,712	18,448,331
Deferred tax assets					25,379
Elimination					(124,221)
Total assets					18,349,489
Segment liabilities	7,841,404	7,203,232	547,997	1,435,370	17,028,003
Deferred tax liabilities					624
Elimination					(124,221)
Total liabilities					16,904,406
Off-balance sheet credit commitments	1,737,208	539,283	-	125,793	2,402,284

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