中国建设银行
China Construction Bank

Stock Code : 939 (Ordinary H-Share) 4606 (Offshore Preference Share)

ANNUAL REPORT 2015

CORPORATE INTRODUCTION

China Construction Bank Corporation, established in October 1954 and headquartered in Beijing, is a leading large-scale joint stock commercial bank in Mainland China with world-renowned reputation. The Bank was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and listed on the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2015, the Bank's market capitalisation reached US$173.3 billion, ranking fifth among listed banks in the world.

With 14,917 branches and sub-branches in Mainland China, the Bank provides services to 3,925.6 thousand corporate customers and 341 million personal customers, and maintains close cooperation with numerous premium enterprises that play the supporting and leading role in the Chinese economy and a large number of high-end customers. The Bank maintains overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Cape Town, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Brisbane, Taipei, Luxembourg, Macau, Toronto, Paris, Amsterdam, Barcelona, Milan, London, Zurich and Dubai, and has a number of subsidiaries, such as CCB Asia, CCB International, CCB London, CCB Russia, CCB Dubai, CCB Europe, CCB New Zealand, CCB Brasil, CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures, CCB Pension and Sino-German Bausparkasse.

The Bank upholds its "customer-centric, market-oriented" business philosophy, accelerates the transformation in five aspects to build a bank featuring integration, multifunctional service, intensive development, innovation and smartness, and strives to provide customers with comprehensive and premium financial services by accelerating innovation of products, channels and service modes, thus being a market leader in respect of a number of core business indicators. The Bank vigorously promotes the development of emerging businesses including investment banking, assets management, credit cards, electronic banking, private banking and consumer finance, while maintaining its traditional business advantages in infrastructure and housing finance. The Bank constantly optimises business and management processes, and increases investments in infrastructure such as information systems, aiming to continuously enhance its capability of risk prevention and control and market competitiveness.

The Bank advocates the fulfilment of citizen responsibilities as its corporate mission and proactively combines business development with undertaking of social responsibilities, being dedicated to building a bank with sustainable development that serves the general public, improves people's livelihood, and promotes low carbon consumption and environmental protection.

For further information please visit
www.ccb.com

To uphold the customer-oriented and market-oriented principles. To continue to serve the real economy and promote reform and innovation. To keep strengthening its abilities in serving the country's construction, preventing financial risks and participating in international competition. To accelerate integration, multi-functionality, intensive management, innovation and smartness. To develop the Bank into a modern commercial banking group with the best ability in value creation.

Accelerate the transformation into a comprehensive banking group

Accelerate the transformation into a multi-functional service provider


Accelerate the transformation for development of intensive management


Accelerate the transformation for an innovative banking


Accelerate the transformation for a smart banking

FINANCIAL HIGHLIGHTS

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	2015	2014	Change (%)	2013	2012	2011
For the year						
Net interest income	**457,752**	437,398	4.65	389,544	353,202	304,572
Net fee and commission income	**113,530**	108,517	4.62	104,283	93,507	86,994
Other operating income	**15,405**	10,825	42.31	17,313	15,824	7,837
Operating income	**586,687**	556,740	5.38	511,140	462,533	399,403
Operating expenses	**(194,826)**	(195,988)	(0.59)	(188,185)	(171,081)	(144,537)
Impairment losses	**(93,639)**	(61,911)	51.25	(43,209)	(40,041)	(35,783)
Profit before tax	**298,497**	299,086	(0.20)	279,806	251,439	219,107
Net profit	**228,886**	228,247	0.28	215,122	193,602	169,439
Net profit attributable to equity shareholders of the Bank	**228,145**	227,830	0.14	214,657	193,179	169,258
As at 31 December						
Gross loans and advances to customers	**10,485,140**	9,474,510	10.67	8,590,057	7,512,312	6,496,411
Allowances for impairment losses on loans	**(250,617)**	(251,613)	(0.40)	(228,696)	(202,433)	(171,217)
Total assets	**18,349,489**	16,744,093	9.59	15,363,210	13,972,828	12,281,834
Deposits from customers	**13,668,533**	12,899,153	5.96	12,223,037	11,343,079	9,987,450
Total liabilities	**16,904,406**	15,492,245	9.12	14,288,881	13,023,283	11,465,174
Total equity attributable to equity shareholders of the Bank	**1,434,020**	1,241,510	15.51	1,065,951	941,668	811,140
Qualifying common share capital	**250,011**	250,011	–	250,011	250,011	250,011
Total capital after deductions [1]	**1,650,173**	1,516,310	8.83	1,316,724	N/A	N/A
Risk-weighted assets [1]	**10,722,082**	10,203,754	5.08	9,872,790	N/A	N/A
Per share (In RMB)						
Basic and diluted earnings per share	**0.91**	0.91	–	0.86	0.77	0.68
Final cash dividend proposed after the reporting period	**0.274**	0.301	(8.97)	0.30	0.268	0.2365
Net assets per share	**5.78**	5.01	15.37	4.30	3.80	3.27

1. Capital adequacy ratios were calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*. The advanced capital measurement approaches have been adopted to calculate capital adequacy ratios, and the regulations during the transition period have been applicable to the calculation of ratios since the second quarter of 2014.

Financial ratios (%)	**2015**	2014	Change +/(-)	2013	2012	2011
Profitability indicators						
Return on average assets [1]	**1.30**	1.42	(0.12)	1.47	1.47	1.47
Return on average equity	**17.27**	19.74	(2.47)	21.23	21.98	22.51
Net interest spread	**2.46**	2.61	(0.15)	2.56	2.58	2.57
Net interest margin	**2.63**	2.80	(0.17)	2.74	2.75	2.70
Net fee and commission income to operating income	**19.35**	19.49	(0.14)	20.40	20.22	21.78
Cost-to-income ratio [2]	**27.02**	28.92	(1.90)	29.65	29.60	29.93
Capital adequacy indicators						
Common Equity Tier 1 ratio [3]	**13.13**	12.11	1.02	10.75	N/A	N/A
Tier 1 ratio [3]	**13.32**	12.11	1.21	10.75	N/A	N/A
Total capital ratio [3]	**15.39**	14.86	0.53	13.34	N/A	N/A
Total equity to total assets	**7.88**	7.48	0.40	6.99	6.80	6.65
Asset quality indicators						
Non-performing loan (NPL) ratio	**1.58**	1.19	0.39	0.99	0.99	1.09
Allowances to NPLs	**150.99**	222.33	(71.34)	268.22	271.29	241.44
Allowances to total loans	**2.39**	2.66	(0.27)	2.66	2.69	2.64

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.
2. Operating expenses (after deductions of business taxes and surcharges) divided by operating income.
3. Capital adequacy ratios were calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*. The advanced capital measurement approaches have been adopted to calculate capital adequacy ratios, and the regulations during the transition period have been applicable to the calculation of ratios since the second quarter of 2014.

CORPORATE INFORMATION

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB")
Legal representative	Wang Hongzhang
Authorised representatives	Wang Zuji Ma Chan Chi
Secretary to the Board	Chen Caihong
Representative of securities affairs	Xu Manxia
Company secretary	Ma Chan Chi
Qualified accountant	Yuen Yiu Leung
Registered address, office address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
"HKExnews" website of Hong Kong Stock Exchange for publishing the annual report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this annual report are kept	Board of Directors Office of the Bank
Contact Information	Address: No. 25, Financial Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939 Offshore preference share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB 15USDPREF Stock code: 4606

Date and place of initial registration	17 September 2004 State Administration for Industry & Commerce of the People's Republic of China (Please refer to the H-share Global Offering Prospectus issued by the Bank on Hong Kong Stock Exchange on 14 October 2005 and the A-share Prospectus issued by the Bank on the Shanghai Stock Exchange on 11 September 2007 for more information.)
Date and place of registration change	8 May 2013 State Administration for Industry & Commerce of the People's Republic of China
Registration number of the corporate legal person business licence	100000000039122
Organisation code	10000444-7
Financial licence institution number	B0004H111000001
Taxation registration number	京税證字 110102100004447
Certified public accountants	PricewaterhouseCoopers Zhong Tian LLP Address: 11/F, PricewaterhouseCoopers Centre, 202 Hu Bin Road, Shanghai Signing accountants: Zhu Yu and Wang Wei PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong
Legal advisor as to PRC laws	Haiwen & Partners Address: 20/F, Fortune Financial Centre, 5 Dong San Huan Central Road, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

RANKINGS AND AWARDS

FORBES

Ranked 2nd in the "Forbes Global 2000"

THE BANKER

Ranked 2nd in the "Top 1000 World Banks" (Tier-One Capital)

GLOBAL FINANCE

Best Bank in China 2015

Best Bank for Liquidity Management in Asia-Pacific Region 2016

Best Treasury and Cash Management Providers 2016

THE ASSET

Best Bank in China 2015

THE ASIAN BANKER

Best Large-Scale Retail Bank 2015

Best Treasury and Cash Management Bank 2015

INSTITUTIONAL INVESTOR

RMB Internationalization Award 2015

FORTUNE

Ranked 29th in the "Fortune Global 500"

CORPORATE GOVERNANCE ASIA

Asian Excellence Awards 2015
– Asia's Best CEO in China
– Asia's Best CFO in China
– Best Investor Relations Company in China

INTERBRAND

Ranked 4th in Top 100 Most Valuable Brands China 2015

YAZHOU ZHOUKAN

Asia Excellence Brand Award 2015

MODERN BANKERS

Ranked 1st in "Top 50 Chinese Banks"

21ST CENTURY BUSINESS HERALD

Best Risk Control Bank 2015

CHINA BUSINESS NEWS

Risk Management Bank of the Year 2015

CHINA BUSINESS JOURNAL

Best Cash Management Bank of the Year 2015

SINA.COM

Most Influential Commercial Bank

Most Admired E-Bank Award

Innovative Credit Card of the Year

THE BANKER

Best Financial Innovation Award 2015

NATIONAL BUSINESS DAILY

Outstanding Private Bank in Premium Wealth Management Ranking 2015

Outstanding Contribution Award in China Inclusive Finance Ranking 2015

CHINA TIMES

Leading E-banking Brand in China

CFO WORLD

Best Service Brand for small and medium-sized enterprises (SMEs) of the Year 2015

Most Innovative Cash Management of the Year 2015

Best Pension Service of the Year 2015

FINANCIAL NEWS

Best Housing Financing Service of the Year 2015

TRADE FINANCE

Best Trade Finance Supplier 2015

INVESTOR JOURNAL WEEKLY

Best E-Commerce Bank for the Best Banks

Best Mobile Bank for the Best Banks

FINANCIAL MONEY

Golden Pixiu Award 2015-Golden small and medium-sized enterprises (SMEs) Bank of the Year

Golden Pixiu Award 2015- Golden Wealth Management Bank of the Year

Golden Pixiu Award 2015-Golden Private Bank of the Year

Golden Pixiu Award 2015-Golden Credit Card Bank of the Year

CHINA BANKING ASSOCIATION

Best CSR Contribution Award 2015

CHAIRMAN'S STATEMENT

Wang Hongzhang

Chairman and executive director

Dear shareholders,

In 2015, the global economy experienced a difficult year of recovery with growing divergences, and China faced the growing pressure of economic downturn. In the face of such an extraordinarily complex operating environment and fierce market competitions, the Group accelerated transformation towards a bank featuring integration, multifunctional service, intensive development, innovation and smartness, arduously served the real economy, and strengthened comprehensive risk management. A solid growth has been achieved with a good balance of scale, quality and profitability, with the core indicators and market capitalisation of the Group maintaining a leading position among peers.

At the end of 2015, the Group's total assets reached RMB18.35 trillion. Net profit amounted to RMB228,900 million. The return on average assets and the return on average equity were 1.30% and 17.27% respectively. Total capital ratio and common equity tier one ratio of the Group were 15.39% and 13.13% respectively, with earnings per share at RMB0.91. On account of the good operating results, the Board of the Bank proposed a final cash dividend of RMB0.274 per share (including tax).

We accelerated our strategic transformation. The Group actively adapted to the new normal of economic development with a changing mindset, and pre-emptively accelerated transformation and development. We made efforts to build a group-wide management model that covers asset and liability in a wider sense, i.e. on and off-balance sheet items, RMB and foreign currency portfolios, domestic and overseas institutions, and parent company and subsidiaries. While consolidating our traditionally advantageous businesses in housing finance and cost advisory service among other things, we actively expanded our presence in strategic emerging businesses, including assets management, private banking, investment custodial service, credit cards and precious metals. Aiming at more intensive management of the head office and branches, we pushed forward centralised operations of the assets management and financial market business, initiated corporatisation of the pension business and cost advisory service, and further promoted the separation between the front, middle and back offices. Based on updated studies in emerging markets, emerging forms of business and emerging enterprises in the Internet era and changes in customers' needs, we accelerated innovations in process management, system and mechanism, product and business models. With the help of our "New Generation Core Banking System", we improved our ability to collect, manage and use big data, accelerated the building and promotion of smart outlets, and vigorously developed internet-based financial services.

We vigorously boosted the development of real economy. The Group proactively responded to the state's structural reform on the supply side, and aptly reacted to the development strategies including "One Belt and One Road", free trade zones, coordinated development of the Beijing-Tianjin-Hebei region and the Yangtze River Economic Belt. We provided support to the national key construction projects, new-type urbanisation, new countryside construction and strategic emerging industries. In 2015, we leveraged on our traditional advantages to expand the infrastructure loans to RMB2.71 trillion. Retail loans rose rapidly, with the increase accounting for 58% of the total new loans. The Group further consolidated its leading position in housing finance with residential mortgages of RMB2.77 trillion, remaining first among peers in terms of both the balance and the increase. Loans to small and micro enterprises, agriculture, farmers and rural areas as well as internet banking maintained a relatively fast pace of growth. Meanwhile, we maintained strict control over loans to industries with excess capacity, resulting in a continuously improved structure of customer base.

We strengthened our ability to control risks. In 2015, the Bank was listed as one of the global systematically important banks, and the regulatory requirements in respect of capital, liquidity and risk management were further enhanced. The Group proactively dealt with the situation by initiating the preparation of the recovery and resolution plan and establishing the crisis response mechanism, and promoted the innovation of capital instruments by successfully issuing preference shares and Tier 2 capital bonds, and further consolidating capital base. The Group continued to improve comprehensive risk management, and optimised credit customer selection, customer credit evaluation and credit financing options. With concern for possible systemic risk in the face of economic downturn pressure and structural adjustments, we intensified studies and quantitative analysis on risks in key areas, industries and products, which improved our ability to identify risks and raise alert at an earlier stage. We increased efforts to dispose of high-risk projects and non-performing loans ("NPLs") and made prudent and full provisions for loan impairment losses, thus maintaining an adequate reserve against risks. At the end of 2015, the Group's NPL ratio was 1.58%, the ratio of allowances to NPLs was 150.99%, and the ratio of allowances to total loans was 2.39%.

We enhanced our ability for sustainable development. In 2015, we constantly improved our customer base. We had 5.71 million corporate RMB settlement accounts, an increase of 0.85 million, maintaining the leading position among peers in terms of both account increase and growth rate. We had 1.29 million active treasury management customers, an increase of 0.34 million. The number of private banking customers with financial assets above RMB10 million grew by 23.08%, and the total amount of customers' financial assets increased by 32.94%. With respect to channel building, we established integrated marketing teams at 98% of integrated outlets, with significantly improved comprehensive service capability. The construction of smart outlets, flagship outlets, comprehensive outlets and nimble outlets was pushed forward in an orderly fashion. The function of electronic banking as the main channel of the Bank was further highlighted, with the number of bank account transactions through non-counter channels accounting for 95.58% of the total. The number of personal online banking, mobile banking and WeChat banking customers ranked first among peers. In terms of IT infrastructure, breakthrough was achieved in building the New Generation Core Banking System, with the second phase project coming to operation smoothly. Corporate businesses were comprehensively migrated to the New Generation Core Banking System platform, achieving business process reengineering and innovation in operation and management model.

We made notable improvement in our comprehensive operations. In November 2015, CCB Pension Management Co., Ltd. was established, representing a new milestone in the development of our comprehensive operation platform. Currently, the Group's business covers multiple industries and sectors, including fund, leasing, trust, insurance, investment banking, futures, pension management and specialised banking. At the end of 2015, total assets of the Group's integrated operation subsidiaries reached RMB266.6 billion, an increase of 40.65% over last year, with a net profit of RMB3.9 billion, an increase of 59.01%.

We achieved rapid growth in international business. 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. London Branch commenced business in October. Zurich Branch was established and designated as the RMB clearing bank in November, and Dubai International Financial Centre Branch received its official banking license and commenced business in November. Up to now, the Group has established over 130 entities in 25 countries and regions, basically completing our network deployment in global target markets. Thanks to the expanded global presence, our cross-border business and local operations at abroad fully accelerated with improving international competitiveness.

We continued to contribute to society proactively. In 2015, we made social welfare donations of RMB41.21 million to various areas including education, medical and health care and disaster recovery. At the end of 2015, the accumulated donations for "CCB Sponsorship Programme for Impoverished High School Students" amounted to RMB127 million. The Group continued to donate to "Healthy Mother Express", which provided maternal health care and other medical services to local women in less-developed counties and towns in 13 provinces and regions including Xinjiang, Tibet, and Inner Mongolia, with a cumulative amount of donations of RMB29 million. The Group donated RMB5 million to Tibet earthquake stricken area and donated NT$3 million to dust explosion victims in New Taipei City, Taiwan. It continued the programme of "Credit Card Points Help Fulfil Dreams, Micro Public Welfare" to explore a new innovative way of making charity donations with credit card points, and accumulatively donated nearly 1.2 billion credit card points, which could be converted into charity donations of nearly RMB2.40 million. The Group strengthened the protection of consumer rights and interests with more effective methods for promoting public awareness in consumer rights and interests, and actively promoted inclusive financial service and green credit with continued credit support for environmental protection, energy saving and emission reduction.

In 2015, we received 122 awards from various organisations at home and abroad, including the "Best Bank in China" from the US magazine *Global Finance*, Hong Kong magazines *The Asset* and *Corporate Treasurer*. The Group ranked second in terms of tier-one capital in The Banker's "*The World's Top 1000 Banks*" in 2015, and second in *Forbes*' "Global 2000" in 2015.

The year of 2015 witnessed the successive departures of Mr. Hu Zheyi, Mr. Zhu Hongbo, Mr. Zhang Jianguo, and Ms. Elaine La Roche, due to work rearrangement and term expiration, the joining of Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng as executive directors, and the joining of Mr. Li Jun and Ms. Hao Aiqun as non-executive directors. At the first extraordinary general meeting of 2015, Mr. Carl Walter and Ms. Anita Fung were also elected as independent non-executive directors. On behalf of the Board, I would like to take this opportunity to express sincere gratitude to the resigned directors for their contributions to the Group, and extend our warm welcome to the new members.

The achievements in 2015 were hard-won, and development pressures in 2016 still remain. Looking ahead, the global economy still faces many challenges. At this vital point of the first year of the "13th Five-year Plan", the Group will seize the great opportunity of China's reform and development, vigorously implement its strategic transformation and development with enhanced innovation drive, upgraded system and mechanism and solid market prediction, and strengthen efforts in risk prevention and control, in order to maintain steady development of businesses and bring due reward to our shareholders, customers and the community.

Wang Hongzhang
Chairman and executive director
30 March 2016

PRESIDENT'S REPORT

Wang Zuji
Vice chairman, executive director and president

Dear shareholders,

Despite the complex operating environment in 2015, the Group persisted in stable operation and maintained a sound and steady development momentum as a result of our efforts in promoting transformation and development, improving product innovation and service capability, and strengthening risk management and control.

STEADY DEVELOPMENT LED TO TARGETED PERFORMANCE

At the end of 2015, the Group's total assets increased by 9.59% to RMB18.35 trillion over the previous year. Gross loans and advances to customers increased by 10.67% to RMB10.49 trillion; deposits from customers rose by 5.96% to RMB13.67 trillion. Net profit increased by 0.28% year-on-year to RMB228.9 billion. Operating income increased by 5.38% to RMB586.7 billion, in which net interest income increased by 4.65%, and net fee and commission income increased by 4.62%. Return on average assets was 1.30% and return on average equity was 17.27%. Cost-to-income ratio stood at 27.02%, and total capital ratio was 15.39%. These major financial indicators continued to outrun our peers.

STRATEGIC TRANSFORMATION BOOSTED COMPREHENSIVE SERVICE CAPABILITY

We further optimised credit structure. The Group proactively supported on-going national key projects and urbanisation constructions, with loans to infrastructure sector of RMB2.71 trillion and the contracted and planned amount of major construction projects of RMB1.25 trillion. The Group boosted inclusive financial service by focusing on the development needs of small and micro enterprises and the agriculture-related projects. Loans to small and micro enterprises met the regulatory requirements for maintaining a robust growth pace of "Three No Less Than", namely "no less than the average growth rate of total loans, the number of borrowers no less than that at the end of the previous year, and successful application rate no less than that in the previous year". We reduced the balance of loans to industries with severe excessive capacity, local government financing vehicles and real estate developers. Residential mortgages were granted to support residents' reasonable housing consumption and led the market in terms of both the balance and the increase.

We made rapid growth in the business transformation. The Group accumulatively issued 80.74 million credit cards, and the total spending amount through credit cards reached RMB2.22 trillion. Our credit card business continued to lead in multiple core indicators among peers. The number of private banking customers with financial assets above RMB10 million grew by 23.08%, and the total amount of customers' financial assets increased by 32.94%. The accumulated underwriting amount of debt financing instruments for non-financial enterprises was RMB531.6 billion, taking the lead in the market. The assets under custody of the Bank totalled RMB7.17 trillion, an increase of 67.36%; the Group led the market in both the number of managed securities investment funds and its increase. Another breakthrough was made in expanding the Group's RMB international clearing network, as we became the RMB clearing bank in Switzerland and Chile after winning appointment in London. Our major business indicators also topped among peers in special economic zones such as Shanghai Free Trade Zone and Khorgas in Xinjiang.

We made remarkable achievements in the comprehensive operation. The Group consolidated its advantage in the type of financial licenses. The market competitiveness of subsidiaries further increased. The volume of assets under management of CCB Trust ranked first among peers, while CCB Life gained the highest premium income among the bank-affiliated insurance companies. The numbers of projects where CCB International acted as securities sponsor and underwriter, and as M&A financial advisor also ranked high in the market. Our comprehensive financial service capability continued to rise, with gradual formation of synergistic effect. At the end of 2015, total assets of integrated operation subsidiaries increased by 40.65% and net profit increased by 59.01%.

REINFORCED RISK CONTROL HELPED TO FIRMLY HOLD RISK BOTTOM LINE

We enhanced the comprehensive risk management and control. The Group promoted the re-examination, monitoring and conduction of its risk appetite, and strengthened risk management of overseas institutions and subsidiaries, thus further upgrading its comprehensive risk management at the Group level.

We reinforced credit risk management. The Group continuously optimised credit policies, systems and processes, and reinforced the fundamental management on pre-lending evaluations, credit approval and post-lending monitoring. We promoted the specialisation of credit approval and the building of disbursement centres. We refined the "Three Credit Approvals" mechanism, i.e. credit approvals in a comprehensive manner, on a global basis, and at a group level, instead of separate credit approvals, and intensified risk examination and post-lending management. By launching activities including the review of newly granted loans and risk control of guarantee circles, we improved the whole-process risk management and control abilities. The Group used big data to strengthen early warnings and controls for different levels of risk, and applied the measurement tools and results widely to the whole business process, so as to achieve accurate management and control. The Group made full use of various disposal methods including batch disposals and market-driven methods to improve the efficiency of NPL reduction. At the end of 2015, the Group's NPL ratio was 1.58% and the ratio of allowances to NPLs was 150.99%.

We further consolidated the compliance management fundamentals, thus achieving effective operational risk control and case prevention. The Group optimised the management policies of market risk and reinforced the monitoring and measurement of market risk, keeping various indicators of market risk within the limits. We improved the unified management of liquidity at the Group level, and adequate liquidity reserve was maintained and reserve ratio was kept at a reasonable level. The Group comprehensively implemented the "Foundation Fortification Project" over reputational risk to effectively manage and control reputational risk from the source.

REINFORCED FUNDAMENTALS SPURRED INTERNAL ENERGY

We promoted the coordinated development of both physical and electronic channels. Progress was made in the "Three Integrations" of operating outlets: the number of integrated outlets totalled 14.5 thousand, the number of integrated marketing teams amounted to 21.5 thousand, and the proportion of integrated tellers in total front office tellers reached 88%. The Group launched innovative pilot transformation of physical channels in Shenzhen and other seven branches, with the construction of smart outlets, flagship outlets, comprehensive outlets, and nimble outlets in an orderly manner. The function of electronic banking as the main channel of the Bank was further highlighted, with the number of banking account transactions through electronic banking and self-service channels accounting for 95.58% of the total, up by 7.55 percentage points over the previous year. The Group offered five online payment options including account number payment, mobile payment, cross-bank payment, Long Card cloud payment and redirecting payment, achieving centralised processing of most major easy payment businesses.

We continued to enhance our capability in product innovation. Focusing on prototype design and customer experience, the Group promoted innovation in various areas, including urbanisation construction, energy saving and environmental protection, small and micro enterprises, people's livelihood and consumer finance, and launched products or services including comprehensive financial solutions for group clients and one-stop services for individual housing loan of housing provident fund (combined). In 2015, the Group finished 1,970 product innovation and innovative duplication projects to support business development and transformation.

We achieved breakthroughs in building the new generation core banking system. The second phase projects were put into operation smoothly. Corporate businesses were transferred to the new generation banking platform as a whole in a stable manner. The Group established a unified view for customers, products, units and employees, realising the separation of transaction from accounting and supporting fast product innovation. Integrated multifunctional product and service platform was set up to meet customers' diversified needs. Customer-oriented marketing service system was put into operation to support targeted and comprehensive marketing. Multi-channel interaction and rapid deployment of products were realised with greatly improved customer experience. After the realisation of direct, automatic and intensive business process, a process bank initially came into being. Enterprise-wide data management system was preliminarily formed, and information application and service capability was notably enhanced.

OUTLOOK FOR 2016

In 2016, the Group will adopt and implement the five development ideas of "innovation, harmonisation, green, openness, and sharing", while taking market opportunities by closely monitoring the trend of economy and finance. We will stick to steady operation, and promote full implementation of transformation on a gradual basis, in order to realise business expansion, improvement of operational capability and well-placed risk control.

Last but not least, I would like to sincerely thank the Board of Directors and the Board of Supervisors for their tremendous support, as well as our customers for their trust and our staff for their great dedication.

Wang Zuji
Vice chairman, executive director and president
30 March 2016

In 2015, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, focused on core tasks of the Bank, proactively conducted supervision on duty performance, finance, internal control and risk management, made active efforts and contributions to the standardised operation and corporate governance and the sustainable and sound development of the Bank, and played a good role in their duties and functions.

PARTICULARS OF MAJOR WORK

The board of supervisors convened meetings of the board of supervisors pursuant to laws and regulations. During the year, the board of supervisors convened eight general meetings of the board of supervisors, in which 16 resolutions on the agenda were reviewed and approved, including but not limited to periodic financial reports of the Bank, the report of the board of supervisors, the performance, supervision and appraisal work plan for the year; six agenda items including the effect of the accelerating promotion of interest rate liberalisation on business, the development and risk management and control of wealth management business, the analyses and rectifications of deficiencies in internal control were studied and discussed; and 17 special reports including operation arrangement of the Bank, stress testing, accountability on violation of rules or breach of disciplines, collateral management, financial audit findings and rectifications were debriefed. Four meetings of the performance and due diligence supervision committee and six meetings of the finance and internal control supervision committee were convened.

The board of supervisors continued its work of performance supervision and assessment. The board of supervisors exercised its supervision over the performance of the Board, senior management and their members by various means, including attending meetings as non-voting attendees, inspecting and reviewing relevant materials, holding interviews and meetings, and making performance assessment. The board of supervisors duly organised and carried out the annual performance assessment work, organised performance interviews and meetings with the directors, headquarters departments and tier-1 branches respectively, took their advice and suggestions, prudentially studied and proposed the assessment reports of the annual performance of the Board and directors, and senior management and its members, respectively, and presented the annual self-assessment of the performance of board of supervisors and its members, and reported the performance assessment to the shareholders' general meeting and regulators pursuant to relevant provisions.

The board of supervisors endeavoured in conducting proper finance supervision. By focusing on key processes of the preparation of periodic financial reports, the board of supervisors enhanced its communication with external auditors and senior management, quarterly debriefed work report, timely learned about the progress of preparation and review of financial reports and audit findings. The board of supervisors duly reviewed periodic financial reports, independently gave review opinions, and proposed advice and suggestions on the trend of profit change and the potential effect of overdue but not impaired loans. The board of supervisors strengthened supervision over management of financial expenses and the arrangement and implementation of business plans, proposed advice on further improving financial management system and enhancing the ability of implementation of systems, and strengthening cost management. The board of supervisors also attended the meetings for appointment of external auditors of the Audit Committee, proposed suggestions on major issues, and duly performed its supervision duties.

The board of supervisors duly conducted the internal control supervision. The board of supervisors continuously focused on the performance of internal control duties and responsibilities, improvement of internal control system and organisation and implementation of internal control assessment by the Board and senior management. The board of supervisors regularly debriefed reports on the management of internal control and compliance with the anti-money laundering, key findings and rectification in internal audit, and conducted specific study and discussion on the analysis and rectification of deficiencies in internal control. The board of supervisors facilitated the optimisation and improvement of rectification mechanism of repeated problems; duly reviewed 2014 internal control report of the Bank and independently gave opinions; regularly learned about and proposed relevant suggestions on the work of prevention and control over non-compliance cases; learned about the situation and followed up the progress of key work on the construction of organisational structure of internal control and compliance, rules clarification and norms management, and the "Year of Compliance".

The board of supervisors continuously strengthened risk management supervision. The board of supervisors conducted supervision over the establishment and improvement of the overall risk management structure, timely debriefed special reports on the overall risk management focused on the quality of credit assets, enhanced supervision over credit risks, quarterly debriefed special reports on the quality of credit assets, and proposed pertinent opinions and suggestions on strengthening risk prevention and control. The board of supervisors conducted stressed supervision over major risks specially paid attention by regulatory authorities and faced by banks, debriefed special reports on liquidity risk management, disposal of NPLs, collateral management and stress testing, and studied and discussed matters including the development and risk prevention and control of wealth management business and loans via government financing vehicles. The board of supervisors continuously monitored the implementation of risk regulatory indicators, and timely proposed relevant supervisory opinions and suggestions during the supervision process.

The board of supervisors placed greater emphasis and supervision on key issues. The board of supervisors paid great attention to the work of the transformation and development of the Bank, carried out intensive special research, organised and debriefed relevant reports, comprehensively learned about the implementation of the transformation and development plan, and proposed pertinent opinions and requirements. The board of supervisors organised special researches in respect of five areas including county business, platform loans and governmental debts, the implementation of transformation and development plan, the batch transfer of NPLs, and internal control of sub-branches, and proposed constructive opinions and suggestions.

The board of supervisors continuously strengthened its self-improvement. Focusing on key points of supervision, the board of supervisors enriched the contents of the agenda items, enhanced collective research, discussion and review of important supervision matters, promoted the improvement of discussion efficiency in meetings of the board of supervisors and special committees, and further improved supervision work mechanism. The board of supervisors paid attention to strengthening the learnings, trainings and interbank communication to continuously enhance supervision ability. All members of the board of supervisors performed their duties in a diligent manner, attended relevant meetings, and proactively participated in the discussion and deliberation of relevant resolutions and motions. They attended the meetings of the Board, the special committees under the Board and the senior management as non-voting attendees, proactively participated in the related work organised by the board of supervisors, the committees and the Bank, and duly performed their supervision duties.

Guo You
Chairman of the board of supervisors
30 March 2016

Accelerate the transformation into a

COMPREHENSIVE BANKING GROUP

FINANCIAL REVIEW

The year of 2015 witnessed a more complex and changing global economic situation. The growth trends and monetary policies of major economies further diverged, the fluctuation of international financial market and commodity price intensified, and non-economic factors such as geopolitical factors increased. The US economy was relatively well; the economy of Euro zone embarked back on the track of recovery, though unemployment rate remained at a rather high level; Japan's economy experienced large fluctuations and faced downward pressures on commodity prices; and the growth of emerging market economies slowed down in general.

In 2015, China's economy remained stable on the whole with continuous structural adjustments. End-user consumptions contributed over 60% to the total GDP growth, the proportion of tertiary industries increased to 50.5% of the economy, and emerging industries, emerging business formats and new business models developed vibrantly. Consumer prices increased moderately while overall employment remained stable. In 2015, China created a GDP of RMB67.7 trillion, up by 6.9% over 2014; CPI of the year increased by 1.4% over 2014.

In 2015, the financial market remained stable in general while various reform initiatives continued to be pushed forward. China removed the deposit interest rate ceiling, taking the significant step forward in the reform of interest rate liberalisation. The market also improved its decisive role in the formation of exchange rates as China further refined its quotation regime for middle rates for RMB versus US dollar and published its RMB exchange rate index. The time-in-point assessment approach was changed to the average method to assess deposit reserves. China refined framework of macro-prudential policy, "upgraded" dynamic adjustment mechanism of differentiated deposit reserves to macro-prudential assessment system, and incorporated liquidity of foreign exchange and cross-border capital flow into the coverage of macro-prudential management. Deposit insurance system was launched as planned, and RMB was successfully added to Special Drawing Right (SDR) monetary basket of IMF. At the end of 2015, the outstanding broad money supply M2 increased by 13.3% over 2014 to RMB139.2 trillion, and the narrow money supply M1 increased by 15.2% over 2014 to RMB40.1 trillion. The amount of loans denominated in RMB and foreign currencies increased by 13.4% over 2014 to RMB99.3 trillion. Deposits denominated in RMB and foreign currencies increased by 12.4% over 2014 to RMB139.8 trillion.

The Group paid close attention to domestic and overseas economic trends as well as changes in regulatory policies, insisted on transformation and development and sound operation, strengthened risk prevention and control, and timely adjusted operation strategies as appropriate, achieving steady business development, stable asset quality and favourable core business indicators.

STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2015, the Group recorded net profit of RMB228,886 million and net profit attributable to equity shareholders of the Bank of RMB228,145 million, up by 0.28% and 0.14% respectively over 2014. The steady growth of the Group's profitability was mainly due to the following factors: (1) the moderate growth of interest-bearing assets contributed to the increase of net interest income, which increased by RMB20,354 million or 4.65% over 2014; (2) the Group proactively expanded customer base, enhanced product innovation, and constantly improved its comprehensive service capability, with net fee and commission income up by RMB5,013 million or 4.62% over 2014; (3) The Group continued to strengthen cost management and optimised expense structure, with cost to income ratio down by 1.90 percentage points over 2014 to 27.02%. In addition, the Group made prudent and sufficient provisions for impairment losses on loans and advances to customers. The expense on impairment losses was RMB93,639 million, up by 51.25% over 2014.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	**Year ended 31 December 2015**	Year ended 31 December 2014	Change (%)
Net interest income	**457,752**	437,398	4.65
Net non-interest income	**128,935**	119,342	8.04
– Net fee and commission income	**113,530**	108,517	4.62
Operating income	**586,687**	556,740	5.38
Operating expenses	**(194,826)**	(195,988)	(0.59)
Impairment losses	**(93,639)**	(61,911)	51.25
Share of profits less losses of associates and joint ventures	**275**	245	12.24
Profit before tax	**298,497**	299,086	(0.20)
Income tax expense	**(69,611)**	(70,839)	(1.73)
Net profit	**228,886**	228,247	0.28
Other comprehensive income for the year, net of tax	**20,837**	23,032	(9.53)
Total comprehensive income for the year	**249,723**	251,279	(0.62)

Net interest income

In 2015, the Group's net interest income was RMB457,752 million, an increase of RMB20,354 million or 4.65% over the previous year. The net interest income accounted for 78.02% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

	Year ended 31 December 2015			Year ended 31 December 2014		
(In millions of RMB, except percentages)	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Gross loans and advances to customers	**10,068,644**	**545,505**	**5.42**	9,111,534	532,829	5.85
Investments in debt securities	**3,657,809**	**145,322**	**3.97**	3,204,444	129,237	4.03
Deposits with central banks	**2,569,805**	**39,310**	**1.53**	2,527,915	39,177	1.55
Deposits and placements with banks and non-bank financial institutions	**771,686**	**30,184**	**3.91**	551,451	25,522	4.63
Financial assets held under resale agreements	**310,939**	**10,238**	**3.29**	247,698	12,361	4.99
Total interest-earning assets	**17,378,883**	**770,559**	**4.43**	15,643,042	739,126	4.72
Total allowances for impairment losses	**(270,606)**			(247,757)		
Non-interest-earning assets	**926,556**			933,259		
Total assets	**18,034,833**	**770,559**		16,328,544	739,126	
Liabilities						
Deposits from customers	**13,350,333**	**245,601**	**1.84**	12,354,674	237,383	1.92
Deposits and placements from banks and non-bank financial institutions	**2,003,770**	**46,330**	**2.31**	1,473,193	48,039	3.26
Financial assets sold under repurchase agreements	**58,057**	**1,578**	**2.72**	15,683	448	2.86
Debt securities issued	**421,812**	**17,173**	**4.07**	409,369	14,223	3.47
Other interest-bearing liabilities	**66,303**	**2,125**	**3.20**	53,791	1,635	3.04
Total interest-bearing liabilities	**15,900,275**	**312,807**	**1.97**	14,306,710	301,728	2.11
Non-interest-bearing liabilities	**784,325**			840,682		
Total liabilities	**16,684,600**	**312,807**		15,147,392	301,728	
Net interest income		**457,752**			437,398	
Net interest spread			**2.46**			2.61
Net interest margin			**2.63**			2.80

In 2015, the PBOC made consecutive interest rate 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. As a result, the decrease in the cost of the Group's interest-bearing liabilities was lower than that of the yield of the interest-earning assets. Net interest spread and net interest margin were 2.46% and 2.63%, down by 15 basis points and 17 basis points respectively. In view of the negative impact and challenges arising from interest rate cuts and liberalisation, the Group will continue to strengthen interest margin management, take proactive measures to address these issues, and further improve its market-based pricing ability.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for 2015 versus 2014.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	53,558	(40,882)	12,676
Investments in debt securities	18,034	(1,948)	16,086
Deposits with central banks	643	(510)	133
Deposits and placements with banks and non-bank financial institutions	9,070	(4,409)	4,661
Financial assets held under resale agreements	2,698	(4,821)	(2,123)
Change in interest income	84,003	(52,570)	31,433
Liabilities			
Deposits from customers	18,447	(10,229)	8,218
Deposits and placements from banks and non-bank financial institutions	14,527	(16,236)	(1,709)
Financial assets sold under repurchase agreements	1,153	(23)	1,130
Debt securities issued	441	2,509	2,950
Other interest-bearing liabilities	400	90	490
Change in interest expense	34,968	(23,889)	11,079
Change in net interest income	49,035	(28,681)	20,354

1. Changes caused by both average balances and average interest rates were allocated to volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB20,354 million over the previous year, in which an increase of RMB49,035 million was due to the movement of average balances of assets and liabilities, and a decrease of RMB28,681 million was due to the movement of average yields or average costs.

Interest income

The Group's interest income in 2015 was RMB770,559 million, an increase of RMB31,433 million or 4.25% over 2014. In this amount, the proportions of interest income from loans and advances to customers, investments in debt securities, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements were 70.79%, 18.86%, 5.10%, 3.92% and 1.33%, respectively.

Interest income from loans and advances to customers

The following table sets forth the average balance, interest income and average yield of each component of the Group's loans and advances to customers.

	Year ended 31 December 2015			Year ended 31 December 2014		
(In millions of RMB, except percentages)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans and advances	**5,876,751**	**332,615**	**5.66**	5,647,433	347,322	6.15
Short-term loans	**2,241,680**	**117,831**	**5.26**	2,049,635	119,580	5.83
Medium to long-term loans	**3,635,071**	**214,784**	**5.91**	3,597,798	227,742	6.33
Personal loans and advances	**3,150,296**	**173,924**	**5.52**	2,670,092	156,098	5.85
Discounted bills	**257,830**	**10,377**	**4.02**	125,927	7,002	5.56
Overseas operations and subsidiaries	**783,767**	**28,589**	**3.65**	668,082	22,407	3.35
Gross loans and advances to customers	**10,068,644**	**545,505**	**5.42**	9,111,534	532,829	5.85

Interest income from loans and advances to customers amounted to RMB545,505 million, up by RMB12,676 million or 2.38% from 2014. This was mainly because the average balance of loans and advances to customers grew by 10.50% due to the higher priority to retail loans. Under the influence of interest rate cuts and repricing of existing loans, the average yield of loans and advances to customers decreased by 43 basis points to 5.42% over the previous year.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB16,085 million or 12.45% over 2014 to RMB145,322 million. This was mainly because the average balance of investments in debt securities increased by 14.15% over 2014, due to increased investments in debt securities. Meanwhile, the continuous optimisation of portfolio structure of investments in debt securities offset the decrease in the yield of investments in debt securities.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB39,310 million, an increase of RMB133 million or 0.34% over 2014. This was mainly because the average balance of deposits with central banks increased by 1.66% over 2014.

Interest income from deposits and placements with banks and non-bank financial institutions

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB4,662 million to RMB30,184 million, an increase of 18.27% over 2014. This was primarily because the average balance of deposits and placements with banks and non-bank financial institutions increased by 39.94% over 2014.

Interest income of financial assets held under resale agreements

Interest income of financial assets held under resale agreements was RMB10,238 million, a decrease of RMB2,123 million or 17.17% over 2014. This was mainly because the average yield of financial assets held under resale agreements decreased by 170 basis points year-on-year.

Interest expense

The Group's interest expense in 2015 was RMB312,807 million, an increase of RMB11,079 million or 3.67% year-on-year.

Interest expense on deposits from customers

The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers.

	Year ended 31 December 2015			Year ended 31 December 2014		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	**6,754,741**	**112,010**	**1.66**	6,354,834	114,241	1.80
Demand deposits	**3,945,436**	**28,734**	**0.73**	3,739,795	28,063	0.75
Time deposits	**2,809,305**	**83,276**	**2.96**	2,615,039	86,178	3.30
Personal deposits	**6,200,971**	**125,813**	**2.03**	5,657,331	116,152	2.05
Demand deposits	**2,343,688**	**7,925**	**0.34**	2,325,870	8,224	0.35
Time deposits	**3,857,283**	**117,888**	**3.06**	3,331,461	107,928	3.24
Overseas operations and subsidiaries	**394,621**	**7,778**	**1.97**	342,509	6,990	2.04
Total deposits from customers	**13,350,333**	**245,601**	**1.84**	12,354,674	237,383	1.92

Interest expense on deposits from customers increased by RMB8,218 million to RMB245,601 million, up by 3.46% over 2014, mainly because the average balance of deposits from customers increased by 8.06% over the previous year. The average cost of deposits from customers decreased by eight basis points to 1.84% over 2014, mainly due to the interest rate cuts.

Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions stood at RMB46,330 million, a decrease of RMB1,709 million or 3.56% over 2014, largely because the average interest rate of deposits and placements from banks and non-bank financial institutions decreased by 95 basis points over 2014.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB1,130 million or 252.23% to RMB1,578 million over 2014. This was primarily because the average balance of financial assets sold under repurchase agreements increased by 270.19% over 2014.

Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2015	Year ended 31 December 2014	Change (%)
Fee and commission income	**121,404**	112,238	8.17
Less: Fee and commission expense	**(7,874)**	(3,721)	111.61
Net fee and commission income	**113,530**	108,517	4.62
Other net non-interest income	**15,405**	10,825	42.31
Total net non-interest income	**128,935**	119,342	8.04

In 2015, the Group's net non-interest income reached RMB128,935 million, an increase of RMB9,593 million or 8.04% over 2014.

Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2015	Year ended 31 December 2014	Change (%)
Fee and commission income	**121,404**	112,238	8.17
Bank card fees	**34,960**	30,569	14.36
Agency service fees	**19,994**	13,204	51.42
Wealth management service fees	**14,457**	10,856	33.17
Consultancy and advisory fees	**13,656**	18,640	(26.74)
Settlement and clearing fees	**13,166**	13,630	(3.40)
Commission on trust and fiduciary activities	**9,942**	8,837	12.50
Electronic banking service fees	**6,684**	6,407	4.32
Credit commitment fees	**3,138**	3,131	0.22
Guarantee fees	**2,490**	2,084	19.48
Others	**2,917**	4,880	(40.23)
Fee and commission expense	**7,874**	3,721	111.61
Net fee and commission income	**113,530**	108,517	4.62

In 2015, the Group's net fee and commission income increased by 4.62% to RMB113,530 million over 2014. The ratio of net fee and commission income to operating income decreased by 0.14 percentage points to 19.35% over 2014.

Bank card fees grew by 14.36% to RMB34,960 million. In this amount, income from credit cards grew by over 20% due to the rapid increase in the spending amount and instalment business through credit cards; however, income from debit cards experienced negative growth as a result of strict implementation of the new government pricing policies.

Agency service fees increased by 51.42% to RMB19,994 million. It was mainly because businesses such as agency fund sales and bancassurance grew relatively fast.

Wealth management service fees increased by 33.17% to RMB14,457 million. It was mainly because the volume of wealth management products increased as a result of continuous innovation of products to effectively meet the needs of various customers.

Consultancy and advisory fees decreased by 26.74% to RMB13,656 million, due to the significant drop of relevant incomes following the exemption and reduction of service fees for small and micro enterprises to support the development of real economy.

Settlement and clearing fees decreased by 3.40% to RMB13,166 million, mainly due to the decrease of income from RMB settlement as a result of the downshift of standard rates for certain settlement services by strict implementation of the new government pricing policies. In addition, the international settlement income decreased over 2014 due to continuous slowing-down of foreign trade growth.

Commission on trust and fiduciary activities increased by 12.50% to RMB9,942 million. In this amount, income from securities investment funds under custody, insurance assets under custody and pension under custody increased at a moderately fast pace, and the traditionally advantageous businesses such as financial services for housing reform grew steadily.

Income from electronic banking service grew by 4.32% to RMB6,684 million. It was mainly because the number of customers in electronic channels such as online banking, mobile banking and SMS finance and the related transaction volume grew relatively fast due to continuous expansion of products and services and constant upgrade of customer experience. Despite the relatively rapid growth of transaction volume through electronic channels, relevant income increased in a limited manner due to the proactive downshift of standard rates for certain electronic banking services in view of the new government pricing policies.

Going forward, the Group will remain focused on product and service innovations to meet customers' differentiated financial service needs, and continuously optimise product and income structures to maintain the steady growth of its fee and commission income.

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	**Year ended 31 December 2015**	Year ended 31 December 2014	Change (%)
Net trading gain	**3,913**	972	302.57
Dividend income	**733**	495	48.08
Net gain arising from investment securities	**5,075**	4,045	25.46
Other operating income, net	**5,684**	5,313	6.98
Total other net non-interest income	**15,405**	10,825	42.31

Other net non-interest income of the Group was RMB15,405 million, an increase of RMB4,580 million or 42.31% over 2014. In this amount, net trading gain was RMB3,913 million, an increase of RMB2,941 million over 2014, which was mainly due to increased gain from gold leasing business. Dividend income was RMB733 million, an increase of RMB238 million over 2014, which was mainly because of the increase of dividends from CCB Life.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during respective periods.

(In millions of RMB, except percentages)	**Year ended 31 December 2015**	Year ended 31 December 2014
Staff costs	**91,499**	91,563
Premises and equipment expenses	**33,046**	30,545
Business taxes and surcharges	**36,303**	34,983
Others	**33,978**	38,897
Total operating expenses	**194,826**	195,988
Cost-to-income ratio (%)	**27.02**	28.92

In 2015, the Group enhanced cost management and optimised expenses structure. Cost-to-income ratio fell by 1.90 percentage points to 27.02% over 2014. The operating expenses were RMB194,826 million, a decrease of RMB1,162 million or 0.59% over 2014. In this amount, staff costs were RMB91,499 million, a decrease of RMB64 million or 0.07% over 2014. Premises and equipment expenses were RMB33,046 million, an increase of RMB2,501 million or 8.19% over 2014. Other operating expenses were RMB33,978 million, a decrease of RMB4,919 million or 12.65% over 2014, which was mainly due to the decrease of administrative and operating expenses following heightened control over key expenditure items as a result of further refinement in expense management.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

(In millions of RMB)	Year ended 31 December 2015	Year ended 31 December 2014
Loans and advances to customers	**92,610**	59,264
Investments	**(1,080)**	836
Available-for-sale financial assets	**(374)**	359
Held-to-maturity investments	**(1,633)**	281
Receivables	**927**	196
Others	**2,109**	1,811
Total impairment losses	**93,639**	61,911

In 2015, the Group's impairment losses were RMB93,639 million, an increase of RMB31,728 million or 51.25% over 2014. In this amount, impairment losses on loans and advances to customers were RMB92,610 million, an increase of RMB33,346 million over 2014, and reversal of impairment losses on investments was RMB1,080 million, a decrease of RMB1,916 million over 2014.

Income tax expense

In 2015, the Group's income tax expense reached RMB69,611 million, a decrease of RMB1,228 million over 2014. The effective income tax rate was 23.32%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Gross loans and advances to customers	**10,485,140**		9,474,510	
Allowances for impairment losses on loans	**(250,617)**		(251,613)	
Net loans and advances to customers	**10,234,523**	**55.78**	9,222,897	55.08
Investments[1]	**4,271,406**	**23.28**	3,727,838	22.26
Cash and deposits with central banks	**2,401,544**	**13.09**	2,610,781	15.59
Deposits and placements with banks and non-bank financial institutions	**663,745**	**3.62**	514,986	3.08
Financial assets held under resale agreements	**310,727**	**1.69**	273,751	1.63
Interest receivable	**96,612**	**0.52**	91,495	0.55
Others[2]	**370,932**	**2.02**	302,345	1.81
Total assets	**18,349,489**	**100.00**	16,744,093	100.00

1. These comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and receivables.
2. These comprise precious metals, positive fair value of derivatives, interests in associates and joint ventures, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

As at 31 December 2015, the Group's total assets were RMB18,349,489 million, an increase of RMB1,605,396 million or 9.59% over 2014. This was mainly due to the increases in loans and advances to customers, investments, and deposits and placements with banks and non-bank financial institutions. The Group actively supported the areas in connection with the real economy and people's livelihood, and its gross loans and advances to customers reached RMB10,485,140 million, an increase of 10.67% over 2014. The Group's total investments rose by 14.58% to RMB4,271,406 million, mainly due to the increase in debt securities investments. The Group adjusted the fund scale of banks and non-bank financial institutions in response to the market liquidity situations. The proportion of deposits and placements with banks and non-bank financial institutions in total assets increased by 0.54 percentage points, while the proportion of cash and deposits with central banks in total assets dropped by 2.50 percentage points to 13.09% due to cuts in the statutory deposit reserve ratio.

Loans and advances to customers

The following table sets forth the composition of the Group's loans and advances to customers as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate loans and advances	**5,777,513**	**55.11**	5,760,406	60.80
Short-term loans	**1,811,557**	**17.28**	1,907,304	20.13
Medium to long-term loans	**3,965,956**	**37.83**	3,853,102	40.67
Personal loans and advances	**3,466,810**	**33.06**	2,884,146	30.44
Residential mortgages	**2,773,895**	**26.45**	2,253,815	23.79
Credit card loans	**390,274**	**3.72**	329,164	3.47
Personal consumer loans	**55,427**	**0.53**	58,040	0.61
Personal business loans	**63,153**	**0.60**	75,002	0.79
Other loans[1]	**184,061**	**1.76**	168,125	1.78
Discounted bills	**433,153**	**4.13**	168,923	1.78
Overseas operations and subsidiaries	**807,664**	**7.70**	661,035	6.98
Gross loans and advances to customers	**10,485,140**	**100.00**	9,474,510	100.00

1. These comprise individual commercial property mortgage loans, home equity loans and educational loans.

As at 31 December 2015, the Group's gross loans and advances to customers rose by RMB1,010,630 million or 10.67% to RMB10,485,140 million over 2014.

Domestic corporate loans and advances of the Bank reached RMB5,777,513 million, an increase of RMB17,107 million, or 0.30% over 2014, mainly in infrastructure sectors, small and micro enterprises and agriculture-related loans. In this amount, short-term loans decreased by RMB95,747 million or 5.02%, while medium to long-term loans increased by RMB112,854 million or 2.93%.

Domestic personal loans and advances of the Bank increased by RMB582,664 million or 20.20% to RMB3,466,810 million over 2014. In this amount, residential mortgages rose by RMB520,080 million or 23.08%. Credit card loans maintained a rapid growth, with an increase of RMB61,110 million or 18.57% over 2014. Personal consumer loans and personal business loans decreased due to adjustment of loan product structure with tighter loan risk control.

Discounted bills increased by RMB264,230 million or 156.42% to RMB433,153 million over 2014, mainly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers of overseas entities and subsidiaries rose by RMB146,629 million or 22.18% to RMB807,664 million over 2014, largely attributable to the enhanced efforts in exploring local customers at overseas operations and the growth of loan portfolio at domestic subsidiaries.

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	**3,034,953**	**28.95**	2,544,807	26.86
Guaranteed loans	**1,833,933**	**17.49**	1,826,894	19.28
Loans secured by tangible assets other than monetary assets	**4,591,009**	**43.78**	4,223,844	44.58
Loans secured by monetary assets	**1,025,245**	**9.78**	878,965	9.28
Gross loans and advances to customers	**10,485,140**	**100.00**	9,474,510	100.00

Allowances for impairment losses on loans and advances to customers

	Year ended 31 December 2015			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
(In millions of RMB)		which are collectively assessed	which are individually assessed	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	(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**

The Group adhered to its prudent principle by fully considering the impact of changes in external environment including macro-economy and government regulatory policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 31 December 2015, the allowances for impairment losses on loans and advances to customers were RMB250,617 million, a decrease of RMB996 million over 2014. The ratio of allowances to NPLs was 150.99%, a decrease of 71.34 percentage points over 2014. The ratio of allowances to total loans stood at 2.39%, a decrease of 0.27 percentage points over 2014.

Investments

The following table sets forth the composition of the Group's investments by nature as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities investments	3,986,820	93.34	3,475,652	93.24
Equity instruments	18,534	0.43	18,633	0.50
Funds	17,188	0.40	1,901	0.05
Other debt instruments	248,864	5.83	231,652	6.21
Total investments	**4,271,406**	**100.00**	3,727,838	100.00

In 2015, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively responded to regulatory and market changes by reasonably balancing risks and returns and continuously optimising the structure of investment portfolio. As at 31 December 2015, the Group's investments totalled RMB4,271,406 million, an increase of RMB543,568 million or 14.58% over 2014. In this amount, debt securities investments accounted for 93.34% of total investments, an increase of 0.10 percentage points over 2014, and other debt instruments accounted for 5.83% of total investments, a decrease of 0.38 percentage points over 2014.

The following table sets forth the composition of the Group's investments by holding intention as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	271,173	6.35	332,235	8.91
Available-for-sale financial assets	1,066,752	24.97	926,139	24.85
Held-to-maturity investments	2,563,980	60.03	2,298,663	61.66
Receivables	369,501	8.65	170,801	4.58
Total investments	4,271,406	100.00	3,727,838	100.00

Debt securities investments

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	3,880,262	97.33	3,398,644	97.78
USD	58,790	1.47	28,896	0.83
HKD	19,781	0.50	25,775	0.74
Other foreign currencies	27,987	0.70	22,337	0.65
Total debt securities investments	3,986,820	100.00	3,475,652	100.00

As at 31 December 2015, total debt securities investments increased by RMB511,168 million or 14.71% to RMB3,986,820 million over 2014. In this amount, RMB debt securities increased by RMB481,618 million or 14.17%, while the foreign currency debt securities increased by RMB29,550 million or 38.37% over 2014.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Government	1,851,649	46.44	1,234,141	35.51
Central banks	162,225	4.07	188,152	5.41
Policy banks	484,102	12.14	537,148	15.45
Banks and non-bank financial institutions	1,055,838	26.48	1,030,907	29.66
Public sector entities	20	0.01	20	0.01
Other enterprises	432,986	10.86	485,284	13.96
Total debt securities investments	3,986,820	100.00	3,475,652	100.00

Interest receivable

As at 31 December 2015, the Group's interest receivable was RMB96,612 million, an increase of RMB5,117 million or 5.59% over 2014. This was mainly due to the growth in loans and debt securities investments.

Liabilities

The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Deposits from customers	**13,668,533**	**80.86**	12,899,153	83.26
Deposits and placements from banks and non-bank financial institutions	**1,761,107**	**10.42**	1,206,520	7.79
Financial assets sold under repurchase agreements	**268,012**	**1.58**	181,528	1.17
Debt securities issued	**415,544**	**2.46**	431,652	2.79
Other liabilities[1]	**791,210**	**4.68**	773,392	4.99
Total liabilities	**16,904,406**	**100.00**	15,492,245	100.00

1. These comprise borrowings from central banks, financial liabilities at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

As at 31 December 2015, the Group's total liabilities were RMB16,904,406 million, an increase of RMB1,412,161 million or 9.12% over 2014. In this amount, deposits from customers accounted for 80.86% of total liabilities, a decrease of 2.40 percentage points over 2014. Deposits and placements from banks and non-bank financial institutions increased due to the active capital market, and the proportion of deposits and placements from banks and non-bank financial institutions increased by 2.63 percentage points.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate deposits	**6,891,295**	**50.42**	6,616,671	51.30
Demand deposits	**4,213,395**	**30.83**	3,966,684	30.75
Time deposits	**2,677,900**	**19.59**	2,649,987	20.55
Personal deposits	**6,367,364**	**46.58**	5,877,014	45.56
Demand deposits	**2,584,774**	**18.91**	2,302,089	17.85
Time deposits	**3,782,590**	**27.67**	3,574,925	27.71
Overseas operations and subsidiaries	**409,874**	**3.00**	405,468	3.14
Total deposits from customers	**13,668,533**	**100.00**	12,899,153	100.00

As at 31 December 2015, the Group's total deposits from customers reached RMB13,668,533 million, an increase of RMB769,380 million or 5.96% over 2014. In this amount, domestic demand deposits of the Bank increased by RMB529,396 million or 8.44%, and accounted for 49.74% of total deposits from customers, an increase of 1.14 percentage points over 2014.

Shareholder's equity

The following table sets forth the composition of the Group's total equity as at the dates indicated.

(In millions of RMB)	As at 31 December 2015	As at 31 December 2014
Share capital	250,011	250,011
Other equity instruments – preference shares	19,659	–
Capital reserve	135,249	135,391
Investment revaluation reserve	23,058	4,066
Surplus reserve	153,032	130,515
General reserve	186,422	169,496
Retained earnings	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

As at 31 December 2015, the Group's total equity reached RMB1,445,083 million, an increase of RMB193,235 million over 2014. The ratio of total equity to total assets for the Group was 7.88%.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this annual report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, and outstanding litigation and disputes. The Group refined management over off-balance sheet activities and continued to adjust off-balance sheet items structure. Among these, credit commitments were the largest component, with a balance of RMB2,402,284 million as at 31 December 2015, an increase of RMB122,887 million over 2014. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" in this annual report for details on commitments and contingent liabilities.

LOAN QUALITY ANALYSIS

Distribution of loans by the five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss categories.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	10,016,243	95.53	9,079,880	95.84
Special mention	302,917	2.89	281,459	2.97
Substandard	92,452	0.88	55,059	0.58
Doubtful	60,160	0.57	48,239	0.51
Loss	13,368	0.13	9,873	0.10
Gross loans and advances to customers	10,485,140	100.00	9,474,510	100.00
NPLs	165,980		113,171	
NPL ratio		1.58		1.19

In 2015, the Group conducted targeted risk inspections in major industries, regions and products, increased efforts in risk prevention and mitigation of customers, expedited the disposal of NPLs through market-driven solutions. As a result, credit asset quality remained stable. As at 31 December 2015, the Group's NPLs were RMB165,980 million, an increase of RMB52,809 million over 2014, while the NPL ratio stood at 1.58%, up by 0.39 percentage points over 2014. The proportion of special mention loans was 2.89%, down by 0.08 percentage points over 2014.

Distribution of loans and NPLs by product type

The following table sets forth loans and NPLs by product type as at the dates indicated.

	As at 31 December 2015			As at 31 December 2014		
(In millions of RMB, except percentages)	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	5,777,513	144,187	2.50	5,760,406	95,886	1.66
Short-term loans	1,811,557	101,269	5.59	1,907,304	66,894	3.51
Medium to long-term loans	3,965,956	42,918	1.08	3,853,102	28,992	0.75
Personal loans and advances	3,466,810	18,153	0.52	2,884,146	11,067	0.38
Residential mortgages	2,773,895	8,602	0.31	2,253,815	4,806	0.21
Credit card loans	390,274	4,204	1.08	329,164	2,783	0.85
Personal consumer loans	55,427	1,009	1.82	58,040	848	1.46
Personal business loans	63,153	1,977	3.13	75,002	1,535	2.05
Other loans	184,061	2,361	1.28	168,125	1,095	0.65
Discounted bills	433,153	–	–	168,923	–	–
Overseas operations and subsidiaries	807,664	3,640	0.45	661,035	6,218	0.94
Total	10,485,140	165,980	1.58	9,474,510	113,171	1.19

As at 31 December 2015, the NPL ratio for domestic corporate loans was 2.50%, an increase of 0.84 percentage points from 2014, and the NPL ratio for personal loans and advances was 0.52%, an increase of 0.14 percentage points over 2014. The NPL ratio for overseas entities and subsidiaries dropped by 0.49 percentage points to 0.45% over 2014.

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

	As at 31 December 2015				As at 31 December 2014			
(In millions of RMB, except percentages)	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	5,777,513	55.11	144,187	2.50	5,760,406	60.80	95,886	1.66
Manufacturing	1,217,122	11.61	71,641	5.89	1,305,595	13.78	48,490	3.71
Transportation, storage and postal services	1,146,028	10.93	3,204	0.28	1,046,282	11.04	4,839	0.46
Production and supply of electric power, heat, gas and water	642,026	6.12	2,092	0.33	606,342	6.40	1,850	0.31
Real estate	449,334	4.29	5,510	1.23	520,107	5.49	5,737	1.10
Leasing and commercial services	629,274	6.00	4,090	0.65	581,267	6.14	868	0.15
– Commercial services	579,115	5.52	4,021	0.69	559,033	5.90	864	0.15
Wholesale and retail trade	386,916	3.69	37,353	9.65	378,880	4.00	23,130	6.10
Water, environment and public utility management	313,258	2.99	95	0.03	327,176	3.45	197	0.06
Construction	258,699	2.47	6,915	2.67	263,854	2.78	4,111	1.56
Mining	226,027	2.16	9,032	4.00	227,711	2.40	3,789	1.66
– Exploitation of petroleum and natural gas	5,122	0.05	90	1.76	6,015	0.06	–	–
Education	77,248	0.74	173	0.22	79,375	0.84	57	0.07
Information transmission, software and information technology services	30,216	0.29	734	2.43	21,744	0.23	1,111	5.11
– Telecommunications, broadcast and television, and satellite transmission services	22,236	0.21	–	–	14,367	0.15	495	3.45
Others	401,365	3.82	3,348	0.83	402,073	4.25	1,707	0.42
Personal loans	3,466,810	33.06	18,153	0.52	2,884,146	30.44	11,067	0.38
Discounted bills	433,153	4.13	–	–	168,923	1.78	–	–
Overseas operations and subsidiaries	807,664	7.70	3,640	0.45	661,035	6.98	6,218	0.94
Total	10,485,140	100.00	165,980	1.58	9,474,510	100.00	113,171	1.19

In 2015, in line with the national industry policies and changes in external operation environment, the Group duly optimised credit policies, re-examined credit systems, and refined customer selection criteria. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. The loan quality in infrastructure sectors remained stable. The new NPLs mainly arose from manufacturing, and wholesale and retail trade.

Rescheduled loans and advances to customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Rescheduled loans and advances to customers	6,466	0.06	3,073	0.03

As at 31 December 2015, rescheduled loans and advances to customers increased by RMB3,393 million to RMB6,466 million over 2014, and accounted for 0.06% of gross loans and advances, an increase of 0.03 percentage points over 2014.

Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Overdue for no more than 3 months	70,492	0.67	54,405	0.58
Overdue for 3 months to 1 year	69,798	0.66	49,012	0.52
Overdue for 1 to 3 years	26,865	0.26	22,991	0.24
Overdue for over 3 years	6,026	0.06	6,808	0.07
Total overdue loans and advances to customers	173,181	1.65	133,216	1.41

As at 31 December 2015, overdue loans and advances to customers increased by RMB39,965 million to RMB173,181 million over 2014, mainly because delinquencies increased as certain customers experienced difficulty in their business operation with the slowdown of domestic economy and enhanced structural adjustments.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements of the Group requires management to make judgements, estimates and assumptions that may 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. Effects of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The major areas affected by the estimates and judgements include: impairment losses on loans and advances to customers, available-for-sale debt securities and held-to-maturity investments, impairment of available-for-sale equity instruments, fair value of financial instruments, reclassification of held-to-maturity investments, income taxes, employee retirement benefit obligations and scope of consolidation. For the accounting estimates and judgement relevant to the matters aforesaid, please refer to Note "Significant Accounting Policies and Accounting Estimates" in the "Financial Statements" of this annual report.

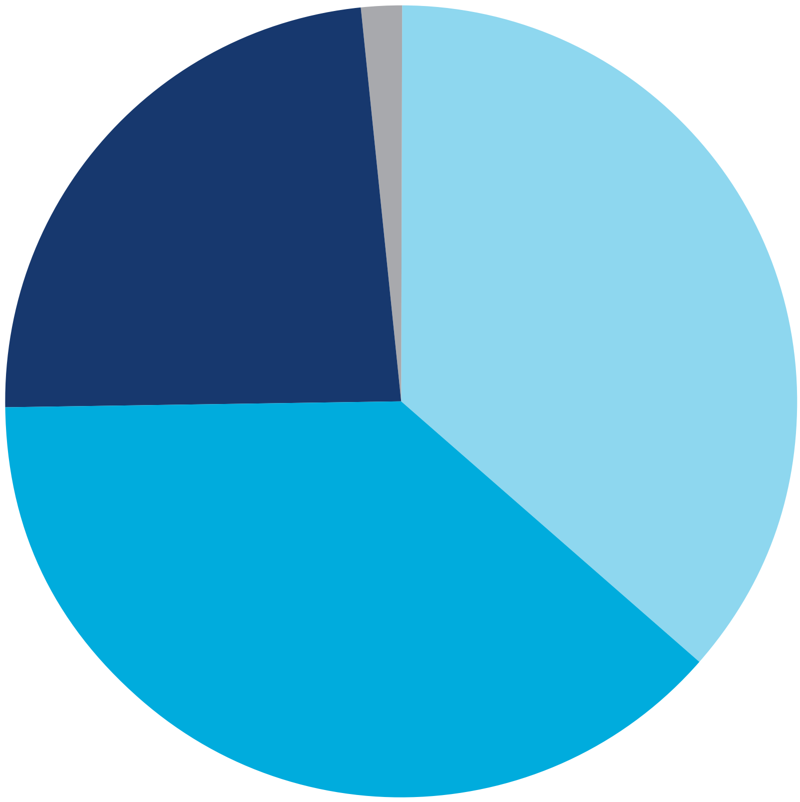
DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in the net profit for the year ended 31 December 2015 or total equity as at 31 December 2015 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business and others including overseas business and subsidiaries.

The Group's Profit before tax
RMB298,497M



- Corporate banking 36.24%
- Personal banking 38.59%
- Treasury business 23.58%
- Others 1.59%

The following table sets forth, for the periods indicated, the profit before tax of each major business segment:

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

Accelerate the transformation into a

MULTI-FUNCTIONAL SERVICE PROVIDER

CORPORATE BANKING

Corporate deposits

The Bank attached great importance to the combined use and innovation of its deposit products while endeavouring to serve well its existing customers, and effectively promoted the steady growth of corporate deposits. At the end of 2015, domestic corporate deposits of the Bank amounted to RMB6,891,295 million, an increase of RMB274,624 million or 4.15% over 2014.

Corporate loans

The Bank's corporate loans were granted in a continuously optimised manner, mainly to support the development of the real economy. At the end of 2015, domestic corporate loans and advances of the Bank amounted to RMB5,777,513 million, an increase of RMB17,107 million, or 0.30% over 2014. Loans to infrastructure sectors totalled RMB2,707,785 million, an increase of RMB148,570 million over 2014. Agriculture-related loans amounted to RMB1,892,779 million, an increase of RMB100,981 million or 5.64% over 2014. In this amount, loans to new countryside construction were RMB96,882 million. The accumulated amount of loans granted through online banking since 2007 reached RMB185,424 million, covering over 18.0 thousand customers. The Bank further expanded cooperation with 108 high quality e-commerce platforms.

The Bank strictly implemented list management. Loans to the five industries with severe overcapacity, including iron and steel, cement, electrolytic aluminium, plate glass, and the shipbuilding sector, decreased by RMB3,563 million to RMB130,259 million over 2014. The Bank strictly controlled the total amount of loans to government financing vehicles, and continued to optimise cash flow structures. The outstanding balance of those classified under the regulated category decreased by RMB52,986 million to RMB292,166 million. In this amount, loans fully covered by cash flows accounted for 96.29%. Property development loans were mainly extended to high quality real estate developers with high credit rating, good business performance and proper closed management of project funds, as well as commercial housing projects for ordinary residential purpose. The outstanding balance of property development loans was RMB414,196 million, a decrease of RMB56,986 million over 2014.

Small enterprise business

The Bank regards its small and micro enterprise business as an important strategic business to serve the real economy, and continuously pushes forward the transformation towards small amounts, standardisation and intensiveness. In 2015, focusing on serving the real economy, the Bank increased credit resources for small and micro enterprises by giving priority and attaching importance to small and micro enterprise business. The Bank vigorously promoted new business models including “Credit Cooperation Loan” through business communities, industrial chains and enterprise clusters, intensified experience sharing and model replication, and expanded the coverage of customer services. The Bank launched the new model to enhance credit through cooperation between banks and tax authorities, entering into cooperation framework agreement with the State Administration of Taxation on conducting the “mutual recognition of credit investigation and interaction between banking and taxation”, and granted loans to eligible small and micro enterprises based on their tax information. The Bank also comprehensively promoted scorecard credit model for small and micro enterprises and big data-based products exclusively designed for small and micro enterprises, such as “Shan Rong Dai” and “Jie Suan Tou”, enabling more small and micro enterprises to have access to credit services. Based on behaviour scorecards, the Bank offered credit extension to small and micro enterprises to ease their pressures of “repaying first and then borrowing”. The Bank proactively expanded electronic channels and promoted revolving facility loans, to improve customers' disbursement convenience and speediness. At the end of 2015, according to the categorisation policy of small and medium-sized enterprises jointly issued by four ministries and commissions including the Ministry of Industry and Information Technology in 2011 as well as the CBRC's latest regulatory requirements, loans to small and micro enterprises were RMB1,277,879 million, an increase of RMB134,951 million or 11.81% over 2014. The number of small and micro enterprise borrowers was 251,944, an increase of 9,869 over 2014, and the availability rate of loan applications for small and micro enterprises was 84.93%, 1.52 percentage points higher from 2014.

Feature Article: "Shui Yi Dai" boosts mass entrepreneurship and innovation

To resolve the financing difficulties for small and micro enterprises, the Bank proactively explored the new model of credit business, and joined force with the State Administration of Taxation to launch the cooperation in "interaction between banking and taxation" and the innovative "Shui Yi Dai", a credit product based on big data.

"Shui Yi Dai" is a kind of business for providing credit loans to small and micro enterprises to fund their production and operations based on their tax information provided by tax authorities, which is used to analyse and evaluate the business performance and credit level of small and micro enterprises, and identify eligible small and micro enterprise applicants in light of their ability and performance in paying tax in full and on time. By connecting small and micro enterprises' business performance and their tax behaviours, "Shui Yi Dai" effectively draws on public information to fill in the gap in financial information of small and micro enterprises previously handicapped by their inadequacy and inaccuracy, and provides an effective solution that not only tackles the issues of lack of information and credit facing small and micro enterprises, but also serves as an incentive for honest taxpaying businesses as well as creating a good credit environment that embodies "credit granting and promoting through tax payment".

In order to actively push forward the cooperation between the bank and the tax authority, the Bank became the first bank to sign cooperation framework agreement with the State Administration of Taxation on the "mutual recognition of credit investigation and interaction between banking and taxation" in September 2015 to establish the cooperation mechanism between banking and taxation on the basis of mutual recognition of credit investigation, enabling the Bank and the tax authority to work together to pool and share credit information. At the end of 2015, the Bank had established altogether 1,374 cooperation platforms with local tax authorities.

As one of the major means for deepening cooperation between the Bank and tax authorities as well as delivering financial services to small and micro enterprises, "Shui Yi Dai" has produced remarkable results since its launching one year ago. At the end of 2015, the accumulated amount of loans granted through "Shui Yi Dai" exceeded RMB20 billion, with a total of 12,000 small and micro enterprises receiving the credit service. "Shui Yi Dai" has effectively promoted cooperation between the Bank and tax authorities, created significant benefits to numerous small and micro enterprises, especially those technological and start-up enterprises with a limited asset base and in their early stage of growth, and eventually promoted mass entrepreneurship and innovation.

On the basis of "Shui Yi Dai", the Bank proactively explored and improved the value-added application of tax information in financial services, and launched more innovative financial products, including lending on managed tax rebate account for export enterprises. It also explored to provide comprehensive banking and tax services, created more convenient tax service environment for small and micro enterprises by taking advantage of its network strengths, and offered integrated tax self-services in its comprehensive banking outlets through tax self-service terminals connected with the national and local tax authorities.

Cost advisory service

Cost advisory service is the Bank's unique fee-based business product with a strong brand. It has a history of 61 years since it emerged and developed along with the Bank's long-term practices of investing in fixed assets and being the agency of the state financial functions. All of the Bank's 37 tier-one branches have the professional qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, among which 36 tier-one branches have grade-A qualification, one has grade-B qualification, and 251 tier-two branches set up specialised units for cost advisory service. In 2015, the Bank continuously improved industry position and brand image of cost advisory service by reinforcing fundamental management, seizing market opportunities, pushing forward business transformation, improving specialised institutions, and innovating businesses and products. Income from cost advisory service amounted to RMB7,427 million.

Institutional business

The Bank vigorously promoted its updated "Minben Tongda" comprehensive financial services brand. With a focus on key prime customers in areas of education, health, social security, environmental protection and culture, the Bank further expanded the range of comprehensive services. 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 peers to study and launch the *Comprehensive Financial Service Plan Regarding Pension System Reform of Public Institutions*. The applications of social security products continuously expanded as 30 branches issued financial social security cards as a whole. The Bank took the lead to work with the Ministry of Water Resources in fund supervision and entered into cooperation agreements, and signed strategic cooperation agreements with National Tourism Administration and jointly issued the *2015 Catalogue of Prioritised National Tourism Projects*. It ranked first in the comprehensive evaluation of payment agency banks authorised by the central government and continued to rank first in terms of the number of customers in payments authorised by the central government and in payment and collection of non-tax revenue. The Bank maintained its leading position in the accumulative issuance of civil service cards for institutions with fiscal budget status. The Bank also became a general member of the Shanghai Clearing House to engage in foreign exchange clearing agency services, successfully launched the system of central counterparty clearing services in RMB-FX transactions, and qualified as a USD clearing bank. The Bank also established correspondent bank relationships with 17 domestic banks, renewed the *Cooperation Agreements for Direct Connection Programmes between Banks and Enterprises* with China Development Bank, entered into the *Overall Strategic Cooperation Agreements* with China Cinda Asset Management Corporation and China Galaxy Securities, which further consolidated and expanded its inter-bank customer base. At the end of 2015, the number of "Xincunguan" customers whose securities deposits managed by the Bank as a third party totalled 34.71 million, and securities deposits under management amounted to RMB482,063 million, leading the market. The number of contracted futures investment customers accounted for nearly 50% market share, maintaining the leading position among peers, and the number of futures companies with through-train banking services reached 153, representing 100% coverage.

International business

International business maintained the momentum of rapid development. Another breakthrough was achieved in expanding 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 vibrantly. The Bank successfully issued RMB1 billion two-year offshore RMB bonds in London, which became the first RMB bond product listed in London Stock Exchange. It also launched "comprehensive financial services for cross-border e-commerce", built "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" 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. Overseas correspondent bank network continued to grow with a total of 1,491 head office level correspondent banks in 139 countries and regions. In 2015, the volume of international settlement amounted to US$1.29 trillion, an increase of 9.37%; the volume of cross-border RMB settlement was RMB1.84 trillion, an increase of 26.15%.

Asset custodial business

The Bank increased investments in marketing and promotion, and made innovation a top priority to help drive the rapid development of its asset custodial business. As the only custodial bank, 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. At the end of 2015, the custodian assets managed by the Bank totalled RMB7.17 trillion, an increase of 67.36%. Securities investment funds managed by the Bank totalled RMB1.74 trillion, an increase of 83.47%. The total number of securities investment funds for which the Bank served as custodian was 535 and the number of new funds receiving the Bank's custodian services was 127, both ranking first in the market. Insurance assets managed by the Bank totalled RMB1.53 trillion, an increase of 60.85%.

Pension business

Pension business developed robustly with solid progress in product innovation. The Bank innovatively launched occupational annuity service plan for public institutions, enterprise annuity tax planning and consultancy, and insurance security mode supplementary pension products. The "Yangyi" series, with their unique customer base and strong combination of functions' advantages, covered all types of pension markets in general. At the end of 2015, the pension assets under trusteeship in operation totalled RMB93,903 million, an increase of RMB38,579 million or 69.73%. The pension assets under custody in operation totalled RMB167,751 million, an increase of RMB32,975 million or 24.47%. The number of personal pension accounts in operation totalled 4,555.6 thousand, an increase of 717.7 thousand or 18.68%.

Treasury management and settlement business

Treasury management and settlement business maintained rapid growth momentum. Financial IC corporate settlement cards were successfully launched to the market with constantly diversified product functions and application channels. The Bank innovatively launched smart cross-bank collection and integrated account cash pool, which effectively improved the service capabilities of self-initiated collection, integrated settlement and cross-bank treasury management. The market influence of multi-model cash pool and bank notes pool was gradually expanded and customer coverage was constantly improved. The global treasury management business grew steadily, with successful launch of global account information report and cross-border remote payment and successful opening up of foreign currency functions of real-time cash pool and period payment limit. At the end of 2015, the Bank had 5,705.3 thousand corporate RMB settlement accounts, an increase of 845.3 thousand. The Bank had 1,289.3 thousand active treasury management customers, an increase of 335.4 thousand.

PERSONAL BANKING

Personal deposits

The Bank enhanced the capacity to attract deposits through high quality and efficient products and services, maintaining a steady growth of personal deposits. At the end of 2015, domestic personal deposits of the Bank rose by RMB490,350 million or 8.34% to RMB6,367,364 million over 2014. In this amount, demand deposits increased by 12.28%, and time deposits increased by 5.81%.

Personal loans

The Bank's personal loans proactively met credit demands in people's livelihood sectors. It strengthened product innovation and steadily improved customer service ability. At the end of 2015, domestic personal loans of the Bank increased by RMB582,664 million or 20.20% to RMB3,466,810 million over 2014. Residential mortgages were granted to support residents' reasonable housing consumption, amounting to RMB2,773,895 million, an increase of RMB520,080 million or 23.08%, with the balance and the increment both ranking first in the market. The Bank became the first among its peers to obtain the approval from the PBOC to register and issue residential mortgages-backed securities of up to RMB50 billion, and it successfully issued two batches of residential mortgages-backed securities totalling RMB9,664 million. In terms of personal consumer and operation loans, the Bank focused on product innovation and made encouraging progress in its transformation. Personal consumer loans were RMB55,427 million, personal business loans were RMB63,153 million and personal agriculture-related loans totalled RMB6,347 million.

Bank cards business

Credit card business

Credit card business continued to maintain sound and rapid development with core business indicators leading the market among peers. Its brand influence, market competitiveness, risk control ability, profitability and customer satisfaction were further improved. The Bank built its consumer financial ecosystem. On the customer side, it made all-round promotion of hot purchase Long Card series to meet the diversified customers' needs, and accelerated the promotion and application of ETC transportation card and other cards applicable to specific industries in people's livelihood sectors. On the merchants' side, the Bank sped up the expansion of consumer preferential merchants. It promoted innovation and application of core mobile payment technologies like e-Pay Card, HCE Cloud Pay, Apple Pay, Samsung Pay, and QR Code Payment for different consumer scenarios. It constantly built its brands and conducted large domestic and overseas promotion activities focusing on the theme of "Long Card for Descendants of the Dragon", such as "Saturday of Long Card" and "Rocking All over the World with Long Card" for brand card owners to enhance customers' card-using experience. The Bank also introduced educational instalment products like "New Elite" based on the successful experience in instalment projects like car purchase and bill instalment, so as to diversify its instalment products. The Bank continued to advance the building of its "Smart Customer Service" platform to enhance customer cultivation and satisfaction management while promoting its automation and smartness. It went on implementing the long-term mechanism of the voice of customers to collect customers' feedbacks from various channels and drive optimisation of product functions and service processes, thus improving all-round customer experience. At the end of 2015, the number of credit cards issued was 80.74 million, an increase of 14.81 million over 2014. The spending amount through credit cards reached RMB2,218,263 million, a year-on-year increase of 33.79%, and the loan balance was RMB390,274 million. The asset quality remained sound.

Debit card business

In adherence to the "Mobile First" development strategy, the Bank enhanced its payment and settlement base and maintained steady growth of its debit card business. It introduced HCE Long Card Cloud QuickPass and developed "Suixinyong" mobile payment APP to meet customers' needs for secure and convenient payment. It vigorously expanded business cooperation in key industries, including social security, medical and health care, public transportation, community, culture and education, to promote the application of financial IC debit cards and e-cash Quick Pass. The Bank introduced Huifu Long Card for migrant workers to enjoy settlement discounts from exclusive packages. At the end of 2015, the number of debit cards issued totalled 739 million, an increase of 107 million, and the spending amount through debit cards reached RMB6.67 trillion, an increase of 30.97%. The Bank made great efforts in the business development of financial IC debit cards and the number of financial IC debit cards issued totalled 310 million, an increase of 125 million. The number of express settlement cards issued totalled 31.27 million, an increase of 15.56 million, targeted at individual business proprietors for their payment and settlement demands.

Private banking

With a focus on comprehensive implementation of transformation and development, private banking business constructed a business model featuring "differentiation, professionalism and versatility". Driven by the needs of customers, their families and enterprises, the Bank focused on wealth advisory, investment management, and financial and non-financial businesses, and strove to accelerate business development. In compliance with the requirement of "being integrated, platform-based and comprehensive", the Bank gradually optimised its product service system to be a Group-owned, Bank-customised, third-party-supported one. The Bank made innovation in fund selection and assessment and explored overseas assets allocation strategy, and launched "Sixiang CCB Asia", "Sixiang Singapore" and other customised cross-border investment businesses, "Sixiangpin" intermediate service for collection of Jingdezhen porcelain and ceramics by private banking customers, and "Sixiangjiuyuan" private banking insurance and trust services, and provided New Zealand and Singapore investment immigration services. Leveraging on the all-channel operation advantage, the Bank improved the "1+1+1+N" private banking customer service model. The Bank constantly optimised the IT system of private banking business by deepening the implementation and exploration of "big data". It established the scoring mechanism for internal control and compliance evaluation of private banking business, and continuously improved internal risk control system. At the end of 2015, the number of private banking customers with financial assets above RMB10 million grew by 23.08% over 2014, and the total amount of customers' financial assets increased by 32.94%.

Entrusted housing finance business

Adhering to the philosophy of "supporting housing reform and serving the people", the Bank enhanced building of its IT systems and business channels and strengthened process reengineering and product innovation for provident housing fund loans, to provide comprehensive and high quality entrusted housing finance service. At the end of 2015, housing fund deposit was RMB649,127 million, while individual housing loan of housing provident fund amounted to RMB1,510,423 million. The Bank accelerated the expansion of provident fund co-branded cards by issuing 37.40 million cards in total. The Bank steadily intensified loan support for indemnificatory housing to meet low and middle-income residents' housing demands. The Bank accumulatively provided housing provident fund project loans of RMB50,670 million to 217 trial projects of indemnificatory housing, and accumulatively granted indemnificatory housing loans of over RMB100 billion to nearly 630,000 low and middle-income residents.

Feature article: Transformation of Personal Payment and Settlement Business

Focusing on the targeted demands of "building personal financial ecosystem", the Bank vigorously promoted the transformation of personal payment and settlement business and built the financial ecosystem of payment and settlement. In adherence to the "Mobile First" transformation strategy, the Bank constantly launched innovative products and improved customer service.

The Bank was committed to build the financial ecosystem of payment and settlement, focused on customers to combine their diversified daily demands with their financial payment behaviours, and improved customer service by participating in customers' daily life scenarios. At the end of 2015, the Bank launched over 400 industry application projects, provided services to customers in a number of typical application scenarios, and focused on ten industries including social security, public transportation, community, education, medical services, traveling, car owners, vegetable markets, ETC, and county areas. It totally issued 77.94 million social security cards over the years, including 21 million cards issued in 2015, and totally installed 9.13 million OBUs over the years, including 7.52 million OBUs installed in 2015.

The Bank vigorously developed mobile payment business and introduced mobile payment products in SD mode, SIM mode and HCE mode. In August 2015, a mobile payment product in HCE mode – Long Card Cloud QuickPass was officially launched, received commendation from the PBOC and other regulators, and was well received by customers. Long Card Cloud QuickPass combined the financial IC card with the mobile terminal, and users neither need bank cards for consumption and shopping, nor withdraw money from banks, being in the leading position in the "card-free" payment era. The Bank developed "Suixinyong" mobile payment APP, which might realise the online Cloud QuickPass card issuance and complete standard IC card loading and industry applications top-up as a processing centre.

Orienting towards new customer base, the Bank constantly launched innovative products by exploring new functions and covering new areas. In response to the national initiatives of inclusive finance, the Bank launched Huifu Long Card – a bank-wide featured card customised for migrant workers, which provided the important platform for county ecosystem of payment and settlement and had more than one million cards issued. The Bank also introduced the convenient functions of password-free or signature-free quick pass payment under RMB300, to meet customers' demands for instant payment and settlement. The Bank quickened the pace of international integration by assisting CCB Russia in issuing debit cards in Russia, being the first Chinese bank to issue bank cards in Russia.

TREASURY BUSINESS

Financial market business

In 2015, the Bank proactively promoted the transformation and development of financial market business, constantly increased transaction activity and market influence, promoted product innovation and consolidated customer base, contributing to the steadily improved profitability and risk management and control.

Money market business

With regard to the use of RMB funds, the Bank actively strengthened the research and estimation on market liquidity, paid close attention to monetary policies guidance and reviewed funding supply movements and trends, so as to keep pace with funding inflow and outflow and safeguard the liquidity of the whole bank. Meanwhile, the Bank studied credit risk of its counterparties to ensure transaction security. With regard to the use of foreign currency funds, the Bank ensured the liquidity safety of foreign currency through various measures and expanded channels of fund utilisation, resulting in better efficiency in fund utilisation.

Investments in debt securities

With regard to investments in RMB debt securities, the Bank actively engaged in band trading and adjusting its existing portfolio, and continuously optimised investment mix and term structure. The Bank maintained a stable return on its RMB debt securities investments in spite of the dramatic decrease in market interest rates. The Bank enhanced post-investment management over bonds, detected and responded to potential credit risk, and disposed its holding in bonds of over-capacity or gradually shrinking industries. With regard to investments in debt securities denominated in foreign currencies, the Bank paid close attention to the interest rate fluctuation to take advantage of the right investment opportunities.

Customer-driven foreign exchange and interest rate trading business

The Bank proactively responded to changes of the market and regulatory policies, ensured compliant and sound business operations, enhanced products innovation and customer marketing, optimised foreign exchange transacting functions of corporate online banking, enhanced customer service ability and transaction activity, and expanded its market influence. In 2015, the transaction volume of customer-driven foreign exchange and interest rate trading business reached US$518,382 million, an increase of 8.26%. The Bank also maintained its leading position in China interbank foreign exchange market, with the transaction volume of foreign exchange market-making increasing by 91.27% to US$1.75 trillion.

Precious metals

The Bank proactively responded to changes in the precious metals market via pursuing marketing expansion, enlarging customer base and enforcing product innovation. The Bank launched innovative products and business models, including gold accumulation plan and silver lease, offering a wider coverage of 24 various kinds of tradable bulk commodities hedging service, which further expanded the Bank's source of income. The Bank was officially accepted as one of gold pricing banks by London Bullion Market Association, which helped to promote its pricing power and influence in the gold market. In 2015, the total trading volume of precious metals of the Bank reached 54,263.84 tonnes, an increase of 67.87%, and the number of personal precious metal trading customers totalled 21.15 million, with a new addition of 2.05 million.

Assets management business

The Bank accelerated the transformation and innovation of assets management business, and constantly improved customer experience and its brand image. It introduced eight categories of wealth management products (WMPs), including gold option-linked WMPs, CSI 300 Index-linked WMPs, WMPs focusing on repo investments in structured shares and offshore RMB-denominated assets investments for RQDII, to effectively satisfy the wealth management needs of middle-end and high-end customers. The Bank also issued its first Public-Private-Partnership ("PPP") products and "BT-to-VAT" planning products and established a comprehensive investment and financing platform based on the assets management business. In 2015, the Bank independently issued 6,084 batches of WMPs with a total volume of RMB6,290,433 million to effectively meet the investment needs of customers. At the end of 2015, the balance of WMPs was RMB1,617,643 million. In this amount, the balance of non-principal-guaranteed WMPs was RMB1,366,318 million and the balance of principal-guaranteed WMPs was RMB251,325 million.

Investment banking business

Investment banking business developed rapidly, promoting the Bank to transform from the role of a pure fund supplier to a fund raiser and provider of comprehensive financial solutions. The Bank was actively engaged in innovation and underwriting financial instruments including perpetual notes, assets-backed notes, capital supplement bonds for insurance companies, and tier-2 capital bonds for commercial banks. The Bank successfully underwrote the first medium term notes through public placement for affordable housing projects as well as the first urbanisation bonds through private placement. Besides, the Bank actively and constantly explored new growth opportunities by underwriting fully independent local government bonds and financial bonds. In 2015, the underwriting amount of debt financing instruments for non-financial enterprises was RMB531,609 million, leading the market. Income from financial advisory services of the Bank reached RMB4,352 million. In this amount, income from new financial advisory services totalled RMB3,746 million.

OVERSEAS COMMERCIAL BANKING BUSINESS

In 2015, the Group made positive progress in the laying-out of overseas presence. Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe, Cape Town Branch (tier-two branch), London Branch, Zurich Branch, Dubai International Financial Centre Branch opened successfully. At the end of 2015, the Group had overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Cape Town, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Brisbane, Taipei, Luxembourg, Macau, Toronto, Paris, Amsterdam, Barcelona, Milan, London, Zurich and Dubai, and wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai, CCB Europe and CCB New Zealand, and held 99.05% of the total share capital of CCB Brasil. Its overseas entities covered 25 countries and regions. At the end of 2015, the Group's total assets of overseas commercial banks were RMB1,187,702 million, an increase of 16.48% over 2014, and net profit was RMB4,113 million, a year-on-year increase of 29.52% on the same calculation basis.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licenced bank registered in Hong Kong with a registered capital of HK$6,703.5 million and RMB17,600 million.

CCB Asia is the Group's service platform for retail and small and medium-sized enterprises businesses in Hong Kong, with 43 branches, one private banking centre, five private lending centres and five small and medium-sized enterprises centres along metro lines and in commercial/residential areas. CCB Asia also specialises in wholesale banking services for customers mainly from Hong Kong, Macau as well as Mainland China and Southeast Asia, especially for the targeted customers of Blue-Chip, large Red-Chip companies, large Chinese conglomerates, multinational corporations and local premium customers in these areas. The Bank has rich experience and traditional advantages in providing professional financial services in overseas syndicated loans and structured finance, and has achieved rapid growth in comprehensive corporate financial services in international settlements, trade finance, treasury business, large structured deposit and financial advisory. At the end of 2015, total assets of CCB Asia amounted to RMB361,062 million, and shareholders' equity was RMB38,403 million. Net profit was RMB2,027 million.

CCB London

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank registered in the UK. In March 2009, CCB London obtained the banking licence issued by the UK financial regulatory authorities. It has a registered capital of US$200 million and RMB1.5 billion, and is mainly engaged in corporate deposits and lending, international settlement and trade finance, RMB and British pound clearing, and treasury financial products. As the Group's British pound clearing centre, CCB London proactively served the Chinese institutions in the UK, British companies with investment in China, corporate customers involved in bilateral trade, expanding CCB's service channels in the UK and Europe. CCB London was appointed as RMB clearing bank in London by the PBOC.

CCB London will seize the opportunity of RMB internationalisation to proactively expand the service channels in the UK and Europe, promote the development of various software and hardware infrastructure, and provide convenient, fast and efficient multi-currency clearing service for its customers. It intensified risk management and control, actively consolidated customer base, developed new products and broadened development channels. At the end of 2015, total assets of CCB London amounted to RMB15,124 million, and shareholders' equity was RMB3,133 million. Net profit was RMB70.42 million.

CCB Russia

China Construction Bank (Russia) Limited Liability Company is a wholly-owned subsidiary of the Bank registered in Russia in March 2013 with a registered capital of RUB4.20 billion.

CCB Russia, holding the comprehensive banking license issued by the Central Bank of Russia, is mainly engaged in syndicated loan, bilateral loan, trade finance, international settlement, treasury business, financial institutional business, clearing business, cash business, deposits business, and safe deposit box services, etc. At the end of 2015, total assets of CCB Russia amounted to RMB1,775 million, and shareholders' equity amounted to RMB438 million. Net profit amounted to RMB47.88 million.

CCB Dubai

China Construction Bank (Dubai) Limited is the Bank's wholly-owned subsidiary in Dubai International Financial Centre (DIFC), with a registered capital of US$100 million.

In April 2013, CCB Dubai obtained the "level-one banking license" issued by Dubai Financial Service Authority (DFSA), which allowed it to provide the widest business range of commercial banking in this area. It is specialised in wholesale business, including deposits and loans, proprietary/agency investment transaction, credit or investment arrangement, financial products or credit advisory and custody services. CCB Dubai has proactively expanded various assets and liabilities activities, providing commercial bank businesses including syndicated loans, trade finance, international settlement and customer-driven foreign exchange trading for corporate customers since its opening. At the end of 2015, total assets of CCB Dubai amounted to RMB5,683 million, and shareholders' equity amounted to RMB654 million. Net profit reached RMB5.94 million.

CCB Europe

China Construction Bank (Europe) S.A. is a wholly-owned subsidiary of the Bank registered in Luxembourg with a registered capital of EUR200 million. In July 2013, CCB Europe obtained the full functional banking license issued by the Financial Ministry of Luxembourg. Based in Luxembourg, CCB Europe has established new branches in Paris, Amsterdam, Barcelona and Milan in 2015, and offers high quality financial services to various European customers throughout the continent.

Focusing on corporate finance and financial market businesses, CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe and European multinational enterprises in China. At the end of 2015, total assets of CCB Europe amounted to RMB2,342 million, and shareholders' equity amounted to RMB1,373 million. Net profit was a negative value of RMB51.64 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited is a wholly-owned subsidiary of the Bank registered in New Zealand with a registered capital of US$50 million. CCB New Zealand obtained the commercial banking license with full functions issued by Reserve Bank of New Zealand in July 2014 and formally opened on 21 November 2014.

CCB New Zealand has the wholesale and retail business license to offer all-round and high-quality financial services, including corporate loans, trade financing, RMB clearing and cross-border treasury transaction to Chinese going-global corporate customers as well as local customers in New Zealand, and residential mortgages to personal customers and other cross-border financial demands to high-net personal customers. At the end of 2015, total assets of CCB New Zealand amounted to RMB1,787 million, and shareholders' equity amounted to RMB235 million. Net profit was a negative value of RMB21.94 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is built on Banco Industrial e Comercial S.A. ("BIC"), formerly a relatively large medium-sized bank established in 1938 and headquartered in Sao Paulo. BIC was mainly engaged in corporate loan business, and also offered banking services, such as treasury and personal credit, as well as non-bank financial services, such as leasing and securities transactions. BIC has been listed on BOVESPA since 2007.

The Bank completed the acquisition of BIC on 29 August 2014. 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 delisting of BIC from the exchange and its renaming as China Construction Bank (Brasil) Banco Múltiplo S/A. At the end of 2015, CCB Brasil had 37 domestic branches in Brasil and one Cayman branch, with outlets covering most states and main cities in Brasil. CCB Brasil had five wholly-owned subsidiaries and one joint venture. Subsidiaries were engaged in equipment leasing, personal loans, securities services, VISA group credit card, prepaid card issuance and data processing respectively, while the joint venture focused on factoring and forfaiting. At the end of 2015, total assets of CCB Brasil amounted to RMB23,086 million, and shareholders' equity amounted to RMB1,291 million. Net profit was a negative value of RMB834 million.

INTEGRATED OPERATION SUBSIDIARIES

The Group has preliminarily established an integrated operating framework and progressively optimised its comprehensive financial services. At the end of 2015, the Group owned domestic subsidiaries in non-banking financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures, CCB International and CCB Pension, and set up several banking entities providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks. The overall business development of integrated operation subsidiaries was in a good shape with steady business expansion and sound asset quality. At the end of 2015, total assets of integrated operation subsidiaries were RMB266,596 million, an increase of 40.65% year-on-year. Net profit reached RMB3,900 million, an increase of 59.01%.

CCB Trust

CCB Trust Co., Limited has a registered capital of RMB1,527 million, of which the Bank, Hefei Xingtai Financial Holding Group Co., Ltd. and Hefei Municipal State-owned Assets Holding Corporation Limited contribute 67%, 27.5% and 5.5% of its shares respectively. Its main operations include trust business, investment banking business and traditional business. Trust business mainly comprises single fund trust, collective fund trust, property trust, equity trust and family trust. Trust assets are mainly used for extending loans and investments. Investment banking business mainly comprises financial advisory, equity trust and bonds underwriting. Traditional business mainly comprises lending, equity investment and securities investment with equity funds.

At the end of 2015, the trust assets under management amounted to RMB1,096,839 million, ranking first among its peers. Total assets of CCB Trust were RMB10,968 million, and shareholders' equity was RMB8,475 million. Net profit was RMB1,196 million.

CCB Life

CCB Life Insurance Company Limited has a registered capital of RMB4,496 million, of which the Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, China Jianyin Investment Limited, Shanghai Jin Jiang International Investment and Management Company Limited, and Shanghai China-Sunlight Investment Co., Ltd contribute 51%, 19.9%, 14.27%, 5.08%, 4.9% and 4.85% of its shares respectively. CCB Life's scope of business includes personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned businesses, and the use of insurance funds permitted by the national laws and regulations.

In 2015, premium income of CCB Life ranked first among the bank-affiliated insurance companies with further broadened business areas and steadily improved investment income. At the end of 2015, total assets of CCB Life were RMB69,191 million, and shareholders' equity was RMB8,805 million. Net profit was RMB413 million.

CCB Financial Leasing

CCB Financial Leasing Corporation Limited is a wholly-owned subsidiary of the Bank with a registered capital of RMB8 billion. CCB Financial Leasing is mainly engaged in finance leasing, transferring and buying finance leasing assets, sales and disposal of lease, economic advisory and other businesses approved by the CBRC.

In 2015, CCB Financial Leasing actively promoted business transformation, explored specialised operational methods, and accelerated strategic planning and implementation, with notable achievements in market expansion and great improvement of market position and impact. At the end of 2015, total assets of CCB Financial Leasing were RMB101,805 million, and shareholders' equity totalled RMB10,675 million. Net profit was RMB955 million.

CCB International

CCB International (Holdings) Limited is the Bank's wholly-owned subsidiary in Hong Kong, with a registered capital of US$601 million, offering investment banking related businesses, including listing sponsoring and underwriting, merger and acquisition ("M&A") and restructuring of corporations, direct investment, assets management, securities brokerage and market research.

In 2015, CCB International continued to push forward strategic transformation with sustainable and sound development of businesses. CCB International was a leading player in the number of projects where it acted as securities sponsor and underwriter and M&A financial advisor; through London Stock Exchange and Euronext, it issued the first RQFII-ETF both denominated and traded in RMB in Europe as well as the Euro Zone respectively. At the end of 2015, total assets of CCB International were RMB31,960 million, and shareholders' equity reached RMB8,754 million. Net profit was RMB681 million.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. has a registered capital of RMB200 million, of which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10% of its shares respectively. It is engaged in raising and selling funds, assets management as well as other businesses permitted by the CSRC.

In 2015, CCB Principal Asset Management actively seized opportunities to achieve a great leap forward in various businesses. At the end of 2015, total volume of funds managed by CCB Principal Asset Management was RMB686.3 billion. In this amount, public offering fund was RMB314.7 billion and non-public offering fund was RMB161.7 billion. Total assets of CCB Principal Asset Management were RMB1,685 million, and shareholders' equity was RMB1,345 million. Net profit was RMB478 million.

CCB Futures

CCB Futures Co. Ltd. has a registered capital of RMB436 million, with 80% and 20% of its shares from CCB Trust and Shanghai Liangyou (Group) Co., Ltd. respectively. CCB Futures is mainly engaged in commodity futures brokerage, financial futures brokerage and assets management.

In January 2015, CCB Futures obtained the qualification for assets management to further expand the scope of its brokerage business. With increased efforts in cultivating industry customers as well as assets management operations, the scale of CCB Futures' trading volume and amount of futures agency and customers' deposits significantly increased. At the end of 2015, total assets of CCB Futures were RMB2,457 million, and shareholders' equity was RMB500 million. Net profit was RMB3.23 million.

CCB Pension

CCB Pension Management Co., Ltd., 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.

At the end of 2015, total assets of CCB Pension were RMB2,310 million, and shareholders' equity was RMB2,296 million. Net profit was a negative value of RMB3.47 million.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares respectively. As a specialised commercial bank with overall functions in housing financing sector, Sino-German Bausparkasse is engaged in taking housing savings deposits, extending housing savings loans and personal residential mortgages, and extending development loans in support of the development and construction of economically affordable housing, low-rent housing, economically affordable rent housing and price-limited housing.

In 2015, Sino-German Bausparkasse grew steadily by proactively implementing strategic transformation. The sale of housing savings products of Sino-German Bausparkasse reached a record high of RMB12,097 million. At the end of 2015, total assets of Sino-German Bausparkasse were RMB27,805 million, and shareholders' equity was RMB2,661 million. Net profit was RMB191 million.

Rural banks

At the end of 2015, the Bank sponsored the establishment of 27 rural banks in Hunan Taojiang and many other places. The registered capital of these rural banks totalled RMB2,785 million, of which RMB1,377 million was contributed by the Bank.

Rural banks persisted in offering efficient financial services to "agriculture, farmers and rural areas" and small and micro enterprises in county regions, achieving good operating results. At the end of 2015, total assets of 27 rural banks were RMB15,819 million, total liabilities reached RMB12,625 million and shareholders' equity of the rural banks was RMB3,194 million. Loans were primarily extended to "the agriculture and small and micro enterprises", and the loan balance was RMB11,726 million. Net profit was RMB50.05 million.

ANALYSED BY GEOGRAPHICAL SEGMENT

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment:

	Year ended 31 December 2015		Year ended 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	27,033	9.06	41,471	13.87
Pearl River Delta	30,269	10.14	36,709	12.27
Bohai Rim	48,249	16.16	48,212	16.12
Central	50,615	16.96	46,186	15.44
Western	51,681	17.31	50,240	16.80
Northeastern	12,405	4.16	14,931	4.99
Head office	72,935	24.43	54,996	18.39
Overseas	5,310	1.78	6,341	2.12
Profit before tax	298,497	100.00	299,086	100.00

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment:

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	2,565,723	12.82	2,839,279	13.23
Pearl River Delta	1,756,844	8.78	2,230,031	10.40
Bohai Rim	1,988,554	9.94	3,030,726	14.13
Central	2,855,335	14.27	2,590,457	12.08
Western	2,798,176	13.99	2,579,135	12.02
Northeastern	1,056,288	5.28	995,140	4.64
Head office	5,835,333	29.17	6,252,529	29.14
Overseas	1,149,541	5.75	935,469	4.36
Total assets[1]	20,005,794	100.00	21,452,766	100.00

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment:

	As at 31 December 2015				As at 31 December 2014			
(In millions of RMB, except percentages)	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	1,968,394	18.77	49,223	2.50	1,877,906	19.82	39,321	2.09
Pearl River Delta	1,432,094	13.66	30,285	2.11	1,299,615	13.72	17,719	1.36
Bohai Rim	1,812,640	17.29	22,941	1.27	1,633,965	17.25	10,860	0.66
Central	1,768,362	16.86	19,617	1.11	1,552,809	16.39	14,671	0.94
Western	1,803,236	17.20	24,668	1.37	1,641,394	17.32	13,039	0.79
Northeastern	612,441	5.84	11,998	1.96	562,403	5.94	8,471	1.51
Head office	402,733	3.84	4,671	1.16	342,476	3.61	3,250	0.95
Overseas	685,240	6.54	2,577	0.38	563,942	5.95	5,840	1.04
Gross loans and advances to customers	10,485,140	100.00	165,980	1.58	9,474,510	100.00	113,171	1.19

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment:

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	2,493,253	18.24	2,401,640	18.62
Pearl River Delta	1,950,388	14.27	1,873,077	14.52
Bohai Rim	2,471,917	18.08	2,344,928	18.18
Central	2,669,673	19.53	2,457,370	19.05
Western	2,657,132	19.44	2,457,312	19.05
Northeastern	997,192	7.30	932,976	7.23
Head office	36,645	0.27	43,358	0.34
Overseas	392,333	2.87	388,492	3.01
Total deposits from customers	**13,668,533**	**100.00**	12,899,153	100.00

DISTRIBUTION CHANNELS AND TRANSFORMATION OF OUTLETS

Physical Channels

The Bank has an extensive distribution network. Through branches and sub-branches, self-service facilities, specialised service entities across the country and electronic banking service platform, the Bank provides its customers with convenient and high quality banking services.

At the end of 2015, the Bank had a total of 14,917 domestic operating outlets, including the head office, 37 tier-one branches, 335 tier-two branches, 12,254 sub-branches, 2,289 entities under the sub-branches and a specialised credit card centre at the head office. The number of operating outlets increased by 61 over 2014. The operating outlets were mainly distributed in large cities, central cities, top counties and rich towns. The Bank accumulatively started 1,290 renovation projects of outlets, further improving physical environment and customer experience at the outlets and optimising the laying-out of outlets.

At the end of 2015, the Bank's total number of private banking special units in operation reached 338; the number of small business operating centres in the form of "Credit Factory" reached 288; the number of personal loan centres exceeded 1,500, and the overall layout was improved with growing brand influence.

The Bank continuously expanded the scale of self-service channels, increased the deployment of self-service equipment at the county level, optimised the layout of off-bank self-service equipment, and expanded the service scope of equipment, enabling self-service channels to effectively ease the service load of other channels. The Bank deepened granular management of self-service equipment and accelerated function innovation of equipment to further improve customer satisfaction. At the end of 2015, there were 91,500 cash-service ATMs in operation, an increase of 10,433 or 12.87% over 2014. There were 24,694 self-service banks in operation, an increase of 3,420 or 16.08% over 2014.

** Transformation of outlets*

The Bank continuously pushed forward the building of integrated outlets, and innovated comprehensive operation over the outlets to effectively enhance resource utilisation efficiency and improve comprehensive service capability of outlets. The Bank elevated convenient and efficient services to customers by transforming the single-function outlets, implementing integrated teller systems and developing an outlet service system featuring "targeted marketing, collaborative services, and integrated solutions". At the end of 2015, the number of integrated outlets reached 14,500, and the proportion of corporate business outlets and integrated tellers rose to 98% and 88% respectively. Customers may enjoy the convenient and comfort"one-stop" service at the transformed outlets. The Bank established over 21,500 integrated marketing teams and the comprehensive marketing service capability was significantly strengthened at the outlets.

The overall transformation and innovation pilot programmes were launched for physical channels of eight branches including Shenzhen Branch, improving customers' overall experience. The Bank researched and developed the innovative smart teller machines, transforming around 80% of main personal and corporate counter businesses into smart self-help services, and the efficiency of handling main businesses such as opening a personal account linked with signing the online banking and foreign exchange transactions by smart teller machines was increased to six times that of the counters. Flagship, comprehensive and nimble outlets were established by category to meet service demands of various customers. Pilot nimble outlets, as exemplified by Shenzhen Branch, enriched service experience, established WeChat interactive platform and integrated the online and offline channels to focus on finishing the "last one kilometre" of serving customers relying on smart self-help service equipment and flexible business hours.

The Bank made new progress in deepening the segregation between front-office and back-office functions, enhancing the intensive service capability. Pursuant to the segregation, the Bank's outlets and special units achieved centralised processing of 36 types of businesses and products at the head office level, with the average daily volume of more than 600,000 transactions and peak volume exceeding 1,000,000 transactions. 80% of corporate main accounting transactions were separated for centralised processing at the back-office of the headquarters. The efficiency of handling instant businesses rose by 60%, with significantly improved efficiency and notably improved customer experience.

Electronic Channels

In 2015, the Bank's e-finance business gave priority to the development of mobile finance in product deployment and customer cultivation and reaped rapid and solid development. The function of electronic banking as the Bank's main channel was further highlighted, as the volume of accounting transactions through electronic banking and self-service channel accounted for 95.58% of that through all channels, up by 7.55 percentage points over 2014. In respect of internet-based payment, the Bank offered five online payment options, including account number payment, mobile payment, cross-bank payment, cloud-based Long Card payment and redirecting payment, achieving centralised processing of most major easy payment businesses, as the number of annual transactions reached 8,326 million with a total transaction volume of RMB3.78 trillion. The Bank expanded the service scope of its internet website to enhance service capability, with enriched website channel settings, increased service varieties, and optimised business processes. The daily average of page views to the websites reached 63.54 million. The life service payment platform of "Joy Life" added scenarios of nationwide bus ticket, payment of court related fees, transportation card top-up, and nationwide refuel card top-up. With enriched service varieties and offerings, the number of transactions through "Joy Life" reached 272 million.

* *Mobile finance*

In order to achieve overall success of the strategy of priority on mobile business, the Bank accelerated product innovation and business promotion. The Bank innovatively launched the mobile apps of corporate mobile banking and e.ccb.com e-commerce platform, added functions including "Hospital registration", "Pension" and "Social security account" to mobile banking, added account-checking function of the all-in-one account to corporate mobile banking, and added "Credit Card Points Help Fulfil Dreams" service to WeChat banking. Smart customer service directly served 165 million customers annually, becoming the Bank's main customer service channel. At the end of 2015, the number of mobile banking users was 182.84 million, up by 24.56% over last year; the transaction volume was RMB15.42 trillion, a year-on-year increase of 108.89%; the number of transactions was 11,153 million, a year-on-year increase of 266.68%.

The number of SMS financial service users reached 291.16 million, an increase of 19.72% over last year. The number of WeChat banking users who followed the Bank's WeChat official account was 32.93 million, of which 22 million users attached their bank accounts.

* *Online banking*

Personal online banking launched a series of innovative applications including new generation insurance, smart fund investment, comprehensive reporting of personal assets and liabilities, gold purchase and saving, banking account crude oil trading, non-tax central government payments, outlets business reservation and pension. Corporate online banking launched an exclusive customer version for corporate online banking and services for corporate certificate of deposits. Under the Bank's international strategy, overseas corporate online banking was launched in ten overseas institutions including Toronto, New Zealand and others, with further expanded service channels for overseas institutions. At the end of 2015, the number of personal online banking customers increased by 16.84% to 208.78 million over the previous year; the transaction volume was RMB44.97 trillion, an increase of 13.57% over the previous year; the number of transactions was 13,283 million, an increase of 112.57%. The number of corporate online banking customers reached 4.02 million, an increase of 21.56%; the transaction volume was RMB177.62 trillion, an increase of 43.26%; the number of transactions was 2,778 million, an increase of 22.47%.

* *E.ccb.com*

E.ccb.com remained committed to the strategy of "specialisation and excellence", continued to deepen 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. The accumulated transaction volume through e.ccb.com reached RMB67,099 million with 11,087 active internet merchants in 2015.

* *Telephone banking*

The Bank proactively adjusted and optimised the structures of self-help services and live answering services in telephone banking, and boosted the promotion of smart customer services. The Bank accelerated the innovation of telephone banking related service method and operation management, improved the working mechanism of customer issue processing, and extended the service scope covering Hong Kong, Macau and Taiwan. At the end of 2015, the number of telephone banking customers was 206 million, including 138 million contracted customers. Self-help services accounted for 80.74% of the telephone banking services through various channels, live answering service completing rate increased by 13.02% and the volume of smart customer services increased by 100.49%.

Feature article: Smart Customer Service Contributes to the Transformation to Smart Banking

In the trend of transformation from traditional banking service to internet-based financial services, combining advanced intelligent robot technology and based on text language interactions of unstructured data, the Bank took the lead among peers in launching "Xiao Wei", its smart customer service platform, through WeChat, SMS and internet channels simultaneously, forming a new customer service trinity mode integrating "manual answering, self-help and smart" services.

Smart customer service offers customers professional and efficient 24/7 continuous online services. In 2015, the person-time of customers directly served reached 165 million, and now the system serves a daily average of 700 thousand person-time, with notable contribution to saving labour cost, delivering standardised quality services and improving service efficiency.

Since the launch of smart customer service "Xiao Wei", the Bank has created a lively character that combines a lovable image and style of speech, intelligence and rationality, as well as energy and affinity. "Xiao Wei" is not only a business expert that helps solve problems for customers whenever and wherever possible, but also a thoughtful and interesting life partner. By providing customers with all-around and integrated advice and information on business and life, "Xiao Wei" has become one of the Bank's most recognisable brands.

"Xiao Wei" has progressively established an "all-channel, all-around and great experience" brand image, growing as the pioneer in smart customer services. The Bank will continuously centre on strategic priorities of "integration, multifunction, intensiveness, innovation and smartness", expand service channels, promote the applications of intelligent technology, innovate precise and interactive customer service mode, formulate a new generation customer service system featuring "informatisation, humanisation and intelligence", so as to continuously push forward strategic transformation.

INFORMATION TECHNOLOGY AND PRODUCT INNOVATION

Information Technology

In 2015, the Bank intensified its efforts in information technology with a focus on ensuring safe operation and the building of the "New Generation Core Banking System", to support the development of its businesses.

An industry leader in maintaining safe and secure operations and in applying new technology to improve services. In 2015, all information system operated securely and stably. The availability rate of all key systems was 100%. The transaction peak numbers of key systems all rose, with transaction amount, transaction number and customer number in a leading position among Chinese peers. Technical indicators such as system processing capacity, successful transaction ratio, average response time and batch processing efficiency took the lead in the industry. Phase II of the "New Generation Core Banking System" successfully put into operation and released 4,465 business functions, completing the overall migration of corporate business from the previous core platform to the new one. The business value of the "New Generation Core Banking System" was fully proved as it mapped out a unified view of customers, products, units and employees at the Group level and laid the foundation for integrated operation and management. A parameterised financial product-assembling factory was built up to support fast product innovation. Integrated multifunctional product and service platform was set up to meet customers' diversified needs. Customer-oriented marketing service system was put into operation. The Bank streamlined and straightened its business processing, as well as making it automatic and intensive. Multi-channel interaction and sharing information were realised, together with the rapid deployment of products and services. Risk monitoring and control were in place for all businesses and throughout whole processes. Constructive and standardised enterprise data management system and information application service capability came into being. The current functions of the "New Generation Core Banking System" effectively elevated the Bank's service capacity and development ability and significantly improved customers' and employees' operational experience.

Optimising existing systems to satisfy business development requirements. The Bank supported product innovation, provided and optimised new products such as certificates of deposits, banking account crude oil trading, banking account basic metals and gold purchase and saving. The Bank was among the first to put into operation the mobile payment products such as Apple Pay, Samsung Pay, China Mobile SIM card, and launched various services such as HCE Cloud Quick Pass product of debit and credit cards, QR code money drawing function based on financial IC cards and top-up function of "Suixinyong" industry IC cards. The Bank was the first to have business proprietors selling Apple Pay products via POS, as well as being the first to launch personal credit products such as "Car E-credit" and "Wo E-credit" based on "Quick Credit" product. The Bank improved customer experience, and launched the quick payment function of Flash Payment of UnionPay IC debit and credit cards, which required no password and signature, being the first to simultaneously support the reserved issuance of national commemorative coins in eight channels such as websites, online banking, WeChat, mobile banking, counters, pads, filling machines and self-service equipment. Smart teller machines achieved the business innovation mode of "based on customers' self-service operation and supplemented by the Bank's review in key links". The Bank quickened external direct connection and popularisation, and pushed forward the development of system for the business regarding handling trans-provincial and remote traffic violation fines, and completing system connection and adoption with 20 new cooperative platforms for internet banking business.

Feature Article: Successful Launch of New Generation Service-oriented IT Architecture System

Technology paves the way on which business may develop robustly. In answer to the challenges arising from economy, technology, regulation and customers' needs, the Bank relies on its "New Generation Core Banking System" project and builds up the IT capacity that matches the business transformation and development by focusing on reconstitution and optimisation. After five years' implementation, the Bank has successfully built its new generation IT architecture system, an industry-leading solution drawing on modularised business model, platform application design, service-oriented architecture (SOA) and cloud technology.

The new generation IT architecture system covers four architecture dimensions, namely application, data, technology and security, and comprises seven layers and 12 platforms, representing an enterprise-level, modularised, parameter-based and scalable solution. The new generation IT architecture system possesses four conspicuous features, compared with traditional architecture: Firstly, it follows modularisation design and platform development mode. Various capabilities as required by application and technology are realised via packing modules, and module services are standardised and reusable. For example, technical modules comprise service capabilities from seven areas such as infrastructure services, data base resources, calculation resources, storage resources, network resources, IT service management and general services. Platform means all future IT system development must be based upon these 12 unified and standardised platforms, which will make development more standardised and more convenient with operating efficiency dramatically improved and operating risk under reasonable control. Secondly, it uses SOA: SOA is analogous to building blocks that adhere to the design principle of modularisation. Service functions released by both previous and new systems are all packed into building blocks, and the final functions presented to customers are the combination of such "building blocks". The adjustment of certain building block will not affect other blocks, and they may form a new function once reset. Thirdly, it makes full use of Cloud technology. IT infrastructure environment utilises Cloud technology to deploy SOA in Cloud environment and supports the smooth linear improvement of overall processing capability by adding more low-cost X86 servers to allocate resources dynamically, significantly increasing efficiency while decreasing cost input. In handling Internet sale events such as "Double 11", the Cloud technology ensures the smooth operation of the system, and the Bank's key indicators such as peak numbers, amount, transaction number, success ratio and average responding time in handling transactions all achieve better performance than peers. Fourthly, it establishes smart and active security system based on "security-as-a-service" security architecture. The new generation security architecture centres upon security services that are modularised and customisable and fully analyses key factors in business transactions from the business prospective and transaction process, thus creating relevance security policies that cover the whole business process and ensuring the overall management and control on transaction risk. Meanwhile, the Bank actively perceives security situation, uses big data technology to analyse customer transaction behaviours and transaction risk level, and adjust security services in a flexible and dynamic way via the central unified management of security policies to reach the balance between security and customer experience.

The new generation IT architecture system has three leading advantages, compared with peers: Firstly, it has integrated business and IT. IT architecture and business architecture are tightly linked, strictly adhering to the achievements of enterprise-level business modelling and taking into consideration the sharing and reusing requirements within the Bank to the utmost. The silos are removed to avoid fragmentation and functional redundancy. At the same time, technical innovation achievements have also sustained the innovation of business mode. Secondly, it centres upon customers. SOA truly realises deep insight and flexible reaction pertaining to customers, and the adjustment of service process is simplified to specifically meet customers' needs. Thirdly, it supports rapid product innovation. By sharing modules, the Bank can achieve flexible response and rapid innovation, thus making financial product innovation more convenient and more rapid.

Product Innovation

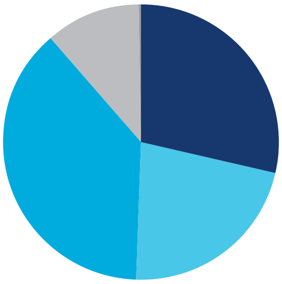
In 2015, adhering to the goal of establishing an "innovative bank", the Bank continuously improved its product innovation capability, vigorously supporting transformation and development. The Bank innovated merger and acquisition (M&A) loans, supported the economic transformation and upgrading as well 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 "Suixinyong" APP, the Bank realised functions like 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 operation mode 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, actively and steadily 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. In 2015, the Bank finished 1,970 product innovation and innovative duplication projects.

HUMAN RESOURCES AND INSTITUTIONAL MANAGEMENT

At the end of 2015, the Bank had 369,183 staff members, a decrease of 0.84% compared with the previous year (in addition, the Bank had 5,509 workers dispatched by labour leasing companies, a decrease of 12.21% over 2014). The number of staff members with academic qualifications of bachelor's degree or above was 231,474 or 62.70%, and the number of local employees in overseas entities was 567. In addition, the Bank assumed the expenses of 56,430 retired employees.

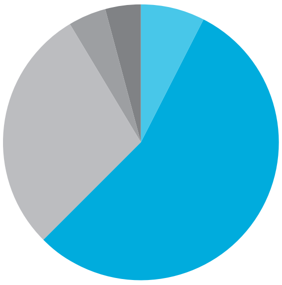
The compositions of the Bank's employees by age, academic qualification and responsibilities are as follows:

By Age



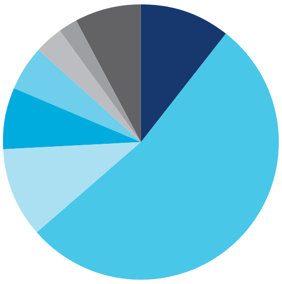
Below 30	28.74%
31 to 40	21.84%
41 to 50	38.08%
51 to 59	11.27%
Over 60	0.06%

By Academic Qualification



Doctor's degree	0.13%
Master's degree	7.41%
Bachelor's degree	55.15%
Associate degree	28.88%
Post-secondary	4.29%
High school and below	4.13%

By Responsibilities



Operating outlets and integrated tellers	10.66%
Personal banking	52.99%
Corporate banking	10.52%
Information technology	7.38%
Risk management, internal audit, legal and compliance	5.12%
Management	3.43%
Finance and accounting	2.16%
Financial market business	0.13%
Others	7.61%

At the end of 2015, the Bank had 14,945 institutions, among which, there were 14,917 domestic institutions and 28 overseas institutions.

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and staffs:

	As at 31 December 2015			
	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	2,453	16.41	56,770	15.38
Pearl River Delta	1,904	12.74	46,495	12.59
Bohai Rim	2,426	16.23	60,543	16.40
Central	3,607	24.14	82,390	22.32
Western	3,049	20.40	69,722	18.89
Northeastern	1,475	9.87	37,075	10.04
Head office	3	0.02	15,470	4.19
Overseas	28	0.19	718	0.19
Total	**14,945**	**100.00**	**369,183**	**100.00**

Staff remuneration policies

The Bank upholds its philosophy of standardising distribution order and building a harmonious distribution relationship. It continuously improves the intensive level of performance and remuneration management, making due contribution of remuneration management to strategic transformation and development of the Bank.

The Bank's major allocation policies and other significant matters relating to remuneration management need to be reviewed by the Nomination and Remuneration Committee under the Board. Material proposals relating to remuneration allocation are required to be voted and approved by the shareholders' general meeting, or be reported to the competent authorities of the State for approval and filing. Pursuant to relevant government policies regarding remuneration reform of state-owned enterprise leaders, from 2015 on, annual remunerations for the Bank's leaders administered by central authorities include basic annual salary, performance annual salary and tenure incentive income. If a material mistake arises during a leader's tenure and causes a significant loss for the Bank, the paid-out performance annual salary and tenure incentive income can be partly or wholly retrospectively deducted.

The Bank fully maximised the function of performance remuneration in providing incentives and setting restraints for staffs. The Bank insisted on boosting more remuneration increase for sub-branch level staffs, frontline posts, and direct value creation posts. It reinforced the remuneration management of overseas entities and subsidiaries in accordance with the Bank's strategies of integrated operation and overseas development. The Bank further strengthened the guidance of performance assessment to match remuneration to performance. The Bank also formulated relevant remuneration reduction measures for staffs that faced disciplinary actions or other penalties due to violation of rules or breach of duty.

Staff training programme

Closely following its transformation and development strategy, and focusing on key areas of transformation such as internationalisation, corporate credit and emerging businesses, the Bank organised training programmes for all staff members on different levels and in different groups. It focused on training for employees at all levels in accordance with the employee competence requirements as prescribed by its transformation and development strategy, including job-related certificates training for front-line employees, qualification certificates trainings for professional staff, and overall capability enhancement trainings for managerial staff. The Bank put efforts in popularising on-line training and fundamentally realised full coverage of on-line training, providing rich self-training resources and convenient self-training channels for employees. In 2015, the Bank conducted 31,162 on-site training sessions, with a total enrolment of 1,672.2 thousand. The numbers of employees receiving on-line training and on-line lessons learnt were 352 thousand and 6,772 thousand respectively.

Profiles of institutions and staff in subsidiaries

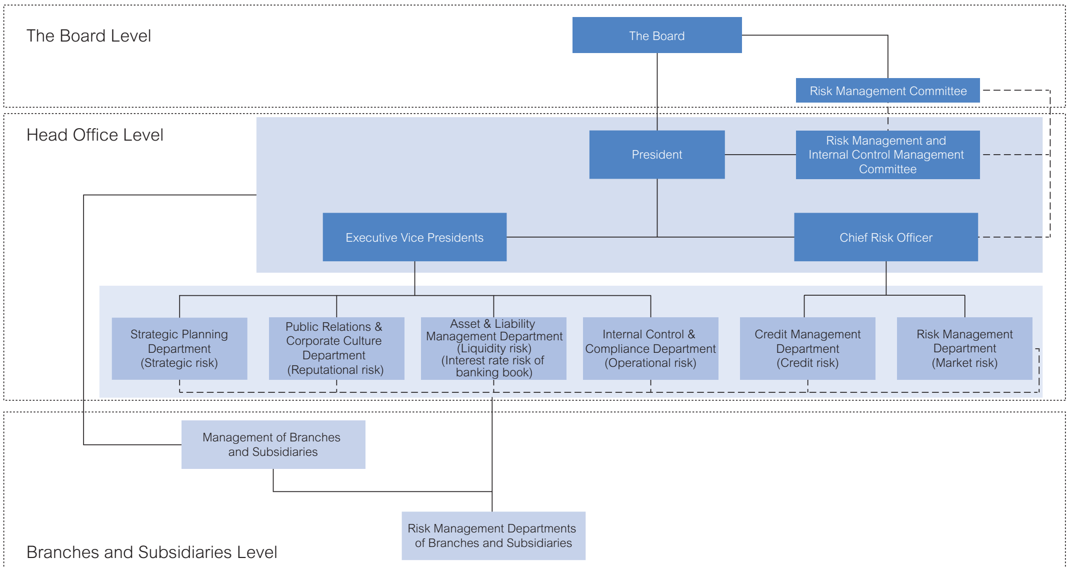
The Bank had 43 subsidiaries with a total of 265 branches and sub-branches. In this amount, the number of domestic and overseas branches and sub-branches reached 157 and 108 respectively. The subsidiaries had 11,089 staff members (in addition, the subsidiaries had 324 workers dispatched by labour leasing companies). In this amount, the number of domestic and overseas staff members reached 7,108 and 3,981 respectively. In addition, the subsidiaries assumed the expenses of 37 retired employees.

RISK MANAGEMENT

In 2015, the Bank effectively strengthened the comprehensive risk management, promoted the re-examination, monitoring, conduction and implementation of its risk appetite, strengthened risk management of overseas institutions and subsidiaries, and promoted the unified risk management at the Group level.

RISK MANAGEMENT STRUCTURE

The risk management organisational structure of the Bank constitutes the Board and its special committee, the senior management and its special committee, the Risk Management Department, etc. The basic risk management structure of the Bank is as follows:



1. ——— represents primary reporting line, - - - - represents secondary reporting line.
2. Other risks besides the risks above have been incorporated into the comprehensive risk management framework of the Bank.

The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The Risk Management Committee under the Board is responsible for making risk management strategies, 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 oversights the establishment of the comprehensive risk management system as well as the performance of the Board and the senior management in assuming their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategy established by the Board and organising the implementation of the comprehensive risk management of the Group.

The senior management appoints Chief Risk Officer who assists the President with the corresponding risk management work. Risk Management Department is the comprehensive management department responsible for the overall business risk management. Credit Management Department is the comprehensive management department 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. Asset and Liability Management Department is the comprehensive management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal Control and Compliance Department is the comprehensive management department 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 the change of risk trend under the "new normal" of the macro-economy into consideration, the Bank initiates the re-examining and revising of 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 Bank.

In 2015, the Bank actively responded to the complex and volatile economic situation, strengthened efforts to dispose the non-performing assets, continuously optimised credit policies, improved and optimised credit systems and processes, and reinforced the fundamental management on pre-lending evaluations, credit approval and post-lending monitoring, to enhance the capability and level of credit risk management.

Optimising the system of credit policies and improving the effectiveness of credit policies. Focusing on the target of transformation development and its risk appetite, the Bank guided the overall credit granting and strictly controlled credit increase in key risk areas. According to the changes of national industrial policies and situation, the Bank re-examined and added credit policies in some industries, optimised the system of credit policies and promoted the coverage and accuracy of credit policies. Sparing no efforts in finding regional comparative advantages and the operating characteristics of economy and industries, the Bank formulated differentiated policies for different regions, and promoted the implementation of "One Bank One Policy".

Optimising credit approval mechanism and process and strengthening risk management and control of credit approval. The Bank established unified line of credit management and control mechanism at the Group level to prevent the Bank from multi-party credit and excessive credit. The Bank continuously promoted the specialisation of credit granting and approval, pushed forward project evaluation transformation, strengthened the refined management of approval, and promoted the establishment of overseas examination and approval centre to enhance the capability of risk control. The Bank strengthened monitoring and supervision of credit business, optimised on-site investigation and research mechanism for major projects, intensified the dynamic management of credit approval and authorisation, and enhanced management and control of credit approval in key risk areas.

Sparing no efforts in the disposal of NPLs to practically support the stability of asset quality. Relying on the clarified responsibility of each branch, key areas, and key projects, the Bank emphasized on increasing the proportion of cash recoverability, revitalising and upgrading NPLs, made full use of batch assignment effect, and capitalised on write-offs effectively to improve the efficiency of the disposal of NPLs. The Bank actively innovated the disposal measures, promoted the innovation of NPLs batch assignment mode, actively explored the NPLs securitisation, and optimised the restructuring policies for personal NPLs. The Bank initiated the special event of "Fighting for the write-offs to recover every penny possible from NPLs", reinforcing the disposal of written-off assets. The Bank fully applied audit results to every link of batch assignment and write-offs of bad loans, to ensure the daily management of NPLs was dutiful and the disposal process complied with laws and regulations.

Innovating risk early-warning and pre-control techniques by developing and optimising measurement models and tools. The Bank continued to improve its credit rating system and management mechanism to accurately capture the customers' risk positions. It widely applied measurement tools and results in line of credit control, post-lending management, fraud detection, smart collection and recovery, comprehensive financial services solutions, and product innovation to improve the utilisation of risk management tools in greater depth and coverage. The Bank conducted multi-dimensional stress testing exercises of general or specific nature to improve prevention against and control over systemic risks. The Bank leveraged big data technologies to develop portfolio-based risk early-warning methods to enable monitoring and tracking of loan deteriorations and risk migrations, and enable early-warning and prevention by risk levels. The Bank optimised risk limit management system through multi-dimensions including region and product dimension to more effectively communicate risk appetite and enable more accurate adjustments and controls.

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. At the end of 2015, the Group's gross loans to the largest single borrower accounted for 5.67% of the total capital after deductions, while those to the top ten customers accounted for 14.46% of the total capital after deductions.

Concentration of loans

Concentration indicator	**As at 31 December 2015**	As at 31 December 2014	As at 31 December 2013
Proportion of loans to the largest single customer (%)	**5.67**	5.05	4.51
Proportion of loans to top ten customers (%)	**14.46**	13.42	14.80

The Group's top ten single borrowers as at the date indicated are as follows:

(In millions of RMB, except percentages)	**Industry**	**As at 31 December 2015**	
		Amount	**% of total loans**
Customer A	Transportation, storage and postal services	**93,609**	**0.89**
Customer B	Transportation, storage and postal services	**25,036**	**0.24**
Customer C	Transportation, storage and postal services	**19,351**	**0.18**
Customer D	Transportation, storage and postal services	**18,196**	**0.18**
Customer E	Transportation, storage and postal services	**17,157**	**0.17**
Customer F	Transportation, storage and postal services	**13,904**	**0.13**
Customer G	Financial industry	**13,842**	**0.13**
Customer H	Transportation, storage and postal services	**12,705**	**0.12**
Customer I	Water, environment and public utility management	**12,589**	**0.12**
Customer J	Transportation, storage and postal services	**12,169**	**0.12**
Total		**238,558**	**2.28**

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Bank cannot obtain sufficient funding in time, or at a reasonable cost, to meet the needs of asset growth or repay liabilities as they fall due. The Bank's objective for liquidity risk management is to maintain a reasonable level of liquidity, and ensure the payment and settlement security in compliance with the regulatory requirements, while striving to enhance fund yields by deploying its funds in an effective and reasonable way.

In 2015, the liquidity in the banking sector was adequate as a whole. The PBOC adopted the combination of general and specific methods for five times to reduce the statutory deposit reserve ratios, and comprehensively adopted a combination of tools including open market operations, short-term liquidity operations (SLO), and medium-term lending facilities (MLF), to adjust the liquidity in the banking system. The PBOC targeted to enhance the financial support towards "agriculture, farmers and rural areas" and small and micro businesses, and adopted the assessment method based on average performance in place of point-in-time assessment. As a whole, the overall market fund was adequate. The Bank responded to the liquidity situation with timely measures, conducted coordinated liquidity management at the Group level, adjusted the usage of products that largely affected liquidity such as debt securities investments, financial assets held under resale agreements, and deposits and placements with banks and non-bank financial institutions, and strengthened large fund flow alert. The Bank maintained liquidity at a reasonable level and ensured normal payments and clearings.

The Bank conducted regular stress testing on its liquidity risk, in order to gauge its risk tolerance in extreme scenarios with low probability and other adverse circumstances. The results showed that under the stress scenarios, although liquidity risk increased, it stayed within a controllable range.

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the date indicated:

(%)		Regulatory standard	**As at 31 December 2015**	As at 31 December 2014	As at 31 December 2013
Liquidity ratio [1]	RMB	≥ 25	**44.17**	48.88	46.57
	Foreign currency	≥ 25	**59.84**	57.03	55.20
Loan-to-deposit ratio [2]	RMB	≤ 75	**69.80**	67.53	63.69

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBRC.
2. Loan-to-deposit ratio was calculated in accordance with the current applicable regulatory requirements on the Bank's basis.

The following table sets forth the liquidity coverage ratio of the Group in the fourth quarter of 2015:

No.		**Value before translation**	**Value after translation**
Qualified and high-quality liquid assets			
1	Qualified and high-quality liquid assets		3,754,166
Cash outflow			
2	Deposits from retail trade and deposits from small enterprise customers, including:	7,008,179	684,270
3	Stable deposits	330,431	16,495
4	Deposits with a low degree of stability	6,677,748	667,775
5	Unsecured (unpledged) wholesale financing, including:	7,920,160	2,604,658
6	Business relations deposits (excluding agent bank business)	5,142,901	1,275,862
7	Non-business relations deposits (all counterparties)	2,738,891	1,290,428
8	Unsecured (unpledged) debts	38,367	38,367
9	Secured (pledged) financing		306
10	Other projects, including:	1,315,240	136,607
11	Cash outflows related with the requirement of derivatives and other collateral (pledged goods)	18,059	18,056
12	Cash outflows related with financing loss of mortgage (pledged goods) debt instrument	2,813	2,813
13	Credit facilities and liquidity facilities	1,294,369	115,739
14	Other contractual financing obligations	–	–
15	Contingent financing obligations	1,669,508	273,677
16	Total amount of expected cash outflows		3,699,518
Cash inflow			
17	Mortgage (pledge) lending (including reverse repurchase and borrowed securities)	155,266	155,152
18	Cash inflow from normal full settlement	1,093,010	697,824
19	Other cash inflows	24,243	23,240
20	Total amount of expected cash inflows		876,216
			Value after adjustment
21	Qualified and high-quality liquid assets		3,754,166
22	Net cash outflows		2,823,302
23	Liquidity coverage ratio (%)[1]		132.91%

1. The average monthly liquidity coverage ratio is calculated on a quarterly basis in compliance with the current applicable regulatory requirements, definitions and accounting standards.

Liquidity coverage ratio equals to the qualified and high-quality liquid assets dividing by net cash outflows of future 30 days. The index aims at ensuring that under the circumstance of liquidity pressure set by the regulatory authorities, commercial banks have adequate qualified and high-quality liquid assets that could be sold off to satisfy the liquidity demand in future 30 days. In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional)*, the liquidity coverage ratio of commercial banks should reach 100% before the end of 2018. During the transitional period, the ratio should be no less than 70%, 80% and 90% before the end of 2015, 2016 and 2017 respectively. The average monthly liquidity coverage ratio of the Group in the fourth quarter of 2015 was 132.91%, 9.39 percentage points higher than the previous quarter. The main reasons for the increase were the further optimisation of unsecured (unpledged) wholesale financing structure and the decrease of net cash outflows under stress circumstances caused by the decrease of non-business relations deposits. The qualified and high-quality liquid assets of the Group mainly include securities guaranteed and issued by sovereign states and central banks with the risk of zero or 20%, and the available deposit reserve in the central bank under stress circumstances.

The analysis of the remaining maturity of the Group's assets and liabilities as at the balance sheet date is set out below:

	As at 31 December 2015							
(In millions of RMB)	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	40,707	–	60,081	172,892	769,928	1,824,797	1,407,987	4,276,392
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	–	5	53,697	49,914	71,966	113,802	126,160	415,544
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 in 2015	2,518,047	(7,542,847)	(818,968)	(363,656)	549,310	2,274,010	4,829,187	1,445,083
Long/(short) position in 2014	2,753,260	(6,860,135)	(813,236)	(516,913)	(235,800)	2,738,043	4,186,629	1,251,848

The Group regularly monitors the gap between its assets and liabilities under various maturities classes in order to assess its liquidity risk during different periods. As at 31 December 2015, the accumulated gap of various maturities classes of the Group was RMB1,445,083 million, an increase of RMB193,235 million over 2014. Despite the negative gap for repayment on demand totalling RMB7,542,847 million, the Group was expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and expansive deposit customer base, relatively stable core demand deposits, and steady growth in deposits.

MARKET RISK MANAGEMENT

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.

In 2015, the Bank continued to refine its policy system of market risk management, innovated management methods, and improved market risk management and control tools, constantly enhancing its market risk management capability.

Refining the policy system of market risk management. The Bank further improved its policies and rules with the market risks limit management, the contingency management of major market risks and the risk assessment of new products, and expanded the scope of market risk management to cover the whole Group. The Bank made further efforts to promote risk management and control over wealth management services and financial institutional business, and strengthened the risk management foundations of multi-functional banking business. The Bank conducted the analysis and management and control projects of risk events in the financial market business and achieved remarkable results in the management of foreign exchange, precious metal pricing and overseas branches.

Enhancing monitoring and reply on market risk. The Bank enhanced market risk monitoring and early-warning, and actively developed on-site inspections and walk-through testing to relieve risks in advance. The Bank closely tracked changes in the financial market, and formulated contingency plans to effectively cope with major market risk events, such as stock market changes and exchange rate movements. The Bank promoted the proactive risk management mode which characterised by managing throughout the whole business process, strengthened management of trading business at the Group level, and in particular, reinforced risk management and control over trading business among its overseas institutions.

Promoting the development of measurement system and tools of market risk. The Bank successfully launched its credit risk management system for derivative products, enabling the automatic monitoring over qualified financial collaterals and the limit for treasury trading, automatic generation of multi-dimensional risk reports for customer-driven derivative products, with simultaneous improvement in both the quality and efficiency of its market risk management and control. The Bank enhanced the use, optimisation, inspection and overseas promotion 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 divided on and off-balance sheet activities into two major categories, i.e., trading book and banking book. The Bank performs 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 the balance sheet date and during the respective years is as follows:

	2015				2014			
(In millions of RMB)	**As at 31 December**	**Average**	**Maximum**	**Minimum**	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	**149**	**83**	**200**	**48**	189	67	194	17
– Interest rate risk	**46**	**38**	**172**	**17**	173	31	173	9
– Foreign exchange risk	**142**	**71**	**206**	**13**	36	54	119	12
– Commodity risk	**1**	**3**	**12**	**–**	1	1	21	–

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. Repricing 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. 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 range in accordance with the risk appetite and risk management capability.

In 2015, the Bank actively responded to the negative impact and challenges arising from interest rate cuts and interest rate liberalisation. The Bank studied and developed plans to cope with the interest rate liberalisation reform. It reasonably grasped the range of variation of interest rate, optimised interest rate structure, and confirmed the nominal interest rate of the Bank. The Bank improved the pricing management mechanism, pushed forward differentiated pricing strategy, and timely adjusted pricing authorisation at the branch level to improve their flexible pricing capability to cater to market competition changes and different consumers. While promoting the independent pricing capability, the Bank simultaneously strengthened interest rate monitoring and management of key products to emphasize on balance development between volume and price.

Interest rate sensitivity gap analysis

The analysis of the next expected repricing dates or maturity dates (whichever are earlier) of the Group's assets and liabilities as at the balance sheet date is set out below:

	As at 31 December 2015					
(In millions of RMB)	Non-interest-bearing	Less than 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	114,845	2,286,699	–	–	–	2,401,544
Deposits and placements with banks and non-bank financial institutions	–	448,836	210,523	4,386	–	663,745
Financial assets held under resale agreements	–	242,317	68,410	–	–	310,727
Loans and advances to customers	–	5,771,201	4,191,281	198,752	73,289	10,234,523
Investments	40,707	384,287	798,241	1,663,387	1,389,770	4,276,392
Other assets	462,558	–	–	–	–	462,558
Total assets	618,110	9,133,340	5,268,455	1,866,525	1,463,059	18,349,489
Liabilities						
Borrowings from central banks	–	37,806	4,242	–	–	42,048
Deposits and placements from banks and non-bank financial institutions	–	1,546,782	162,526	51,799	–	1,761,107
Financial liabilities at fair value through profit or loss	19,443	150,998	132,208	–	–	302,649
Financial assets sold under repurchase agreements	–	268,002	10	–	–	268,012
Deposits from customers	121,249	8,970,336	3,066,679	1,503,008	7,261	13,668,533
Debt securities issued	–	140,575	66,470	84,011	124,488	415,544
Other liabilities	446,513	–	–	–	–	446,513
Total Liabilities	587,205	11,114,499	3,432,135	1,638,818	131,749	16,904,406
Interest rate sensitivity gap in 2015	30,905	(1,981,159)	1,836,320	227,707	1,331,310	1,445,083
Accumulated interest rate sensitivity gap in 2015		(1,981,159)	(144,839)	82,868	1,414,178	
Interest rate sensitivity gap in 2014	5,997	(1,692,158)	1,720,743	153,774	1,063,492	1,251,848
Accumulated interest rate sensitivity gap in 2014		(1,692,158)	28,585	182,359	1,245,851	

As at 31 December 2015, the repricing gap of the Group's assets and liabilities for a period less than one year was a negative value of RMB144,839 million, which turned from positive to negative, a decrease of RMB173,424 million over 2014. This was mainly because the related fund increased due to the active capital market. The Group's positive gap for a period more than one year was RMB1,559,017 million, an increase of RMB341,751 million over 2014. This was mainly due to the increase of long-term bonds investments.

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 the balance sheet date 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 31 December 2015	**(40,586)**	**40,586**	**40,443**	**(40,443)**
As at 31 December 2014	(38,702)	38,702	30,346	(30,346)

Foreign exchange rate 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 2015, the Bank launched its optimised function of the exchange rate risk module in the Asset and Liability Management System (ALM), which added the multi-dimensional exposure monitoring functions and improved system coverage ratio and accuracy of measurement for newly established institutions. The Bank periodically monitored and reported foreign exchange rate risk, conducted specific stress test and impact analysis, and timely monitored and controlled foreign exchange rate risk to ensure the stability of financial position of the Bank.

Currency concentrations

The Group's currency concentrations as at the balance sheet date are set out below:

	As at 31 December 2015				As at 31 December 2014			
(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	**963,701**	**242,240**	**182,060**	**1,388,001**	741,109	186,089	120,360	1,047,558
Spot liabilities	**(770,728)**	**(270,351)**	**(158,982)**	**(1,200,061)**	(713,853)	(207,223)	(141,626)	(1,062,702)
Forward purchases	**1,481,023**	**108,489**	**190,402**	**1,779,914**	778,919	46,628	91,559	917,106
Forward sales	**(1,659,618)**	**(52,594)**	**(201,843)**	**(1,914,055)**	(802,482)	(19,482)	(60,739)	(882,703)
Net options position	**478**	**–**	**–**	**478**	747	–	(152)	595
Net long position	**14,856**	**27,784**	**11,637**	**54,277**	4,440	6,012	9,402	19,854

As at 31 December 2015, the net exposure of the Group's foreign exchange rate risk was RMB54,277 million, an increase of RMB34,423 million compared to 2014, mainly because the Bank issued offshore non-public preference shares of US$3.05 billion in total.

OPERATIONAL RISK MANAGEMENT

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

In 2015, the Bank continued to standardise and strengthen operational risk management, built and improved the monitoring and early-warning system of key risk indicators, deepened applications of self-assessment findings, continued to sort out the systems and regulate the compliance inspection over rules and regulations, actively promoted system improvement and process optimisation, and strengthened risk management and control over key links.

Reinforcing the check and balance mechanism between departments and posts. The Bank continued to re-examine and adjust incompatible posts (duties) dynamically in the light of risk changes, business innovation and process adjustment.

Constantly improving the system building of business continuity management and enhancing effective respond towards the risks with low frequency and great loss. The Bank conducted self-assessment of business continuity management, made bank-wide business impact analysis, preliminarily confirmed its business restoration target and business priority ranking, and formulated development scheme of new generation core banking system to ensure the continuous and stable operation of new generation core banking system and business.

Strengthening professional and refined management of operational risk management among overseas institutions and subsidiaries. The Bank regulated and optimised the applications of tools such as loss data management of operational risk management, monitoring and early-warning of key risk indicators, and self-assessment of the operational risk in overseas institutions and subsidiaries.

Anti-money Laundering

In 2015, the Bank strictly implemented laws and regulations of anti-money laundering (AML) and counter-terrorism financing (CTF), and continued to optimise working mechanism and internal control system. The Bank continuously improved the working capabilities and effectiveness of AML and CTF by establishing risk self-assessment working system, conducting risk assessment of new products, optimising recognition regulation of suspicious trades, establishing financial sanction management system and standardised process, and strengthening AML training and promotion.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the potential or existing risk of negative impact or damage to the Bank's overall image, reputation and brand value, arising when aspects of the Bank's operational, managerial or other behaviours is noticed and reported by the media.

In 2015, the Bank further strengthened its reputational risk management and implemented the "Foundation Fortification Project", with a focus on establishing a risk management system and mechanism, screening reputational risk, improving the capability of responding to public sentiment, and educating all staff on reputational risk. The foundation of reputational risk management was further reinforced accordingly. In addition, the Bank explored the economic capital measurement of reputational risk, improved the risk assessment system and conducted researches on key topics and issues. Thus, the Bank's capacity of professional management of reputational risk has been effectively improved. To adapt to new media, the Bank created a public sentiment mechanism, and strongly improved the capability of responding to the public sentiment and guiding public opinion. The Bank promoted the establishment of contingency plans and a case library to enhance prevention and control of reputational risk from sources ranging from businesses, products, services to foundation management. Adhering to reducing negative impact and gathering positive energy, the Bank actively guided public opinions, pushed forward positive promotion and gathered positive energy. These efforts enabled the Bank to maintain steady improvement of its reputational risk management and effectively safeguard its good enterprise image and reputation.

CONSOLIDATED MANAGEMENT

Consolidated management is the comprehensive and continuous management and control that the Bank imposes over the Group's and its subsidiaries' corporate governance, capital, and finance, in order to identify, measure, monitor and control the overall risk profile of the Group.

In 2015, the Bank actively implemented the requirements of the *Guidelines on Consolidated Management and Supervision of Commercial Banks* by the CBRC, constantly enhanced the planning and balance for consolidated management, and continuously improved mechanism, tools, methods and systems to promote consolidated management and prevent cross-border and cross-industry business risks at the Group level.

Refining corporate governance and amending the measures on consolidated management. The Bank refined the Group's consolidated management organisational structure, implemented management requirements for consolidated elements. It standardised corporate governance over subsidiaries, simplified items approved by shareholders, strengthened the independence of corporate governance, and timely updated and released the scope of consolidated management of the Bank.

Continuously strengthening the Group's comprehensive risk management and concentration risk management. The Bank refined the systems and policies of the Group's comprehensive risk management, and formulated the Group's statement of risk appetite. The Bank established a unified risk view, and improved the Group's capabilities of risk monitoring, early warning and reporting. The Bank established a unified credit management system, and incorporated all sorts of subsidiaries' credit risk businesses related with credit granting and feathering financing function into the Group's unified credit management. The Bank formulated the recovery and disposal plan at the Group level, formulated the annual industry concentration limit management scheme covering subsidiaries, and enhanced monitoring of the Group's industry concentration limit.

Optimising the Group's capital management. The Bank formulated the Group's annual capital adequacy ratio management plan, and monitored and analysed the Group's capital adequacy ratio. It researched and promoted capital intensiveness to improve the Group's capital management.

Strengthening the establishment of risk isolation system. The Bank formulated a risk isolation system, clarified the requirements for firewall establishment, and promoted the prevention and control of inner risk contagion mechanism, so as to prevent conflict of interests and control risk transfer and spillover.

Accelerating building of the consolidated information system. The Bank optimised its consolidated management information system, and improved the standardisation and accuracy of the reporting and submission of consolidated information. Relying on the construction of the new generation core banking system, the Bank established and improved the Group's general ledger system, human resource management system and the Group's unified risk view. It also enhanced the data quality management for regulatory reporting, and improved data and information quality.

INTERNAL AUDIT

In order to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, the Bank's internal audit department evaluates the effectiveness of the internal control system and risk management mechanism, the effect of corporate governance procedures, the efficiency of business operations, and the economic responsibilities of relevant personnel, and puts forward suggestions for improvement based on its internal audit. The internal audit department works in a relatively independent manner, and it is managed vertically. It is responsible to and reports to the Board and the Audit Committee, as well as reports to the Board of Supervisors and senior management. There is an audit department at the head office, and 38 audit offices at tier-one branches, responsible for managing and conducting audit projects.

In 2015, the Audit Department aligned itself with the Bank's central tasks of transformation development and operational management, diligently carried out its duties by prioritising its work around promoting solid progress in internal audit transformation, actively supported, promoted, and guaranteed the transformation development of the Bank.

Conducting audit projects by focusing on key points. In line with operational transformation and development and upgrade, the Bank organised the implementation of 38 categories of systemic audit projects, including strategic transformation audit investigation, audit on operation management of some tier-one branches in main businesses, dynamic audit of credit businesses, audit on newly issued loans, audit on management of operation and counter business, audit and survey on development of internet finance business, audit on anti-money laundering and economic responsibility within tenure. Audit offices conducted selected audit projects based on the specific operation, management and risk characteristics of respective branches, further broadening the coverage and improving the pertinence of audit projects.

Following-up and supervising the thorough rectification of problems. By practicing the control-based audit methods, the Bank aimed to identify internal control weaknesses in rules, procedures and systems, to promote the thorough rectification of problems. The Bank improved its way and method of supervising the rectification of problems, optimised the continuous following-up mechanism to promote the effectiveness of problem rectification.

Comprehensively promoting the internal audit transformation. The Bank formulated and issued the *Implementation Plan for Transformation of Internal Audit*, overhauled and revised relevant internal audit rules and policies, optimised the audit process of economic responsibilities, and reinforced the responsibility and effect of internal audit. The Bank exerted greater efforts on cultivating professionals, aiming to build "professional teams, expert talents". The Bank continuously innovated audit techniques and methods, further deepened the application of big data, and constantly improved the off-site audit techniques of all audit staff.

CAPITAL MANAGEMENT

The Group has implemented a comprehensive capital management, which covers management of regulatory capital, economic capital and accounting capital, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

In 2015, the Group continuously strengthened the fundamental capability of capital management, improved capital pass-through and constraint mechanism, and actively promoted operational transformation towards more intensive utilisation of capital. The Group performed in-depth analysis on the items of capital occupation and risk-weighted assets, pushed forward business structural optimisation, reduced ineffective capital occupation, and constantly improved capital utilisation efficiency, further strengthening the guiding and restraint functions of capital on business development.

In 2015, the Group actively advanced the innovation of capital management tools. In May, the Bank issued offshore tier 2 capital bonds amounting to US$2 billion, with a nominal interest rate of 3.875%. These bonds were the first batch of USD capital bonds issued in the name of the Group. In December, the Bank successfully issued offshore preference shares amounting to US$3,050 million, with a dividend rate of 4.65%. These were the first batch of preference shares issued to replenish additional tier 1 capital, and S&P and Moody's gave this issuance BB and Ba2 ratings respectively. In December, the Bank successfully issued Tier 2 capital bonds amounting to RMB24 billion, with a nominal interest rate of 4% in the domestic interbank market.

In 2015, the Group continued to enhance internal verification mechanism of advanced capital measurement approach models, ensuring the prudence of regulatory capital measurement. It pushed forward the post-production verification work for internal rating model, comprehensively promoting operational performance of the model. It refined the policy system for model verification, and strengthened the implementation of rules and regulations. It pushed forward the formulation of overview chart of proposed risk measurement model, and consolidated the supervision and verification upon model risk.

CAPITAL ADEQUACY RATIO

Scope for calculating capital adequacy ratios

In accordance with the regulatory requirements, the Group shall calculate and disclose capital adequacy ratios simultaneously in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*. The scope for calculating capital adequacy ratios includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded).

Capital adequacy ratio

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

	As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	The Group	The Bank	The Group	The Bank
Capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Total capital after deductions:				
Common Equity Tier 1	**1,408,127**	**1,328,994**	1,236,112	1,166,760
Tier 1 capital	**1,427,847**	**1,348,654**	1,236,149	1,166,760
Total capital	**1,650,173**	**1,567,187**	1,516,310	1,445,219
Capital adequacy ratios:				
Common Equity Tier 1 ratio	**13.13%**	**12.94%**	12.11%	11.78%
Tier 1 ratio	**13.32%**	**13.13%**	12.11%	11.78%
Total capital ratio	**15.39%**	**15.26%**	14.86%	14.59%
Capital adequacy ratios calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*				
Core capital adequacy ratio	**12.35%**	**12.32%**	12.09%	12.02%
Capital adequacy ratio	**15.43%**	**15.19%**	14.71%	14.39%

The Group calculates the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC in June 2012, and began to implement advanced measurement approach for capital management as from 2 April 2014. As at 31 December 2015, considering relevant rules in the transition period, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 15.39%, 13.32% and 13.13%, respectively, and were in compliance with the regulatory requirements. The total capital ratio, tier 1 ratio and common equity tier 1 ratio increased by 0.53, 1.21 and 1.02 percentage points respectively compared with those as at 31 December 2014.

The increases in the Group's capital adequacy ratios were mainly due to the following factors. Firstly, the Group realised good operating results, with increased retained profits. Secondly, the Group was actively engaged in capital instruments innovations and successfully issued different classes of qualified capital instruments in both domestic and overseas markets to help reinforce its capital base. Thirdly, the Group continued to push forward the optimisation of business structure, enhanced the delicacy capital management, while properly controlling the growth rate of risk-weighted assets.

Please refer to the *2015 Capital Adequacy Ratio Report of China Construction Bank Corporation* for the disclosure requirements regarding capital composition in the CBRC's *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks*.

Composition of capital

The following table sets forth, as at the dates indicated, the information related to the composition of capital of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

(In millions of RMB)	As at 31 December 2015	As at 31 December 2014
Common Equity Tier 1 capital		
Qualifying common share capital	**250,011**	250,011
Capital reserve[1]	**157,613**	139,265
Surplus reserve	**153,032**	130,515
General reserve	**186,383**	169,478
Retained earnings	**669,802**	556,756
Minority interest given recognition in Common Equity Tier 1 capital	**4,121**	4,456
Others[2]	**(5,330)**	(6,435)
Deductions for Common Equity Tier 1 capital		
Goodwill[3]	**1,946**	2,058
Other intangible assets (excluding land use right)[3]	**1,657**	1,984
Cash-flow hedge reserve	**–**	(10)
Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	**3,902**	3,902
Additional Tier 1 capital		
Directly issued qualifying additional Tier 1 instruments including related stock surplus	**19,659**	–
Minority 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	**50,014**	127,878
Minority interest given recognition in Tier 2 capital	**2,165**	2,444
Common Equity Tier 1 capital after deductions[4]	**1,408,127**	1,236,112
Tier 1 capital after deductions[4]	**1,427,847**	1,236,149
Total capital after deductions[4]	**1,650,173**	1,516,310

1. The investment revaluation reserve is included in capital reserve.
2. Others mainly contain foreign exchange reserve.
3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
4. Common Equity Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deductions is calculated by netting off the corresponding deduction items from the total capital.

Risk-weighted assets

The following table sets forth, as at the dates indicated, the information related to the risk-weighted assets of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*. Corporate credit risk-weighted assets that meet the regulatory requirements are calculated with the foundation internal rating-based approach, the retail credit risk-weighted assets are calculated with the internal rating-based approach, the market risk-weighted assets are calculated with the internal models approach and the operational risk-weighted assets are calculated with the standardised approach.

(In millions of RMB)	As at 31 December 2015	As at 31 December 2014
Credit risk-weighted assets	**9,632,990**	8,739,677
Covered by internal ratings-based approach	**7,285,947**	7,020,935
Uncovered by internal ratings-based approach	**2,347,043**	1,718,742
Market risk-weighted assets	**71,624**	54,302
Covered by internal models approach	**36,663**	35,137
Uncovered by internal models approach	**34,961**	19,165
Operational risk-weighted assets	**986,906**	915,727
Additional risk-weighted assets arising due to the application of capital floors	**30,562**	494,048
Total risk-weighted assets	**10,722,082**	10,203,754

LEVERAGE RATIO

From the first quarter of 2015 on, the Group calculated its leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. As at 31 December 2015, the Group's leverage ratio was 7.28%, above the regulatory requirements. Compared with that as at 31 December 2014, the Group's leverage ratio rose by 0.77 percentage points, which was mainly because the growth rate of Tier 1 capital after deductions resulting from retained earnings and issuance of preference shares outpaced that of on and off-balance sheet assets, while the implementation of new measurement rules also helped raise the leverage ratio.

The following table sets forth, as at the dates indicated, the general information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2015	As at 30 September 2015	As at 30 June 2015	As at 31 March 2015
Leverage Ratio[1]	**7.28%**	6.95%	6.69%	6.88%
Tier 1 capital after deductions	**1,427,847**	1,357,843	1,295,762	1,299,833
On and off-balance sheet assets after adjustment[2]	**19,616,647**	19,523,861	19,372,182	18,902,608

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. The tier 1 capital after deductions is consistent with that used in the calculation of capital adequacy ratio by the Group.
2. On and off-balance sheet assets after adjustment = On-balance sheet assets after adjustment + Off-balance sheet items after adjustment – Deductions from tier 1 capital.

The following table sets forth, as at the date indicated, the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and their differences with the accounting items.

(In millions of RMB)	As at 31 December 2015
Total on-balance sheet assets[1]	18,349,489
Consolidated adjustment[2]	(63,471)
Customer assets adjustment	–
Derivatives adjustment	32,222
Securities financing transactions adjustment	1,278
Off-balance sheet items adjustment[3]	1,304,634
Other adjustments[4]	(7,505)
On and off-balance sheet assets after adjustments	**19,616,647**

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total asset and accounting consolidated total asset.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factor in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
4. Other adjustments mainly comprise deductions from tier 1 capital.

The following table sets forth, as at the date indicated, the information related to the Group's leverage ratio, tier 1 capital after deductions, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 31 December 2015
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	**17,945,522**
Less: Deductions from tier 1 capital	(7,505)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**17,938,017**
Replacement costs of various derivatives (excluding eligible margin)	26,388
Potential risk exposures of various derivatives	36,782
Total collaterals deducted from the balance sheet	–
Less: Assets receivable arising from the provision of eligible margin	–
Less: Derivative assets arising from central counterpart transactions while providing clearing services to customers	–
Nominal principals arising from sales of credit derivatives	–
Less: Deductible assets arising from sales of credit derivatives	–
Derivative assets	**63,170**
Accounting assets arising from securities financing transactions	309,548
Less: Deductible assets arising from securities financing transactions	–
Counter-party credit risk exposure arising from securities financing transactions	1,278
Assets arising from the agency services in connection with securities financing transactions	–
Securities financing transactions assets	**310,826**
Off-balance sheet assets	2,402,284
Less: Decrease in off-balance sheet assets due to credit conversion	(1,097,650)
Off-balance sheet assets after adjustments	**1,304,634**
Tier 1 capital after deductions	1,427,847
On and off-balance sheet assets after adjustments	19,616,647
Leverage Ratio[2]	**7.28%**

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated through dividing tier 1 capital after deductions by on and off-balance sheet assets after adjustments.

PROSPECTS

In 2016, the global economy as a whole is expected to continue this cycle of profound adjustments to find its new balance, while different economical plates as well as macro policies continue to diverge. The US economy shows a clear trend of continuous growth, while there are uncertainties in the pace as well as the intensity of interest rate increases. In the Euro zone and Japan, the economies are on the upturn, but their recovery foundation is still a bit shaky. The growth of emerging economies is feeble and hindered by risk factors such as continued slump of bulk commodity prices, currency devaluation and capital outflows. As for the Chinese economy, the favourable prospect will continue, and as the cumulative effects of earlier macro regulation measures begin to show and the structural reforms on the supply side continue to deepen, the national economy will expect a round of higher quality and more sustainable growth.

Against the backdrop of the economic “New Normal”, the banking sector enters into a new stage of slow growth in profit and development pattern transformation. The “13th Five-Year Plan” has shown the way forward for China’s future economic development clearly, and this represents challenges and opportunities for the banking sector. On the one hand, de-leveraging and de-capacity will exert pressure on the banks’ assets quality. Interest rate liberalisation, diversified financing options for customers and significant changes in the formats of capital will test the banks’ ability to maintain prudent and stable operations. Increasingly volatile fluctuations of exchange rates will pose new challenges to the banks’ foreign exchange management and overseas business development. Capital regulation, macro-prudential assessment system (MPA) and new supervisory regulations for service fee practices shall heighten the standards for banking operations and management. The increasing number of financing institutions and the expanded business scope of Internet-based financing will intensify market competitions. On the other hand, the implementation of China’s major strategies and reform initiatives means huge potentials for business development of the banking sector. The rapid growth of emerging industries and new business formats, upgrades in the consumption areas, urbanisation of rural migrant workers and other fields contain enormous business opportunities. The rapid development of the financial market and continuous expansion of the banks’ business scope will create new development space for integrated and comprehensive banking operations and financial services including innovative asset management business, comprehensive investment and financing business as well as asset-backed securitisation.

In 2016, the Group will seize new opportunities, face up to new challenges, and stick to prudent banking practices to promote its business transformation and development. Efforts will be made in the following areas. Firstly, the Group will actively support the development of the real economy. The Group will closely follow up the implementation of national strategies, actively identify and seize opportunities in connection with major projects, continue to increase support to key projects in transportation, water conservation, clean energy, urban infrastructure, health care and pension services, and vigorously promote green credit services in energy conservation and environmental protection as well as ecological management. Moreover, the Group will help address weaknesses in the economy by increasing support to small and micro enterprises and lending to agriculture, farmers and rural areas, consolidate and improve its traditional advantage in residential mortgages and mainly support people’s demand for housing for personal use and second homes. The Group facilitates the upgrade of personal consumption by offering increased services and products in consumer lending. Secondly, the Group will continue to drive forward its transformation and development. With its transformation and development seamlessly in line with the themes of “Innovation, Coordination, Greenness, Openness, and Sharing” in the 13th Five-Year Plan, the Group will accelerate the implementation of its transformation plans in 2016 by embedding transformation in all core businesses and making it a key driving force for the structural adjustment and performance enhancement. Thirdly, the Group will include risk prevention and control as a top priority in all its business activities. The Group will strengthen the unified management and control of credit risk, and fully tap the potentials of the “three lines of defence” to timely and effectively mitigate risks and ensure a stable asset quality. Fourthly, the Group will strengthen its delicacy management and explore growth opportunities. The Group will make practical and effective improvement to its management practices, continue to enhance its comprehensive pricing capability as well as intensive capital management level, and continue to apply strict controls over costs and expenses to realise sustainable development.

Accelerate the transformation for

DEVELOPMENT OF INTENSIVE MANAGEMENT

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2015		Increase/(Decrease) during the reporting period					31 December 2015	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	92,106,038,499	36.84	–	–	–	1,093,760,000	1,093,760,000	93,199,798,499	37.28
3. Others[1]	148,311,281,381	59.32	–	–	–	(1,093,760,000)	(1,093,760,000)	147,217,521,381	58.88
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baosteel Group, State Grid, and Yangtze Power.

DETAILS OF SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank had not issued any ordinary shares nor convertible bonds.

For details of the Bank's preference shares issued, please refer to "Details of Preference Shares".

In May 2015, upon approvals of the CBRC and the PBOC, the Bank issued offshore Tier 2 capital bonds of US$2 billion with a term of 10 years and a fixed interest rate in the first five-year of 3.875% to replenish the Tier 2 capital of the Bank. At the end of the fifth year, the issuer has an option to redeem the bonds subject to pre-conditions. In October 2015, the Bank issued offshore London RMB ordinary financial bonds of RMB1 billion with a term of two years and a fixed interest rate of 4.3%. In December 2015, the Bank issued Tier 2 capital bonds of RMB24 billion in the national interbank bond market with a term of 10 years and a fixed interest rate of 4% to replenish the Tier 2 capital of the Bank. At the end of the fifth year, the issuer has an option to redeem the bonds subject to pre-conditions.

Please refer to Note "Debt Securities Issued" in the "Financial Statements" for details of the Bank's other debt securities issuance.

NUMBER OF ORDINARY SHAREHOLDERS AND PARTICULARS OF ORDINARY SHAREHOLDING

At the end of the reporting period, the Bank had a total of 449,475 ordinary shareholders, of whom 48,257 were holders of H-shares and 401,218 were holders of A-shares. As at 28 February 2016, the Bank had a total of 469,648 ordinary shareholders, of whom 48,411 were holders of H-shares and 421,237 were holders of A-shares.

Unit: share

Total number of ordinary shareholders		449,475 (Total number of registered holders of A-shares and H-shares as at 31 December 2015)			
Particulars of shareholding of the top ten shareholders					
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
Huijin[1]	State	57.03	142,590,494,651 (H-shares)	None	None
		0.28	692,581,776 (A-shares)	None	None
HKSCC Nominees Limited[2]	Foreign legal person	30.93	77,336,101,264 (H-shares)	None	Unknown
Temasek[2]	Foreign legal person	5.77	14,419,443,216 (H-shares)	None	None
China Securities Finance Corporation Limited	State-owned legal person	1.00	2,512,160,056 (A-shares)	None	None
Baosteel Group	State-owned legal person	0.80	2,000,000,000 (H-shares)	None	None
		0.02	50,000,000 (A-shares)	None	None
Ping An Life Insurance Company of China, Ltd. – Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.76	1,911,126,594 (A-shares)	None	None
State Grid[2,3]	State-owned legal person	0.64	1,611,413,730 (H-shares)	None	None
Yangtze Power[2]	State-owned legal person	0.41	1,015,613,000 (H-shares)	None	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None
Hexie Health Insurance Co., Ltd. – Universal products	Domestic non-state-owned legal person	0.05	131,275,570 (A-shares)	None	None

1. The remaining total number of shares held by Huijin includes 496,639,800 A-shares held by its wholly-owned subsidiary Central Huijin Asset Management Co., Ltd..
2. On 16 January 2015, Temasek declared its interests to Hong Kong Stock Exchange. It disclosed that it held a total of 14,419,443,216 H-shares of the Bank. As at 31 December 2015, State Grid and Yangtze Power held 1,611,413,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save for the aforesaid H-shares of the Bank held by Temasek, State Grid and Yangtze Power, 77,336,101,264 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
3. As at 31 December 2015, the shareholding of H-shares of the Bank held by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 54,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 230,000,000 shares, and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.
4. The Bank is not aware of any connected relations or concerted action among the aforesaid shareholders.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.31% of the shares of the Bank as at the end of the reporting period. Huijin is a wholly state-owned company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Both of its registered capital and paid-in capital are 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 key state-owned financial institutions 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.

Considering the audited financial report of Huijin for the year 2015 will be provided when all the institutions in which Huijin holds interests finish the audits of their financial statements, the following financial data are the audited data for the year 2014. As at 31 December 2014, total assets of Huijin were RMB3,188,812,072.4 thousand, total liabilities were RMB161,227,620.2 thousand, and total shareholders' equity was RMB3,027,584,452.2 thousand. Net profit for 2014 was RMB497,894,697.2 thousand. Net cash flows from operating activities, investing activities and financing activities for 2014 were RMB41,856,325.6 thousand.

As at 31 December 2015, the basic information on the enterprises whose shares were directly held by Huijin is as follows:

No.	Institution Name	Shareholding percentage held by Huijin (%)
1	China Development Bank Corporation	34.68
2	Industrial and Commercial Bank of China Limited[1,2]	34.71
3	Agricultural Bank of China Limited[1,2]	40.03
4	Bank of China Limited[1,2]	64.02
5	China Construction Bank Corporation[1,2,3]	57.11
6	China Everbright Group Ltd.	55.67
7	China Everbright Bank Company Limited[1,2]	21.96
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation[2]	71.56
10	New China Life Insurance Company Limited[1,2]	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holdings Co., Ltd.	78.57
13	Shenwan Hongyuan Group Co., Ltd.[1]	25.03
14	China International Capital Corporation Limited[2]	28.45
15	China Securities Co., Ltd.	40.00
16	China Investment Securities Co., Ltd.	100.00
17	Jiantou Zhongxin Assets Management Co., Ltd.	70.00
18	Guotai Junan Investment Management Co., Ltd.	14.54
19	Central Huijin Asset Managment Co., Ltd.	100.00

1. As at 31 December 2015, the A-share listed companies held by Huijin, the controlling shareholder of the Bank.
2. As at 31 December 2015, the H-share listed companies held by Huijin, the controlling shareholder of the Bank.
3. The percentage of Huijin's direct shareholding of the Bank did not include A-shares held by Central Huijin Asset Management Co., Ltd., Huijin's wholly-owned subsidiary.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

At the end of the reporting period, there were no other corporate shareholders holding 10% or more of shares of the Bank (excluding HKSCC Nominees Limited), nor were there any internal staff shares.

DETAILS OF PREFERENCE SHARES

Details of Issuance and Listing of Preference Shares

On 16 December 2015, the Bank made a non-public issuance of offshore preference shares in the offshore market. Such offshore preference shares have been listed on the Hong Kong Stock Exchange on 17 December 2015. The total amount of the issued offshore preference shares is US$3.05 billion with a total number of 152,500,000 issued shares, having a par value of RMB100 each, and raising US$20 for each share. The preference shares adopt a dividend rate that is adjustable at different intervals. The rate will be adjusted every five years, and within each adjustment period, the dividend rate remains unchanged. The dividend rate is the 5-year US Treasury Notes yield during the adjustment period plus a fixed interest margin, and the dividend rate of the first five years upon issuance date is 4.65%. In accordance with the middle rate of RMB exchange rate on 16 December 2015 published by China Foreign Exchange Trade System, total proceeds raised from the issued offshore preference shares amounted to about RMB19,711 million. After the deduction of issuance fees, net proceeds raised from the issued offshore preference shares reached around RMB19,659 million. All proceeds would be used to replenish additional Tier 1 capital.

Number of Preference Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had one preference shareholder (or proxy). As at 28 February 2016, the Bank had one preference shareholder (or proxy).

Particulars of shareholding of the top ten preference shareholders (or proxies) of the Bank (The following data is based on the register of preference shareholders as at 31 December 2015):

Unit: share

Name of preference shareholder	Nature of shareholder	Type of shares	Increase/ decrease during the reporting period	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	152,500,000	100	152,500,000	–	Unknown

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's registered members of preference shareholders.
2. As the issuance was offshore non-public offering, the registered members of the preference shareholders presented the information of shareholdings that The Bank of New York Depository (Nominees) Limited as proxies of placees in liquidation system of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. as at the end of the reporting period.

Profit Distribution of Preference Shares

Dividends of preference shares shall be paid annually in cash by the Bank to preference shareholders. Any amount of dividends not fully distributed to preference shareholders will not be accumulated to next year. After the distribution upon the agreed dividend rate, preference shareholders will not participate in the distribution of any remaining profit with ordinary shareholders.

During the reporting period, the issued preference shares were yet due for the dividend distribution, and there was no dividend payment in respect of preference shares.

Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption nor conversion of preference shares issued by the Bank.

Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of preference shares issued by the Bank.

Accounting Policy Adopted for Preference Shares and Grounds

In accordance with *Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on the Financial Liability and the Equity Instruments and Relevant Accounting Treatment* promulgated by the MOF, as well as *International Accounting Standards No. 39 – Financial Instruments: Recognition* and *Measurement and International Accounting Standards No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the provisions of the issued and existing preference shares of the Bank conform to the accounting requirements as equity instruments, and will be calculated as equity instruments.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Hongzhang	Chairman, executive director	Male	61	January 2012 to 2017 annual general meeting
Wang Zuji	Vice chairman, executive director, president	Male	57	July 2015 to 2017 annual general meeting
Pang Xiusheng	Executive director, executive vice president	Male	57	August 2015 to 2017 annual general meeting
Zhang Gengsheng	Executive director, executive vice president	Male	55	August 2015 to 2017 annual general meeting
Li Jun	Non-executive director	Male	56	September 2015 to 2017 annual general meeting
Chen Yuanling	Non-executive director	Female	52	August 2010 to 2015 annual general meeting
Hao Aiqun	Non-executive director	Female	59	July 2015 to 2017 annual general meeting
Xu Tie	Non-executive director	Male	62	September 2013 to 2015 annual general meeting
Guo Yanpeng	Non-executive director	Male	53	January 2014 to 2015 annual general meeting
Dong Shi	Non-executive director	Male	50	September 2011 to 2016 annual general meeting
Zhang Long	Independent non-executive director	Male	50	January 2014 to 2015 annual general meeting
Chung Shui Ming Timpson	Independent non-executive director	Male	64	October 2013 to 2015 annual general meeting
Wim Kok	Independent non-executive director	Male	77	October 2013 to 2015 annual general meeting
Murray Horn	Independent non-executive director	Male	61	December 2013 to 2015 annual general meeting
Margaret Leung Ko May Yee	Independent non-executive director	Female	63	December 2013 to 2015 annual general meeting
Resigned directors				
Zhang Jianguo	Vice chairman, executive director, president	Male	61	October 2006 to June 2015
Zhu Hongbo	Executive director, executive vice president	Male	53	July 2013 to March 2015
Hu Zheyi	Executive director, executive vice president	Male	61	July 2013 to January 2015
Elaine La Roche	Independent non-executive director	Female	66	September 2012 to December 2015

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Guo You	Chairman of the board of supervisors	Male	58	June 2014 to 2016 annual general meeting
Liu Jin	Shareholder representative supervisor	Female	51	June 2013 to 2015 annual general meeting
Li Xiaoling	Shareholder representative supervisor	Female	58	June 2013 to 2015 annual general meeting
Li Xiukun	Employee representative supervisor	Male	58	January 2016 to 2018 annual general meeting
Jin Yanmin	Employee representative supervisor	Male	54	January 2016 to 2018 annual general meeting
Li Zhenyu	Employee representative supervisor	Male	55	January 2016 to 2018 annual general meeting
Wang Xinmin	External supervisor	Male	64	June 2013 to 2015 annual general meeting
Bai Jianjun	External supervisor	Male	60	June 2013 to 2015 annual general meeting
Resigned supervisors				
Jin Panshi	Employee representative supervisor	Male	51	June 2013 to January 2016
Zhang Huajian	Employee representative supervisor	Male	60	June 2013 to January 2016
Wang Lin	Employee representative supervisor	Male	60	January 2014 to January 2016

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Wang Zuji	President	Male	57	July 2015 to
Pang Xiusheng	Executive vice president	Male	57	February 2010 to
Zhang Gengsheng	Executive vice president	Male	55	April 2013 to
Yang Wensheng	Executive vice president	Male	49	December 2013 to
Huang Yi	Executive vice president	Male	52	April 2014 to
Yu Jingbo	Executive vice president	Male	58	December 2014 to
Zhu Kepeng	Chief disciplinary officer	Male	51	July 2015 to
Zeng Jianhua	Chief risk officer	Male	58	September 2013 to
Xu Yiming	Chief financial officer	Male	56	June 2014 to
Chen Caihong	Secretary to the Board	Male	59	August 2007 to

Shareholding of directors, supervisors and senior management

During the reporting period, Mr. Zhang Gengsheng, director of the Bank, indirectly held 19,304 H-shares of the Bank via employee stock incentive plan before he assumed his current position, 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. Some of the Bank's supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan before they assumed their current positions. Mr. Li Xiukun held 12,366 H-shares, Mr. Jin Yanmin held 15,739 H-shares, Mr. Li Zhenyu held 3,971 H-shares, Mr. Yang Wensheng held 10,845 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Zeng Jianhua held 25,838 H-shares, Mr. Xu Yiming held 17,925 H-shares, and Mr. Chen Caihong held 19,417 H-shares. For the resigned ones, Mr. Zhang Huajian held 18,999 H-shares, and Mr. Wang Lin held 19,304 H-shares.

Apart from the above, all other directors, supervisors and senior executives do not hold any shares of the Bank.

Particulars of positions of directors, supervisors and senior management in the shareholder's entities

Name	Name of shareholder entities	Position in shareholder entities	Starting date of assuming duties	Expiration date of assuming duties
Li Jun	Huijin	Employee	August 2008	
Chen Yuanling	Huijin	Employee	August 2010	
Hao Aiqun	Huijin	Employee	August 2015	
Xu Tie	Huijin	Employee	January 2014	
Guo Yanpeng	Huijin	Employee	January 2014	
Dong Shi	Huijin	Head of CCB's equity management office under Huijin's first department of banking institution management	February 2011	

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Upon election at the 2014 annual general meeting of the Bank, from 15 June 2015, Mr. Wang Hongzhang was re-elected as executive director of the Bank, and Ms. Elaine La Roche continued to serve as independent non-executive director of the Bank.

Upon election at the 2014 annual 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 review and approval of the Board meeting on 12 June 2015, and upon approval of the CBRC, from 9 July 2015, Mr. Wang Zuji commenced his position as vice chairman and president of the Bank.

Upon election at the 2014 annual 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 age reason.

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.

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.

Supervisors of the Bank

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.

Senior management of the Bank

Mr. Zhu Kepeng commenced his position as chief disciplinary officer of the Bank from July 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Wang Hongzhang
Chairman,
executive director

Mr. Wang has served as chairman and executive director since January 2012, concurrently chairman of Sino-German Bausparkasse since July 2012, and chairman of CCB Asia since July 2013. 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 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 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 non-executive 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.

Chen Yuanling
Non-executive director

Ms. Chen has served as director since August 2010. Ms. Chen was a professional economic and financial lawyer from 1985 to 2010. She worked consecutively for China Securities Corporation, the Government of Jilin Province as Legal Counsel, and Beijing Kang Da Law Firm as a partner. Ms. Chen is a first-grade lawyer, mediator at the Mediation Centre of China Chamber of International Commerce, China Council for the Promotion of International Trade, and member of the Banking, Securities and Insurance Committee of All China Lawyers Association. She graduated with a bachelor's degree in law from the law faculty of Peking University in July 1985 and graduated from on-the-job post-graduate class at the Business School of Jilin University in 2000. Ms. Chen 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, 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.

Xu Tie
Non-executive director

Mr. Xu has served as director since September 2013. Mr. Xu was administrator of Shandong Branch of the CSRC from September 2008 to September 2013, deputy director of Department of Public Offering Supervision of the CSRC from January 2001 to September 2008, director of the CSRC Guiyang Special Dispatch Office from January 1999 to December 2000. From February 1992 to December 1998, Mr. Xu was division chief and deputy director of State Commission for Economic Restructuring Guizhou Branch. From January 1990 to January 1992, he was deputy secretary of the CPC Committee of Wuchuan County. He also served as deputy division chief and division chief of Economy Research Office of the Government of Guizhou Province from May 1983 to December 1989. Mr. Xu obtained his bachelor's degree in philosophy from Sun Yat-sen University in July 1976. Mr. Xu 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 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 Holdings 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 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 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.

Margaret Leung Ko May Yee
Independent
non-executive director

Ms. Leung Ko May Yee has served as director since December 2013. Ms. Leung Ko May Yee is a council member and chairperson of the Treasury and Finance Committee of the University of Hong Kong. Ms. Leung is vice-chairperson and managing director of Chong Hing Bank Limited, independent non-executive director of First Pacific Company Limited, HKEx Group, Li & Fung Limited, Sun Hung Kai Properties Limited and QBE Insurance Group Limited. Ms. Leung was vice-chairperson and chief executive of Hang Seng Bank Limited, chairperson of Hang Seng Bank (China) Limited, director of various subsidiaries of Hang Seng Bank Limited, director of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), the group general manager of HSBC Holdings plc prior to her retirement from the HSBC Group in June 2012. She was a member of the Board of Directors and the Finance Committee of the Hospital Authority, chairperson of the Board of Governors of Hang Seng Management College and Hang Seng School of Commerce, a member of the Advisory Board and chairperson of the Investment Committee of the Hong Kong Export Credit Insurance Corporation, a member of the Advisory Committee of the Securities and Futures Commission and the Banking Review Tribunal of the Hong Kong Special Administrative Region, and independent non-executive director of Swire Pacific Limited and Hutchison Whampoa Limited. Ms. Leung holds a bachelor's degree in Economics, Accounting and Business Administration from the University of Hong Kong. Ms. Leung was awarded Silver Bauhinia Star and Justice of the Peace by the Hong Kong Special Administrative Region Government.

Supervisors of the Bank

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 Centre 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 supervisor 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 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 full-time 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.

Wang Xinmin
External supervisor

Mr. Wang has served as supervisor since June 2013. He served as deputy secretary of the Disciplinary Committee of the PBOC from February 2008 to April 2013, and director-general of the Supervision Bureau of the PBOC stationed by the Ministry of Supervision from January 2008 to February 2013. Mr. Wang was appointed as deputy director-general level inspection commissioner of group two and group five in the Central Inspection Team in July 2003. He served as the director level and deputy director-general level supervision commissioner of the eighth supervision office of the Central Commission for Discipline Inspection from August 1995, the director level deputy director and secretary of the party branch of the case management office of the General Office of the Central Commission for Discipline Inspection from August 1990, officer and deputy director of the fifth supervision office of the Central Commission for Discipline Inspection from July 1983. Mr. Wang graduated from the Department of International Politics at Peking University with a bachelor's degree in law. Mr. Wang is currently a member of the financial branch of Institute of China Supervision.

Bai Jianjun
External supervisor

Mr. Bai has served as supervisor 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 Centre 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 of the Bank

Wang Zuji
Vice chairman,
executive director, president

See "Directors of the Bank".

Pang Xiusheng
Executive director,
executive vice president

See "Directors of the Bank".

Zhang Gengsheng
Executive director,
executive vice president

See "Directors of the Bank".

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, 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. He majored in technological economics and obtained his master's degree in engineering 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 to May 2015. Mr. Yu served as general manager of the audit department of the Bank from April 2011 to October 2012, 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 August 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, majored in public finance and obtained his master's degree in economics from the Research Institute for Fiscal Science of the MOF in 1986.

REMUNERATION

Unit: RMB'000

Name	Fees	Remuneration paid	Contribution by the employer to compulsory insurances, housing allowances, etc.	Total (before tax)[1]	Whether obtained remuneration from related parties of the Bank
Wang Hongzhang	–	448.0	150.8	598.8	No
Wang Zuji	–	261.3	103.3	364.6	No
Pang Xiusheng	–	403.2	161.3	564.5	No
Zhang Gengsheng	–	403.2	161.3	564.5	No
Li Jun[2]	–	–	–	–	Yes
Chen Yuanling[2]	–	–	–	–	Yes
Hao Aiqun[2]	–	–	–	–	Yes
Xu Tie	–	–	–	–	No
Guo Yanpeng[2]	–	–	–	–	Yes
Dong Shi[2]	–	–	–	–	Yes
Zhang Long	410.0	–	–	410.0	No
Chung Shui Ming Timpson	440.0	–	–	440.0	No
Wim Kok	371.7	–	–	371.7	No
Murray Horn	462.5	–	–	462.5	No
Margaret Leung Ko May Yee	390.0	–	–	390.0	No
Guo You	–	448.0	172.9	620.9	No
Liu Jin	–	518.4	293.5	811.9	No
Li Xiaoling	–	518.4	293.5	811.9	No
Li Xiukun	–	–	–	–	No
Jin Yanmin	–	–	–	–	No
Li Zhenyu	–	–	–	–	No
Wang Xinmin[3]	–	–	–	–	No
Bai Jianjun	250.0	–	–	250.0	No
Yang Wensheng	–	403.2	161.3	564.5	No
Huang Yi	–	403.2	161.3	564.5	No
Yu Jingbo	–	403.2	157.1	560.3	No
Zhu Kepeng	–	134.4	55.7	190.1	No
Zeng Jianhua	–	646.8	295.2	942.0	No
Xu Yiming	–	646.8	295.2	942.0	No
Chen Caihong	–	646.8	295.2	942.0	No
Resigned directors, supervisors and senior executives					
Zhang Jianguo	–	352.0	172.9	524.9	No
Zhu Hongbo	–	67.2	25.9	93.1	No
Hu Zheyi	–	33.6	13.0	46.6	No
Elaine La Roche	400.0	–	–	400.0	No
Jin Panshi[4]	50.0	–	–	50.0	No
Zhang Huajian[4]	50.0	–	–	50.0	No
Wang Lin[4]	50.0	–	–	50.0	No

1. 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.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank.
3. Mr. Wang Xinmin did not receive remuneration as external supervisor from the Bank in accordance with relevant national regulations.
4. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
5. As some of the Bank's non-executive directors and external supervisor hold positions as director or senior executive in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior executives obtained remuneration from the related parties of the Bank.

Accelerate the transformation for an

INNOVATIVE BANKING

CORPORATE GOVERNANCE REPORT

The Bank is committed to maintaining a high-level of corporate governance. In strict compliance with the *Company Law, Law on Commercial Banks* and other laws and regulations, as well as the listing rules of the listing venues, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank elected new executive directors, non-executive directors and independent non-executive directors, and amended its Articles of Association. The Bank also formulated management measures on internal transaction and stress testing, and amended the measures on consolidated management, capital adequacy ratio, and reporting procedure of major risk events.

The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially adopted the recommended best practices therein.

During the reporting period, the Bank amended its *Articles of Association* pursuant to relevant requirements of laws and regulations, as well as taking reference with the plan of preference shares issuance. The *Articles of Association* of the Bank was reviewed and approved by the shareholders' general meeting and was approved by the CBRC.

SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions and powers:

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- deciding the issuance of preference shares; deciding or authorising the Board to decide the matters relating to the issued preference shares by the Bank, including but without limitation to repurchase, conversion and dividend distribution etc.;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meetings convened

On 15 June 2015, the Bank held the 2014 annual general meeting, the First A Shareholders Class Meeting of 2015 and the First H Shareholders Class Meeting of 2015 (collectively, the "Meetings"), which reviewed and approved the 2014 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2015 fixed assets investment budget, appointment of external auditors for 2015, election of directors, amendments to the Articles of Association, the plan of issuance of domestic preference shares, and the plan of issuance of offshore preference shares. The executive director, Mr. Wang Hongzhang, the non-executive directors, namely Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi and the independent non-executive directors, namely Mr. Zhang Long, Ms. Elaine La Roche, Mr. Wim Kok, and Mr. Murray Horn attended the Meetings, and the directors' attendance rate was 82%. The domestic and international auditors of the Bank also attended the Meetings. The shareholders' general meetings were held in compliance with relevant legal procedures. The resolutions of the Meetings were published on the websites of Hong Kong Stock Exchange and the Shanghai Stock Exchange on 15 June 2015, and on the designated newspaper on 16 June 2015 for information disclosure.

On 28 October 2015, the Bank held the first extraordinary general meeting of 2015, which reviewed and approved the proposal regarding Mr. Carl Walter and Ms. Anita Fung Yuen Mei to serve as independent non-executive directors of the Bank. The executive directors, namely Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng, the non-executive directors, namely Mr. Li Jun, Ms. Chen Yuanling, Ms. Hao Aiqun, Mr. Guo Yanpeng and Mr. Dong Shi, the independent non-executive directors, namely Mr. Zhang Long, Ms. Elaine La Roche, Mr. Chung Shui Ming Timpson, Mr. Wim Kok and Mr. Murray Horn attended the meeting. The attendance rate of directors was 81%. The domestic and international auditors of the Bank also attended the meeting. The shareholders' general meeting was held in compliance with relevant legal procedures, the resolutions of which were published on the websites of Hong Kong Stock Exchange and the Shanghai Stock Exchange on 28 October 2015, and on the designated newspaper on 29 October 2015 for information disclosure.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is the executive body of the shareholders' general meeting, which is responsible to the general meeting of shareholders, and performs the following functions and duties in accordance with relevant laws:

- convening the general meeting of shareholders and reporting to the general meeting of shareholders;
- implementing the resolutions of the general meeting of shareholders;
- determining the Bank's development strategy, and supervising the implementation of the development strategy;
- deciding on business plans, investment plans and risk capital allocation plans of the Bank;
- preparing annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- preparing plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- preparing plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers under the Articles of Association of the Bank and as authorised by the general meeting of shareholders.

The Board's implementation of resolutions of the general meeting of shareholders

In 2015, the Board strictly implemented the resolutions of shareholders' general meetings and matters authorised by the shareholders' general meetings to the Board, earnestly implementing the proposals approved by the shareholders' general meetings, including the profit distribution plan for 2014, fixed assets investment budget for 2015, appointment of auditors for 2015, and election of directors.

Composition of the Board

Currently the Board comprises 15 directors, including four executive directors, namely Mr. Wang Hongzhang, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; six non-executive directors, namely Mr. Li Jun, Ms. Chen Yuanling, Ms. Hao Aiqun, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi; and five independent non-executive directors, namely Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their terms of office.

In order to promote sustainable development and to diversify the composition of the Board, the Bank formulated the *Diversity Policy for the Board of Directors* in August 2013. For nomination of directors, the Board should consider both professional capabilities and ethics of the candidates, and at the same time, take into account the requirements on board diversity. The candidates should be selected as complementary to one another, with diversified backgrounds in terms of gender, age, cultural and educational background, professional experience, specialty, knowledge and term of service. The final decision should be based on the candidates' overall competence and possible contributions to the Board. The Nomination and Remuneration Committee is responsible to formulate and supervise the implementation of the *Diversity Policy for the Board of Directors*.

Chairman and president

Mr. Wang Hongzhang is chairman of the Board and the legal representative of the Bank, and is responsible for the business strategy and overall development of the Bank.

Mr. Wang Zuji is president of the Bank, and is responsible for the daily management of the business operations. The president is appointed by and accountable to the Board, and performs his duties in accordance with provisions of the Articles of Association and authorisation of the Board.

The roles of chairman of the Board and president are separate, each with clearly defined duties.

Operation of the Board

The Board convenes regular meetings, generally no fewer than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings is scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors will provide suggestions for modifications after receipt of the minutes. Upon finalisation of the minutes, the secretary to the Board will circulate the minutes to all directors as soon as possible. Minutes of the board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend board meetings from time to time to provide explanations or reply to enquiries.

At board meetings, directors can express their opinions freely, and major decisions shall only be made after thorough discussion. Directors may also follow certain procedures to engage external advisers, at the Bank's expense, for provision of independent professional advice if they deem necessary. If any director has material interest in a proposal to be considered by the Board, such director should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The Bank effected directors' liability insurance policy for all directors in 2015.

Board meetings

In 2015, the Board convened eight meetings in total on 27 March, 29 April, 12 June, 13 July, 28 August, 29 October, 11 November and 16 December respectively. Major resolutions reviewed and approved by the board meetings included fixed assets investment budget, financial reports, profit distribution, nomination of director candidates and appointment of senior executives. Relevant information was disclosed pursuant to the provisions under the relevant laws, regulations and listing rules of the listing venues. Individual attendance records of the directors in board meetings in 2015 are set out as follows:

Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Executive directors			
Mr. Wang Hongzhang	8/8	0/8	100
Mr. Wang Zuji	4/4	0/4	100
Mr. Pang Xiusheng	4/4	0/4	100
Mr. Zhang Gengsheng	4/4	0/4	100
Non-executive directors			
Mr. Li Jun	3/3	0/3	100
Ms. Chen Yuanling	7/8	1/8	100
Ms. Hao Aiqun	4/4	0/4	100
Mr. Xu Tie	6/8	2/8	100
Mr. Guo Yanpeng	8/8	0/8	100
Mr. Dong Shi	8/8	0/8	100
Independent non-executive directors			
Mr. Zhang Long	8/8	0/8	100
Mr. Chung Shui Ming Timpson	7/8	1/8	100
Mr. Wim Kok	6/8	2/8	100
Mr. Murray Horn	7/8	1/8	100
Ms. Margaret Leung Ko May Yee	8/8	0/8	100
Resigned directors			
Mr. Zhang Jianguo	3/3	0/3	100
Mr. Zhu Hongbo	0/0	0/0	–
Mr. Hu Zheyi	0/0	0/0	–
Ms. Elaine La Roche	7/8	1/8	100

Performance of duties by independent directors

Currently the Bank has five independent non-executive directors, representing one third of the total number of directors of the Bank, which complies with the provisions of relevant laws, regulations and Articles of Association of the Bank. The audit committee, risk management committee, nomination and remuneration committee, and social responsibilities and related party transactions committee under the Board are all chaired by independent non-executive directors.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, and neither do they assume any management positions in the Bank. The independence of the independent non-executive directors of the Bank was in compliance with the relevant regulatory requirements.

In 2015, the independent directors of the Bank actively attended the board meetings and relevant special committees meetings, debriefed reports on operational and management situations, conducted on-site investigations, actively carried out researches, provided forward-looking ideas and constructive suggestions on strategic transformation, risk management, capital adequacy ratio, internal control formation, new generation core banking system construction and related party transactions control and management, and played an important role in the decision-making of the Board. During the reporting period, the Bank's independent non-executive directors did not raise any objection to the relevant matters reviewed by the Board.

Special statement and independent opinion given by the independent directors regarding the external guarantees provided by the Bank

Pursuant to the relevant provisions and requirements under the circular of Zheng Jian Fa [2003] No. 56 issued by the CSRC and based on the principles of fairness, justice, and objectiveness, the independent directors of the Bank, including Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the PBOC and the CBRC, and is part of the ordinary business of the Bank. With respect to the risks arising from external guarantee business, the Bank formulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The external guarantee business of the Bank is mainly in the form of letter of guarantee. As at 31 December 2015, the balance under the letters of guarantees issued by the Group was approximately RMB790,930 million.

Accountability of the directors in relation to financial statements

The directors are responsible for overseeing the preparation of the financial report for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flow for that period. In preparing the financial report for the year ended 31 December 2015, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that were prudent and reasonable.

During the reporting period, the Bank published the 2014 annual report, the report for the first quarter of 2015, the half-year report 2015, and the report for the third quarter of 2015 within the prescribed time set out under the provisions of relevant laws, regulations and listing rules of the listing venues.

Training of directors

The Bank provides trainings for directors and encourages them to participate in professional development seminars and related courses organised by relevant professional institutions in order to enrich their knowledge of the latest development or changes of laws and regulations relevant to performance of their duties.

In 2015, Mr. Dong Shi, director of the Bank, took part in the experience sharing programme on corporate governance held by the Bank and Bank of America Corporation, and shared relevant experience in corporate governance; Ms. Hao Aiqun, Mr. Guo Yanpeng, and Mr. Dong Shi, directors of the Bank, participated in the special training on the new normal of China's economy, enterprise competitiveness, and governance practices that jointly organised by Huijin and China Europe International Business School; Ms. Chen Yuanling, director of the Bank, participated in the special training on corporate governance jointly organised by Huijin and International Institute for Management Development, Switzerland; Ms. Chen Yuanling, Ms. Hao Aiqun, Mr. Guo Yanpeng, and Mr. Dong Shi, directors of the Bank, participated in the training on internet related financial matters held by The Listed Companies Association of Beijing; Ms. Margret Leung Ko May Yee, director of the Bank, participated in various trainings in relation to corporate governance, risk management, and related party transactions.

Training of company secretary

In 2015, Mr. Ma Chan Chi, company secretary of the Bank, participated in trainings on regulatory compliance, risk management and internal control organised by Hong Kong Stock Exchange, The Hong Kong Institute of Chartered Secretaries, and Computershare Hong Kong Investor Services Limited. Mr. Ma Chan Chi undertook over 15 hours of professional training to update his skills and knowledge.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2015.

Independent operating capability

The Bank is independent from its controlling shareholder, Huijin, with respect to business, personnel, assets, organisations and finance. The Bank has independent and complete operating assets and independent operating capability with ability to survive in the market on its own strength.

Internal transactions

The internal transactions of the Bank include credit, financial market transactions and derivative transactions, wealth management arrangement, asset transfer, management and service arrangement, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in compliance with regulatory requirements, and did not give rise to a negative impact on the Group's sound operation.

COMMITTEES UNDER THE BOARD

There are five committees established under the Board: strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and social responsibilities and related party transactions committee. Among these committees, half or more than half of the members of the audit committee, risk management committee, nomination and remuneration committee, and social responsibilities and related party transactions committee are independent non-executive directors.

Strategy development committee

The strategy development committee consists of 13 directors. Mr. Wang Hongzhang, chairman of the Bank, currently serves as chairman of the strategy development committee. Members include Mr. Wang Zuji, Mr. Li Jun, Ms. Chen Yuanling, Mr. Pang Xiusheng, Ms. Hao Aiqun, Mr. Wim Kok, Mr. Murray Horn, Mr. Xu Tie, Mr. Guo Yanpeng, Mr. Zhang Gengsheng, Ms. Margaret Leung Ko May Yee and Mr. Dong Shi. Among them, four are executive directors, six are non-executive directors, and three are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

- drafting strategic development plans, supervising and assessing implementation thereof;
- reviewing annual operational plans and fixed assets investment budgets;
- reviewing the implementation of annual operational plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans;
- reviewing significant investment and financing projects of the Bank;
- exercising the power of equity investment, IT planning, capital adequacy ratio management and other matters within the scope of the Board's authorisation; and
- other duties and powers authorised by the Board.

In 2015, the strategy development committee convened six meetings in total, reviewed and discussed agenda items including: making in-depth analysis of macroeconomic situation and market tendencies and strengthening research on significant strategic issues; steadily pushing forward strategic transformation and evaluating the implementation of strategic planning; promoting and adjusting the network of overseas institutions while grasping strategic investment opportunities; strengthening management of subsidiaries and improving platforms for comprehensive operation; strengthening information technology infrastructure and enhancing comprehensive service capabilities.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Wang Hongzhang	6/6	0/6	100
Mr. Wang Zuji	4/4	0/4	100
Mr. Li Jun	3/3	0/3	100
Ms. Chen Yuanling	6/6	0/6	100
Mr. Pang Xiusheng	4/4	0/4	100
Ms. Hao Aiqun	4/4	0/4	100
Mr. Wim Kok	5/6	1/6	100
Mr. Murray Horn	6/6	0/6	100
Mr. Xu Tie	5/6	1/6	100
Mr. Guo Yanpeng	6/6	0/6	100
Mr. Zhang Gengsheng	4/4	0/4	100
Ms. Margaret Leung Ko May Yee	6/6	0/6	100
Mr. Dong Shi	6/6	0/6	100
Resigned members			
Mr. Zhu Hongbo	0/0	0/0	–
Mr. Zhang Jianguo	1/1	0/1	100
Ms. Elaine La Roche	6/6	0/6	100
Mr. Hu Zheyi	0/0	0/0	–

In 2016, the strategy development committee will continue to adhere to the strategic development direction of "accelerating transformation towards an innovative and smart bank with integrated operation, multi-functional service and intensive development", conduct in-depth analysis of macroeconomic and national financial reform situation, optimise resources allocation, accelerate the transformation of operation and adjustment of business structure, strengthen the construction of multifunctional comprehensive capabilities, steadily facilitate the construction of relevant systems and mechanisms, focus on promoting the development of overseas business, improve the management and utilisation of big data, continue to promote the intensive and overall plans for transformation and development, and accelerate the effective implementation of transformation.

Audit committee

The audit committee consists of six directors. Mr. Chung Shui Ming Timpson, independent non-executive director of the Bank, currently serves as chairman of the audit committee. Members include Mr. Li Jun, Mr. Zhang Long, Mr. Murray Horn, Mr. Xu Tie and Mr. Dong Shi. Among them, three are non-executive directors and three are independent non-executive directors. The composition of the audit committee meets the requirements of corporate governance and the domestic and overseas regulations.

The primary responsibilities and authorities of the audit committee include:

- monitoring the financial reports, reviewing the disclosure of accounting information and significant events of the Bank;
- monitoring and assessing the internal controls of the Bank;
- monitoring and assessing the internal auditing work of the Bank;
- monitoring and assessing the external auditing work;
- paying attention to potential misconducts;
- reporting work to the Board; and
- other duties and powers authorised by the Board.

In 2015, the audit committee convened ten meetings in total, and held two separate meetings with external auditors. The audit committee supervised and reviewed the financial reports for 2014, the first half of 2015, and the first and third quarter of 2015; organised the selection and engagement of 2016 external auditors; supervised and evaluated the external auditing work; monitored the internal auditing work; supervised the rectification of problems identified by the internal and external audits; and strengthened the supervision and evaluation of internal control.

Pursuant to requirements of the CSRC and the annual report working rules of the audit committee, the audit committee reviewed the annual financial report of the Bank, and communicated sufficiently with the management and formed written opinions before the entry of external auditors. Based on the initial audit opinions given by the external auditors, the audit committee improved communication with external auditors and reviewed the annual financial report of the Bank again. After the completion of auditing, the audit committee reviewed and voted on the annual financial report, and submitted the same to the Board for consideration.

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Chung Shui Ming Timpson	9/10	1/10	100
Mr. Li Jun	4/4	0/4	100
Mr. Zhang Long	10/10	0/10	100
Mr. Murray Horn	9/10	1/10	100
Mr. Xu Tie	8/10	2/10	100
Mr. Dong Shi	10/10	0/10	100
Resigned members			
Ms. Elaine La Roche	10/10	0/10	100

In 2016, the audit committee will continue to monitor the preparation, audit and disclosure of regular financial reports, review auditing information and disclosure of major issues, and provide professional advice to the Board. The audit committee will monitor and guide the internal audits, push forward the rectification of problems identified in internal audits; monitor and evaluate the independence and effectiveness of external audits, and facilitate the improvement of service quality of external audits; improve communication and coordination between internal and external auditors as well as the utilisation of auditing results; further improve internal control system and mechanism, and enhance the monitoring and evaluation of internal control. The audit committee will assist the Board in relevant work under the authorisation of the Board.

Risk management committee

The risk management committee consists of eight directors. Mr. Murray Horn, independent non-executive director of the Bank, currently serves as chairman of the risk management committee. Members include Mr. Wang Zuji, Mr. Zhang Long, Ms. Chen Yuanling, Mr. Pang Xiusheng, Ms. Hao Aiqun, Mr. Chung Shui Ming Timpson, and Ms. Margaret Leung Ko May Yee. Among them, two are executive directors, two are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- providing guidance on establishing the risk management system;
- monitoring and assessing the organisational structure, working procedures and effectiveness for risk management department, and proposing changes for improvement;
- reviewing the risk report, conducting periodic assessments of the risk condition, and providing opinions in relation to further improvements on the risk management of the Bank;
- evaluating the performance of the Bank's senior management personnel responsible for risk management;
- supervising the compliance of core businesses, management systems and major operation activities of the Bank; and
- other duties and powers authorised by the Board.

In 2015, the risk management committee convened four meetings in total. It expressed opinions and suggestions on various areas including strengthening the management and control of credit assets, promoting the adjustment and optimisation of risk management policies, enhancing the risk management and control of the Group, and improving the ability of comprehensive risk management. The risk management committee paid close attention to the impact of international and domestic economic and financial situations on the Bank, actively promoted the implementation of the advanced method on capital management, and assessed the overall risk conditions of the Group regularly. It attached great importance to the risk management in the areas related to loans to industries with excess capacity, loans to government financing vehicles, liquidity, key regions, overseas business and information technology. It also enhanced the compliance risk management and strengthened prevention and control over non-compliance cases.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Murray Horn	4/4	0/4	100
Mr. Wang Zuji	2/2	0/2	100
Mr. Zhang Long	3/4	1/4	100
Ms. Chen Yuanling	4/4	0/4	100
Mr. Pang Xiusheng	2/2	0/2	100
Ms. Hao Aiqun	2/2	0/2	100
Mr. Chung Shui Ming Timpson	3/4	1/4	100
Ms. Margaret Leung Ko May Yee	4/4	0/4	100
Resigned members			
Mr. Zhu Hongbo	0/0	0/0	–
Mr. Zhang Jianguo	1/1	0/1	100
Mr. Hu Zheyi	0/0	0/0	–

In 2016, the risk management committee will continue to conscientiously perform its duties, promote the fulfilment of various regulatory requirements, further improve comprehensive risk management system, and continue to strengthen the management of various risks including credit risk, market risk, operational risk and compliance risk. It will also steadily promote the implementation of the advanced method on capital management to improve risk management.

Nomination and remuneration committee

The nomination and remuneration committee consists of six directors. Mr. Wim Kok, independent non-executive director of the Bank, currently serves as chairman of the nomination and remuneration committee. Members include Mr. Chung Shui Ming Timpson, Mr. Murray Horn, Mr. Guo Yanpeng, Ms. Margaret Leung Ko May Yee and Mr. Dong Shi. Among them, two are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the nomination and remuneration committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, presidents, chief audit officer, secretary to the Board and board committee members to the Board;
- evaluating the structure, number of members and composition of the Board (including aspects on expertise, knowledge and experience), and proposing suggestions on the adjustment of the Board to implement the corporate strategies of the Bank;
- supervising the performance of members of the Board;
- evaluating candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;
- evaluating the remuneration management system submitted by the president;
- formulating performance evaluation measures for directors and senior management and submitting to the Board for deliberation;
- organising performance assessment for directors and senior management; and proposing advice on the remuneration plan for directors and senior management in accordance with the performance assessment results and the board of supervisors' performance evaluations, and submitting to the Board for deliberation;
- proposing advice on the remuneration plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors and submitting to the Board for deliberation;
- monitoring the implementation of the Bank's performance assessment and remuneration systems; and
- other duties and powers authorised by the Board.

In 2015, the nomination and remuneration committee convened six meetings in total. Regarding nomination, the committee spared no effort to the selection of independent directors, and proposed advice on candidates for independent directors and executive directors, consecutive appointment of executive directors, newly elected president candidate, candidates for each special committee of the Board, and the newly elected candidate for chairman of the nomination and remuneration committee, to ensure the nominees are eligible for the positions of directors, president, member of special committees of the Board and chairman of the nomination and remuneration committee, in compliance with laws, administrative regulations, rules and the Articles of Association of the Bank, and able to perform their duties in a diligent manner. The nomination and remuneration committee held that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of *the Diversity Policy for the Board of Directors*. Regarding remuneration and performance assessment, the nomination and remuneration committee studied the latest national remuneration policies, organised and formulated the proposal of the settlement of the remuneration for directors, supervisors and senior management for 2014, discussed and worked out performance assessment plans for executive directors and senior management for 2015. Regarding the ordinary work, the nomination and remuneration committee debriefed reports on the development and training mechanism for employees and analysis of employee remuneration structure for 2014, and proposed relevant opinions and advice.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Wim Kok	6/6	0/6	100
Mr. Chung Shui Ming Timpson	4/6	2/6	100
Mr. Murray Horn	6/6	0/6	100
Mr. Guo Yanpeng	6/6	0/6	100
Ms. Margaret Leung Ko May Yee	6/6	0/6	100
Mr. Dong Shi	6/6	0/6	100
Resigned members			
Ms. Elaine La Roche	6/6	0/6	100

In 2016, the nomination and remuneration committee will strengthen self-improvement efforts, continue to accomplish the work in connection with nomination, and further advance the remuneration and performance assessment measures in accordance with the national remuneration policies. The committee will put forward the proposal of the settlement of remuneration for 2015 according to the operation results of the Bank after comprehensive consideration of various factors, and pay attention to the remuneration system and the personnel training of the Bank.

Social responsibilities and related party transactions committee

The social responsibilities and related party transactions committee consists of four directors. Mr. Zhang Long, independent non-executive director of the Bank, currently serves as chairman of the social responsibilities and related party transactions committee. Members include Mr. Chung Shui Ming Timpson, Mr. Murray Horn and Mr. Zhang Gengsheng. Among them, one is executive director, and three are independent non-executive directors.

The primary responsibilities of the social responsibilities and related party transactions committee include:

- formulating and proposing standards for material related party transactions and the system for management of related party transactions, as well as the internal approval and filing system of the Bank, and submitting the above standards for approval to the Board;
- identifying the related parties of the Bank;
- receiving filings on general related party transactions;
- reviewing material related party transactions;
- studying and formulating the strategies and policies of social responsibilities of the Bank;
- evaluating credit policies related to environment and sustainable development;
- monitoring, inspecting and assessing the performance of social responsibilities of the Bank;
- studying and formulating the strategies, policies and objectives of consumer rights and interests protection of the Bank, supervising and assessing the work of consumer rights and interests protection of the Bank; and
- other duties and powers authorised by the Board.

In 2015, the social responsibilities and related party transactions committee convened four meetings in total. The committee paid close attention to the development of domestic and overseas supervisory regulations and standards, and strengthened the review and supervision of the management of related party transactions; improved the system of the management of related party transactions; promoted the management capability of related party transactions. It supervised the implementation of performance of the social responsibilities related to green credit, protection of consumer rights and interests and charity donation.

Members of social responsibilities and related party transactions committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Zhang Long	4/4	0/4	100
Mr. Chung Shui Ming Timpson	3/4	1/4	100
Mr. Murray Horn	4/4	0/4	100
Mr. Zhang Gengsheng	1/3	2/3	100
Resigned members			
Mr. Zhu Hongbo	0/0	0/0	–
Mr. Hu Zheyi	0/0	0/0	–

In 2016, the social responsibilities and related party transactions committee will continue to strengthen the supervision and guidance of the related party transactions management. It will promote the construction and implementation of the new generation information management system of the related party transactions, and monitor and evaluate the implementation of green credit and protection of consumer rights and interests. The social responsibilities and related party transactions committee will assist the Board in relevant work under the authorisation of the Board.

BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions and duties in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management personnel to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including the financial report, business report and profit distribution proposal that are proposed to the shareholders' general meeting by the Board;
- supervising business decisions, risk management, internal control etc. of the Bank, and providing guidance to the internal audit work of the Bank; and
- exercising other powers authorised by the shareholders' general meeting and the Articles of Association of the Bank.

Composition of the board of supervisors

The board of supervisors of the Bank currently consists of eight supervisors, including three shareholder representative supervisors, namely Mr. Guo You, Ms. Liu Jin and Ms. Li Xiaoling, three employee representative supervisors, namely Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu, and two external supervisors, namely Mr. Wang Xinmin and Mr. Bai Jianjun.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their terms of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

Chairman of the board of supervisors

Mr. Guo You is chairman of the board of supervisors of the Bank and is responsible for organisation and performance of duties of the board of supervisors.

Operation of the board of supervisors

The board of supervisors convenes regular meetings no fewer than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in written ten days prior to the convening of the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors. After each meeting, minutes will be circulated to all attending supervisors for review and comments. After finalising the minutes, the board of supervisors' office shall be responsible for distributing the final version of the minutes to all supervisors. The board of supervisors may engage external legal advisors or certified public accountants when necessary to discharge its duties, and the Bank will bear all related expenses. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and materials to them in accordance with related regulations.

Members of the board of supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, as it considers appropriate, assign supervisors to attend as non-voting attendees such meetings of the Bank as meetings of board committees, annual work conference, symposia of general managers of branches, analytic meetings on operating conditions, and president executive meetings. The board of supervisors of the Bank conducts supervisory work through measures such as inspection and review of information, off-site monitoring and analysis and on-site specific inspection, visits and symposia, and performance and due diligence evaluation.

The Bank effected supervisors' liability insurance policy for all the supervisors in 2015.

Meetings of the board of supervisors

In 2015, the board of supervisors convened eight meetings in total on 9 February, 12 March, 27 March, 29 April, 24 July, 28 August, 29 October, and 24 December respectively, of which one was held by way of circulation of written proposal, and seven were held on-site. Major resolutions reviewed and approved by the board of supervisors meetings included report of the board of supervisors, supervisory working plan, periodic financial reports of the Bank, profit distribution plan, the 2014 assessment report on internal control, etc. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. The following table sets forth the attendance records of each supervisor in the meetings of the board of supervisors in 2015:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Shareholder representative supervisors			
Mr. Guo You	8/8	0/8	100
Ms. Liu Jin	7/8	1/8	100
Ms. Li Xiaoling	7/8	1/8	100
Employee representative supervisors			
Mr. Li Xiukun	–	–	–
Mr. Jin Yanmin	–	–	–
Mr. Li Zhenyu	–	–	–
External supervisors			
Mr. Wang Xinmin	8/8	0/8	100
Mr. Bai Jianjun	7/8	1/8	100
Resigned members			
Mr. Jin Panshi	8/8	0/8	100
Mr. Zhang Huajian	7/8	1/8	100
Mr. Wang Lin	8/8	0/8	100

The performance of duties by external supervisors

In 2015, Mr. Wang Xinmin and Mr. Bai Jianjun, the external supervisors of the Bank, attended all the meetings of the board of supervisors and special committees thereof, and were involved in the decision-making of major issues of the board of supervisors. They proactively attended the meetings of the Board, the special committees under the Board and the senior management as non-voting delegates, and participated in the discussion of the development and risk management and control in wealth management business, the analysis and rectification of deficiencies in internal control and other issues. They participated in the specific research on the implementation of plans for transformation and development and the batch transfer of NPLs, and provided suggestions and opinions based on their expertise. The external supervisors duly performed their duties and contributed to the supervisory role played by the board of supervisors.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

Performance and due diligence supervision committee

The performance and due diligence supervision committee consists of five supervisors. Mr. Guo You, chairman of the board of supervisors, serves as chairman of the performance and due diligence supervision committee. Members include Ms. Liu Jin, Ms. Li Xiaoling, Mr. Li Zhenyu and Mr. Wang Xinmin.

The primary responsibilities of the performance and due diligence supervision committee include:

- formulating the rules, work plans and proposals and implementation plans for supervision and examination in connection with the supervision of the performance and degree of diligence of the Board, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;
- giving evaluation report on the performance of duties by the Board and senior management as well as their members; and
- formulating performance evaluation measures for the supervisors and organising the implementation of such measures.

In 2015, the performance and due diligence supervision committee convened four on-site meetings in total. The performance and due diligence supervision committee reviewed evaluation reports on the performance of the Board, senior management and their members, and self-evaluation reports on the performance of the board of supervisors and supervisors; studied and formulated the work plan for performance supervision and evaluation for the year; reviewed the proposals regarding the performance assessment plan for shareholder representative supervisors of the Bank, and debriefed with special reports on the situation of the operation transformation, development of pension business, and management of related party transactions.

Members of the Performance and Due Diligence Supervision Committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Guo You	4/4	0/4	100
Ms. Liu Jin	4/4	0/4	100
Ms. Li Xiaoling	3/4	1/4	100
Mr. Li Zhenyu	–	–	–
Mr. Wang Xinmin	4/4	0/4	100
Resigned members			
Mr. Wang Lin	4/4	0/4	100

In 2016, the performance and due diligence supervision committee will focus on the implementation of transformation plan of the Bank, and organise the supervision of performance of duties and responsibilities. The performance and due diligence supervision committee will continue to explore effective ways of supervision in light of actual situation, and ensure proper performance and due diligence supervision and evaluation of the Board, senior management and their members.

Finance and internal control supervision committee

The finance and internal control supervision committee consists of five supervisors. Ms. Li Xiaoling, shareholder representative supervisor, serves as chairperson of the finance and internal control supervision committee. Members include Ms. Liu Jin, Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Bai Jianjun.

The primary functions and responsibilities of the finance and internal control supervision committee include:

- formulating the rules, work plans and proposals in connection with the finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;
- examining the annual financial reports and the profit distribution proposals prepared by the Board, and providing suggestions on such reports to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2015, the finance and internal control supervision committee convened six on-site meetings in total, reviewed seven proposals including the periodic financial reports, profit distribution plans and internal control evaluation report; debriefed reports on financial report auditing, internal control and compliance work, internal audit findings and rectifications, credit asset quality, comprehensive risk management on a regular basis; organised and conducted supervision on the internal control, acquisition and disposal of material assets, related party transactions, use of proceeds, and management of the insiders of inside information; carried out supervision over different areas including business plans, cost management, rectifications of repeated problems, liquidity risk management, credit risk management and control in key areas, centralised procurement, consolidated management, capital management and the management of advanced capital measurement approaches via various measures including debriefing special reports, interviews and discussions, surveys and analysis, put forward professional opinions or suggestions, and helped the board of supervisors to perform the supervision of finance, risk and internal control.

Members of the Finance and Internal Control Supervision Committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Ms. Li Xiaoling	5/6	1/6	100
Ms. Liu Jin	6/6	0/6	100
Mr. Li Xiukun	–	–	–
Mr. Jin Yanmin	–	–	–
Mr. Bai Jianjun	6/6	0/6	100
Resigned members			
Mr. Jin Panshi	6/6	0/6	100
Mr. Zhang Huajian	4/6	2/6	100

In 2016, the finance and internal control supervision committee will pay close attention to the key issues and areas of the Bank’s finance, risk and internal control, make more efforts in research and investigation as well as analysis, and continue to refine the corresponding supervisory work.

SENIOR MANAGEMENT

Responsibilities of senior management

The senior management, being the executive body of the Bank, is accountable to the Board, and is supervised by the board of supervisors. Authorisation to the senior management by the Board strictly complies with corporate governance documents such as the Articles of Association of the Bank. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions and powers:

- presiding over the operation and management of the Bank, and organising and implementing resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising and implementing the plans upon approval of the Board;
- drafting basic management systems of the Bank;
- authorising persons in charge of internal functional departments and branches to conduct operation activities;
- establishing president accountability system, and conducting evaluation of business performance over managers of business departments, managers of functional departments and general managers of branches of the Bank;
- proposing the convening of interim Board meetings; and
- exercising other functions and powers that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and decisions of the shareholders' general meeting and the Board.

Executive vice presidents and other senior management members of the Bank shall assist president with his/her work.

Operation of senior management

Based on the authorisation of corporate governance documents such as the Articles of Association of the Bank and the Board, the senior management orderly organises operational and management activities of the Bank. According to the strategic directions and targets determined by the Board, it makes comprehensive operational plans and periodically reports to the Board on implementation of strategies and execution progress of plans. The senior management analyses and researches on internal and external environment, works out operational strategies and management measures and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operational and management capabilities and working efficiency 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 the 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 Board, the board of supervisors, directors, supervisors and senior management of the Bank undertake that there is no false record, misleading statement or material omission in this report, and assume joint and several liabilities for the authenticity, accuracy and completeness of its contents.

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 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.

The internal control assessment report and the internal control audit report are available under the column "Disclosure – Listed Company Information" on the website of the Shanghai Stock Exchange (http://www.sse.com.cn)

AUDITORS' REMUNERATION

PricewaterhouseCoopers Zhong Tian LLP was appointed as the domestic auditor for the audit of the financial report of the Bank and its major domestic subsidiaries for the year of 2015 and PricewaterhouseCoopers was appointed as the international auditor for the audit of the financial report of the Bank and its overseas subsidiaries for the year of 2015. PricewaterhouseCoopers Zhong Tian LLP was appointed as the auditor for the audit of the internal control of the Bank for the year of 2015.

Auditors' fees for the audit of the financial report (including the audit of the internal control) of the Group and other services paid to PricewaterhouseCoopers Zhong Tian LLP, PricewaterhouseCoopers and other PricewaterhouseCoopers member firms by the Group for the year ended 31 December 2015 are set out as follows:

(In millions of RMB)	**2015**	2014
Fees for the audit of the financial statements	**132.00**	132.00
Other service fees	**8.03**	5.96

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have offered auditing services to the Bank for five consecutive years.

SHAREHOLDERS' RIGHTS

Right to convene an extraordinary shareholders' general meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after the resolution is made. In case the Board refuses to hold the meeting or has no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors fails to issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank for more than 90 consecutive days, may convene and preside over an extraordinary general meeting on his own.

Right to raise proposals to the shareholders' general meeting

Any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the total issued voting shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent directors and external supervisors.

Proposals to the shareholders' general meetings shall be submitted to the convenor of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to bring up extraordinary proposals. Extraordinary proposals on the nomination shall be submitted to the convenor of the meeting 35 days prior to the meeting and extraordinary proposals on other issues shall be submitted to the convenor of the meeting in writing 20 days prior to the meeting.

Right to raise proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

Right to raise enquiries to the Board

In accordance with the provisions of the Articles of Association of the Bank, the shareholders have the right to obtain relevant information, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

INVESTOR RELATIONS

Effective communication with shareholders

The Bank exchanges opinions with the shareholders through various channels such as the shareholders' general meetings, results announcement conferences, road shows, receptions of visitors and telephone enquiries. In 2015, the Bank organised and arranged results announcement conferences and analysts' on-site briefings and conference calls during the period of annual and interim results publication. Relevant announcements of results are published on designated newspapers and websites for shareholders' review.

Shareholder enquiries

Any enquiries related to shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following addresses:

A-share:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36th Floor, China Insurance Building
166 Lujiazui East Road, Pudong District, Shanghai, China
Telephone: (8621) 5870-8888
Facsimile: (8621) 5889-9400

H-share:

Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862-2863
Facsimile: (852) 2865-0990/(852) 2529-6087

Investor enquiries

Enquiries to the Board may be directed to:
Board of Directors Office
China Construction Bank Corporation
No. 25, Financial Street, Xicheng District, Beijing, China
Telephone: (8610) 6621-5533
Facsimile: (8610) 6621-8888
Email: ir@ccb.com

Board of Directors Office-Hong Kong Office
China Construction Bank Corporation
29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Telephone: (852) 3918-6212
Facsimile: (852) 2523-8185

This annual report is available on the website of the Bank (www.ccb.com), the website of the Shanghai Stock Exchange (www.sse.com.cn) and the "HKExnews" website of Hong Kong Stock Exchange (www.hkexnews.hk). If you have any queries on reading this annual report, please call our hotline at (8610) 6621-5533 or (852) 3918-6212. If you have any comment or advice on the annual report, please send email to ir@ccb.com.

Accelerate the transformation for a

SMART BANKING

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is engaged in a range of banking services and related financial services.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the "Management Discussion and Analysis" of this annual report. For the discussion on the Bank's environmental policies and the performance and the relations between the Bank and its employees, please refer to the section headed Corporate Social Responsibilities under the Corporate Governance of this annual report. Further detailed information please refer to the *2015 Social Responsibilities Report* published by the Bank on the HKEx News on 30 March 2016.

PROFIT AND DIVIDENDS

The profit of the Group for the year ended 31 December 2015 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report. The financial position and operating results as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions passed at the 2014 annual general meeting held on 15 June 2015, the Bank paid an annual cash dividend for 2014 of RMB0.301 per share (including tax), totalling approximately RMB75,253 million, to all of its shareholders whose names appeared on the register of members on 30 June 2015.

The Board recommends a cash dividend for 2015 of RMB0.274 per share (including tax), subject to the approval of the 2015 annual general meeting. Subject to the approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 29 June 2016. The expected payment date of the H-shares annual cash dividend for 2015 is 22 July 2016. The expected payment date of the A-shares annual cash dividend for 2015 is 30 June 2016.

During the reporting period, the Bank was not involved in any issue regarding the payment of preference shares dividend.

FORMULATION AND IMPLEMENTATION OF CASH DIVIDEND POLICY

Pursuant to the amendment to the *Articles of Association* of the Bank reviewed and approved at the 2014 annual general meeting, the Bank may distribute dividends in the form of cash, shares and a combination of cash and shares. Unless under special circumstances, the Bank shall distribute dividends in cash if it has positive accumulative undistributed profits in the year. The profits distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. When adjusting the profit distribution policy, the Board shall conduct a specific discussion to elaborate on and verify the reasons to make the adjustments and prepare a written report. Independent directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

The Bank has sound decision-making procedures and mechanism of profit distribution. During the process of drafting the profit distribution plan, the Board extensively collected the opinions and requests from the shareholders, protected the legitimate rights and interests of minority shareholders, and submitted the profit distribution plan to the general meeting for approval. The independent directors conducted due diligence and played their roles diligently in the decision-making process of the profit distribution plan. The Bank attaches great importance to the return of shareholders, and constantly pays cash dividends to the shareholders.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2013 to 2015 are as follows:

(In millions of RMB, except percentages)	2013	2014	2015
Cash dividends	75,003	75,253	**68,503**
Ratio of cash dividends to net profit [1]	34.94%	33.03%	**30.03%**

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distribution" in the "Financial Statements" of annual reports of the related years for details of cash dividends.

SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2015.

RESERVES

Please refer to "Consolidated Statement of Changes in Equity" for details of the movements in the reserves of the Group for the year ended 31 December 2015.

DONATIONS

Donations made by the Group for the year ended 31 December 2015 were RMB41.21 million.

FIXED ASSETS

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year ended 31 December 2015.

RETIREMENT BENEFITS

Please refer to Note "Accrued Staff Costs" in the "Financial Statements" of this annual report for details of the retirement benefits provided to employees of the Group.

MAJOR CUSTOMERS

For the year ended 31 December 2015, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to "Changes in Share Capital and Particulars of Shareholders - Substantial Shareholders of the Bank" and Note "Investments in Subsidiaries" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at 31 December 2015.

ISSUANCE OF SHARES

During the reporting period, the Bank had not issued any ordinary share. Please refer to the "Changes in Share Capital and Particulars of Shareholders – Details of Preference Shares" of this annual report for details of issuance of preference shares.

ISSUANCE OF DEBENTURES

Please refer to the "Changes in Share Capital and Particulars of Shareholders – Details of Securities Issuance and Listing" of this annual report for details of issuance of debentures during the reporting period.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2015, other than the offshore preference shares issued by the Bank on 16 December 2015, the Bank had not entered into or maintained any equity-linked agreement.

Upon approvals by domestic and overseas regulatory authorities, during the reporting period, the Bank issued offshore non-public preference shares of US$3.05 billion in total to replenish additional Tier 1 capital of the Bank. Pursuant to regulations including the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Pilot Programme for Preference Shares*, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event happens when the common equity Tier 1 ratio has decreased to 5.125% (or below) and when the CBRC determines that the Bank will not be able to exist if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which preference shares shall be coercively converted into ordinary H-shares. If such trigger events happen to the Bank and all offshore preference shares need to be coercively converted into ordinary H-shares in accordance with their initial conversion price, the total amount of the offshore preference shares which are converted into ordinary H-shares will not exceed 3,953,615,825 ordinary H-shares. To date, the Bank did not experience any trigger event in which the offshore preference shares need to be coercively converted into ordinary H-shares.

SHARE CAPITAL AND PUBLIC FLOAT

As of 31 December 2015, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 449,475 registered ordinary shareholders. The Bank complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, there was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank.

PRE-EMPTIVE RIGHTS

During the reporting period, the *Articles of Association* of the Bank does not contain such provisions under which the Bank's shareholders have pre-emptive rights. The *Articles of Association* provides that if the Bank wishes to increase its capital, it may issue new shares to investors, may issue new shares to or by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or by other means permitted by laws and regulations.

USE OF PROCEEDS

The proceeds raised from public offering of H-shares and A-shares, subordinated bonds, Tier 2 capital bonds and offshore preference shares are all used to strengthen the capital base of the Bank and to support the business development in the future.

Please refer to relevant announcements as published on the website of the Shanghai Stock Exchange, the website of Hong Kong Stock Exchange and the website of the Bank and notes to the financial statements.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at 31 December 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to "Profiles of Directors, Supervisors and Senior Management" of this annual report for details of directors, supervisors and senior management of the Bank.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual confirmation on independence from all the independent non-executive directors in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence was in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

MATERIAL INTERESTS AND SHORT POSITIONS

As at 31 December 2015, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Name	Type of shares	Interests in shares and short positions	Nature	% of issued A-shares or H-shares	% of total issued shares
Huijin[1]	A-share	692,581,776	Long position	7.22	0.28
Huijin[2]	H-share	133,262,144,534	Long position	59.31	57.03
Temasek[3]	H-share	14,419,443,216	Long position	6.00	5.77

1. On 29 December 2015, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for around 7.22% and 0.28% of the A-shares issued (9,593,657,606 shares) and total shares issued (250,010,977,486 shares) at that time respectively. In which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Co., Ltd., a wholly-owned subsidiary of Huijin.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and total shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2015, according to the H-share register of members of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and total shares issued (250,010,977,486 shares) at the end of the period respectively.
3. This is pursuant to the declaration of Temasek to Hong Kong Stock Exchange on 16 January 2015 and covers the period ended 31 December 2015. According to this declaration, Temasek held 14,419,443,216 H-shares (long position) of the Bank, accounting for 6.00% and 5.77% of the H-shares issued and total shares issued by the Bank respectively.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK

Mr. Zhang Gengsheng, director of the Bank, indirectly held 19,304 H-shares of the Bank by participating in the employee stock incentive plan before he was appointed as director. Mr. Zhang Long and Ms. Margaret Leung Ko May Yee, directors of the Bank, held 235,400 A-shares and 100,000 H-shares of the Bank respectively. Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu, 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 31 December 2015, 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) as recorded in the register required to be kept under Section 352 of the SFO 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.

As of 31 December 2015, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

There are no relationships among the directors of the Bank, including financial, business, family or other material relationships.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS, SERVICE CONTRACTS AND DIRECTORS' LIABILITY INSURANCE

For the year 2015, no director or supervisor of the Bank had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

The Bank purchased the directors' liability insurance for all directors in 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the biographical details of the directors of the Bank, none of the directors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

CORPORATE GOVERNANCE

The Bank is committed to maintaining the highest level of corporate governance practice. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practices adopted by the Bank and its compliance with the *Corporate Governance Code* and *Corporate Governance Report*.

CONNECTED TRANSACTIONS

In 2015, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the conditions for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

Please refer to Note "Related Party Relationships and Transactions" in the "Financial Statements" of this annual report for details of the related party transactions as defined by domestic laws and regulations and accounting standards.

REMUNERATION POLICY FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For enterprise leaders administered by central authorities, the remuneration policy strictly complies with the relevant measures on remuneration of central financial enterprise leaders. The Bank's remuneration policy for other directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and has defined a structured remuneration system compromising basic annual salary, performance annual salary and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Other than reviewing and settling the tenure incentive remuneration to enterprise leaders administered by central authorities in accordance with national regulations, the Bank does not implement mid-term and long-term incentive plan for other directors, supervisors and senior management.

REGISTRATION AND MANAGEMENT OF INSIDERS

The Bank formulated the *Management Measures on Insider of Inside information* in 2010, and made an amendment in 2012. During the reporting period, pursuant to the *Management Measures on Insider of Inside information*, relevant laws and regulations, and other rules and requirements of the Bank, the Bank strictly conducted the secrecy system regarding inside information, standardised the information transfer process, strengthened inside information management and controlled the scope of insiders of inside information. The Bank was not aware of any insider trading of the shares of the Bank by taking advantage of inside information during the reporting period.

COMPLIANCE WITH HONG KONG BANKING (DISCLOSURE) RULES

In preparing the financial report for 2015, the Bank has complied with the *Banking (Disclosure) Rules*, Chapter 155M of the Banking Ordinance of Hong Kong.

By order of the board of directors
Wang Hongzhang
Chairman

30 March 2016

REPORT OF THE BOARD OF SUPERVISORS

In 2015, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, focused on core tasks of the Bank, proactively conducted supervision on duty performance, finance, internal control and risk management, made active efforts and contributions to the standardised operation and corporate governance and the sustainable and sound development of the Bank, and played a good role in their duties and functions.

PARTICULARS OF MAJOR WORK

The board of supervisors convened meetings of the board of supervisors pursuant to laws and regulations. During the year, the board of supervisors convened eight general meetings of the board of supervisors, in which 16 resolutions on the agenda were reviewed and approved, including but not limited to periodic financial reports of the Bank, the report of the board of supervisors, the performance, supervision and appraisal work plan for the year; six agenda items including the effect of the accelerating promotion of interest rate liberalisation on business, the development and risk management and control of wealth management business, the analyses and rectifications of deficiencies in internal control were studied and discussed; and 17 special reports including operation arrangement of the Bank, stress testing, accountability on violation of rules or breach of disciplines, collateral management, financial audit findings and rectifications were debriefed. Four meetings of the performance and due diligence supervision committee and six meetings of the finance and internal control supervision committee were convened.

The board of supervisors continued its work of performance supervision and assessment. The board of supervisors exercised its supervision over the performance of the Board, senior management and their members by various means, including attending meetings as non-voting attendees, inspecting and reviewing relevant materials, holding interviews and meetings, and making performance assessment. The board of supervisors duly organised and carried out the annual performance assessment work, organised performance interviews and meetings with the directors, headquarters departments and tier-1 branches respectively, took their advice and suggestions, prudentially studied and proposed the assessment reports of the annual performance of the Board and directors, and senior management and its members, respectively, and presented the annual self-assessment of the performance of board of supervisors and its members, and reported the performance assessment to the shareholders' general meeting and regulators pursuant to relevant provisions.

The board of supervisors endeavoured in conducting proper finance supervision. By focusing on key processes of the preparation of periodic financial reports, the board of supervisors enhanced its communication with external auditors and senior management, quarterly debriefed work report, timely learned about the progress of preparation and review of financial reports and audit findings. The board of supervisors duly reviewed periodic financial reports, independently gave review opinions, and proposed advice and suggestions on the trend of profit change and the potential effect of overdue but not impaired loans. The board of supervisors strengthened supervision over management of financial expenses and the arrangement and implementation of business plans, proposed advice on further improving financial management system and enhancing the ability of implementation of systems, and strengthening cost management. The board of supervisors also attended the meetings for appointment of external auditors of the Audit Committee, proposed suggestions on major issues, and duly performed its supervision duties.

The board of supervisors duly conducted the internal control supervision. The board of supervisors continuously focused on the performance of internal control duties and responsibilities, improvement of internal control system and organisation and implementation of internal control assessment by the Board and senior management. The board of supervisors regularly debriefed reports on the management of internal control and compliance with the anti-money laundering, key findings and rectification in internal audit, and conducted specific study and discussion on the analysis and rectification of deficiencies in internal control. The board of supervisors facilitated the optimisation and improvement of rectification mechanism of repeated problems; duly reviewed 2014 internal control report of the Bank and independently gave opinions; regularly learned about and proposed relevant suggestions on the work of prevention and control over non-compliance cases; learned about the situation and followed up the progress of key work on the construction of organisational structure of internal control and compliance, rules clarification and norms management, and the "Year of Compliance".

The board of supervisors continuously strengthened risk management supervision. The board of supervisors conducted supervision over the establishment and improvement of the overall risk management structure, timely debriefed special reports on the overall risk management focused on the quality of credit assets, enhanced supervision over credit risks, quarterly debriefed special reports on the quality of credit assets, and proposed pertinent opinions and suggestions on strengthening risk prevention and control. The board of supervisors conducted stressed supervision over major risks specially paid attention by regulatory authorities and faced by banks, debriefed special reports on liquidity risk management, disposal of NPLs, collateral management and stress testing, and studied and discussed matters including the development and risk prevention and control of wealth management business and loans via government financing vehicles. The board of supervisors continuously monitored the implementation of risk regulatory indicators, and timely proposed relevant supervisory opinions and suggestions during the supervision process.

The board of supervisors placed greater emphasis and supervision on key issues. The board of supervisors paid great attention to the work of the transformation and development of the Bank, carried out intensive special research, organised and debriefed relevant reports, comprehensively learned about the implementation of the transformation and development plan, and proposed pertinent opinions and requirements. The board of supervisors organised special researches in respect of five areas including county business, platform loans and governmental debts, the implementation of transformation and development plan, the batch transfer of NPLs, and internal control of sub-branches, and proposed constructive opinions and suggestions.

The board of supervisors continuously strengthened its self-improvement. Focusing on key points of supervision, the board of supervisors enriched the contents of the agenda items, enhanced collective research, discussion and review of important supervision matters, promoted the improvement of discussion efficiency in meetings of the board of supervisors and special committees, and further improved supervision work mechanism. The board of supervisors paid attention to strengthening the learnings, trainings and interbank communication to continuously enhance supervision ability. All members of the board of supervisors performed their duties in a diligent manner, attended relevant meetings, and proactively participated in the discussion and deliberation of relevant resolutions and motions. They attended the meetings of the Board, the special committees under the Board and the senior management as non-voting attendees, proactively participated in the related work organised by the board of supervisors, the committees and the Bank, and duly performed their supervision duties.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in compliance with laws and regulations

During the reporting period, the Bank carried out its operation in compliance with the laws and its decision-making procedure was in compliance with the provisions of applicable laws and regulations as well as the Articles of Association of the Bank. Its directors and senior executives fulfilled their duties in a diligent manner. The board of supervisors did not discover any of their acts in the performance of their duties that were in breach of applicable laws and regulations as well as the Articles of Association of the Bank, or hampered the Bank's interest.

Financial reporting

The 2015 financial report of the Bank accurately and fairly reflected the financial position and operating results of the Bank.

Use of proceeds

During the reporting period, the Bank raised proceeds of RMB25 billion (including RMB24 billion of domestic Tier 2 capital bonds and RMB1 billion of London RMB ordinary financial bonds), and US$5.05 billion (including US$2 billion of offshore US dollar Tier 2 capital bonds, and US$3.05 billion of offshore preference shares). The proceeds raised from domestic and overseas Tier 2 capital bonds and preference shares were used to strengthen the capital base of the Bank. The proceeds raised from London RMB ordinary financial bonds were stored in London Branch, in order to support the development of RMB business of overseas institutions. All proceeds were used in accordance with the undertaking of the Bank.

Acquisition and sale of assets

During the reporting period, the board of supervisors was not aware of any insider trading or any acts in acquisition or sale of assets detrimental to the interests of shareholders or leading to a drain on the Bank's assets.

Connected transactions

During the reporting period, the board of supervisors was not aware of any connected transactions that were detrimental to the interests of the Bank.

Internal control

During the reporting period, the Bank consistently enhanced and improved its internal control. The board of supervisors had no objection to the *2015 Internal Control Assessment Report*.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities in a proactive manner. The board of supervisors had no objection to the *2015 Social Responsibility Report*.

Results of performance assessment of directors, supervisors and senior executives of the Bank

All directors, supervisors and senior executives were evaluated as qualified in the 2015 performance assessment process.

By order of the board of supervisors
Guo You
Chairman of the board of supervisors

30 March 2016

CORPORATE SOCIAL RESPONSIBILITIES

While focusing on the real economy and maintaining a customer-oriented strategy, CCB continuously engages in the innovation of its products and services. By achieving steady and sound development in all its business segments, CCB is dedicated to be a bank serving the public, a bank promoting livelihoods, a low-carbon and environmentally-friendly bank and a bank with sustainable development.

In 2015, the Bank constantly promoted the implementation of the strategic goals of corporate social responsibilities, and strove to "become a bank that serves the general public, promotes people's livelihood, facilitates low carbon and environmental protection, and achieves sustainable development".

SUPPORT TO GREEN CREDIT

The Bank paid close attention to the global climate change, constantly devoted to build "a low-carbon and environment-friendly bank", and regarded green credit as its important business. The Bank supported the green and circular economy, treated energy conservation and emission reduction projects, applications of technologies, pollutants treatment, and energy-saving service as its key supporting areas, and marked industries with severe excess capacity, high pollution and high energy consumption under the state's stringent regulation as progressively squeezed areas, with new loans in these industries strictly curbed and credit balance progressively reduced. The Bank uncompromisingly exited the existing credit customers that still used outdated equipment and techniques, produced outdated products as well as failing to meet their upgrade targets in time. Meanwhile, the Bank adopted "environmental protection veto" policy, and refused to grant credit to enterprises that violated environmental protection laws and regulations. At the end of 2015, the loan balance of green credit projects and services was RMB733,563 million, up by 50.61%.

In 2015, the Bank established Green Credit Committee headed by senior management of the Bank, whose members came from 29 departments at the head office. The Committee comprehensively implemented various tasks of green operation and green management. It formulated the *Green Credit Implementing Plan of China Construction Bank*, which explicitly identified the next stage's tasks and goals of green credit development in the aspects of basic system building, daily management, business assessment, and organisational structure.

LOW CARBON OPERATION

In its daily operation and management, the Bank adopted various policies and practices to help reduce energy consumption and carbon emission, including cutting down business travels, encouraging video conferences in lieu of on-site meetings, practising paperless office work, controlling the temperature in office areas and using energy and water saving equipment in the office premises. In 2015, the Bank's head office gradually replaced its energy conservation lamps with LED lamps to further cut down the electricity consumption of the office building. In addition, the Bank proactively called for its staff to save energy, travel green and live in a low carbon way.

STAFF VOLUNTARY ACTIVITIES

The Bank's staff dedicated themselves to social welfare campaigns and actively participated in voluntary activities. In its call for stories about "CCB Public Welfare with You – Share Your Public Welfare Stories", the Bank received stories from more than 300 employees, ranging from caring for elders, left-behind children, autistic children and disadvantaged groups, environmental protection and voluntary blood donation. This activity vigorously exemplified and disseminated CCB's core values, passed on the positive spirit and energy, and created an admirable atmosphere of involvement in public welfare causes and a strong awareness of giving back across the Bank.

CHARITY

In 2015, the Bank actively contributed to the society and continued to support social welfare activities by making donations totalling RMB41.21 million.

- *Financial Support for Disaster Relief and Post-disaster Reconstruction in Shigatse, Tibet Autonomous Region*. On 25 April 2015, an 8.1-magnitude earthquake in Nepal caused severe casualties and property losses to Shigatse, Tibet Autonomous Region of China, among other places. The Bank donated RMB5 million to help people in disaster-stricken areas fight against earthquakes and rebuild their homes.
- *Continued Implementation of CCB Sponsorship Programme "Healthy Mother Express"*. In 2015, 47 "Healthy Mother Express" vehicles purchased with the Bank's donation of RMB7 million set out from Beijing. To date, the Bank has donated accumulatively RMB29 million to purchase 193 vehicles under the programme, which have been spread out in the poor counties and towns of 13 provinces and autonomous regions including Xinjiang, Tibet, Gansu, Qinghai, Yunnan, Guangxi, Guizhou, Inner Mongolia, Hubei, Hunan, Anhui, Hebei and Liaoning to help provide various services, including health counselling, free medical consultation, free medical check, distribution of medicine and healthcare materials, free ambulance services for pregnant women, training for local medical/healthcare workforce and special assistance, among others, in a capacity as "mobile hospitals" for villagers and honoured as "life-saving vehicles" by local residents.

- *Continuous Promotion of Long-term Public Welfare Programmes*. The Bank's "Build for the Future – CCB Sponsorship Programme for Impoverished High School Students" had accumulatively assisted 86,000 impoverished high school students with RMB127 million. "CCB Sponsorship Programme of Impoverished Mothers of Heroes and Exemplary Workers" had accumulatively supported 14,618 mothers (wives) of heroes and exemplary workers with RMB40.46 million. "Tibet in Our Hearts – CCB and Jianyin Investment Scholarship (Bursary) Foundation" had granted scholarships (bursaries) of RMB1.84 million to 880 students from impoverished families in Tibet. The Bank continued to support 45 CCB Hope Primary Schools and provided trainings for 370 teachers from rural areas.
- *Innovative Social Welfare Programmes Combined with the Banks' Own Advantages*. In 2015, the Bank continued the programme of "Credit Card Points Help Fulfil Dreams, Micro Public Welfare", and established a new platform for Long Credit Card holders of the Bank to convert their credit card points into charity donations, innovatively exploring a new way of making charity donations with credit card points. The Bank also paid close attention to the mental health of students in poverty-stricken areas and launched various activities under the programme, including Music Season with Love, Summer Camp for Intelligence Development, Inspirational Growth Class, Art Class, Experience Class on Finance and Class on New Development, to inspire them to fulfil their dreams, and help them grow. By the end of 2015, nearly 1.2 billion Long credit card points had been donated for an equivalent cash donation of nearly RMB2.40 million, and more than 60 Happy Music Classrooms had benefited from these donations.

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Bank made great efforts to improve the management systems for protection of consumer rights and interests, strengthened business coordination and control, and maintained dynamic communications with regulatory bodies such as the PBOC, CBRC and State Administration for Industry & Commerce and institutions such as China Consumers' Association and China Banking Association. Based on thorough studies of the *Guiding Opinions on Strengthening the Protection of Financial Consumers' Rights and Interests* issued by the General Office of the State Council, the Bank formulated a series of measures for implementation of these guiding opinions. The Bank completed the roll-out of PBOC's "Information Management System of Financial Consumers' Rights and Interests Protection" and was awarded a rating of level two, making the Bank a front-runner among other banks, in the first overall assessment organised by the CBRC with respect to commercial banks' consumers' rights and interests protection.

The Bank continued to improve the systematic promotion of financial knowledge as part of its regular exercises, and successfully completed promotion and education activities such as "Financial Literacy Month" and "Financial Knowledge for Households". In these activities, the Bank devised special advertisements and leaflets with CCB features, launched promotion campaigns via *China Consumer News*, Sina.com and its website portal, mobilised 80,000 appearances of promotion workforce, and set up nearly 7,000 outdoor promotion booths. During "3.15" International Consumer Rights Protection Day, the Bank adopted methods such as "Going Global" and "Bringing in" to actively carry out promotion campaigns both at home and abroad by relying on self-owned channels such as outlets, self-service facilities and web sites. CCTV's "3.15" Gala reported a typical case depicting how an employee named Lin Sen from the Bank's Beijing branch received the visit from an undercover reporter in a legal and compliant manner, which received unanimous praise from all walks of society.

A peer-leading monitoring and evaluation system of consumer service quality was gradually taking shape. By constantly monitoring customer satisfaction and channel service quality, the Bank made targeted optimisation of products and services, thus continuously promoting the service quality and achieving constant improvement in customer experience. According to the survey results in 2015, the overall satisfaction of individual customers reached 76.90%, a year-on-year increase of 1.60 percentage points and 4.30 percentage points higher than the industry average; the overall satisfaction of corporate customers reached 94.00%, an increase of 0.50 percentage points over last year.

MAJOR ISSUES

MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, there was no material litigation or arbitration of the Bank.

CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES

During the reporting period, there was no non-operational capital occupation by the controlling shareholder or other related parties of the Bank.

ACQUISITION AND SALE OF MAJOR ASSETS AND MERGER OF ENTERPRISES

After the accomplishment of the purchase of 72.00% of the total share capital of Banco Industrial e Comercial S.A. ("BIC") on 29 August 2014, the Bank initiated tender offer to residual minority shareholders of BIC on 27 August 2015 in accordance with relevant regulations of Brasil. The process of tender offer was fully completed as of 28 December 2015, and the Bank held up to 99.05% of the total shares of BIC. BIC was delisted and formally renamed as "China Construction Bank (Brasil) Banco Múltiplo S/A".

PROGRESS OF IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

During the reporting period, the Bank did not implement a new round of stock incentive plan pursuant to the relevant PRC policies.

MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, there was no material related party transaction of the Bank. All related party transactions of the Bank were conducted on the basis of commercial principles and just, fair and open principles and at prices no more favourable than those offered to independent third parties in similar transactions.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantee that should be disclosed except for the financial guarantee services within its business scope as approved by the regulators. The Bank did not entrust management of any material cash assets to others during the reporting period.

PERFORMANCE OF UNDERTAKINGS

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin will not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits and providing settlement, and providing fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin has committed that it will: (1) fairly treat its investments in commercial banks, and will not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; (2) exercise its shareholder's rights for the best interests of the Bank.

On 8 July 2015, Huijin published an announcement stating that its determination to maintain the stability of securities market and had undertaken not to cut any shareholdings in listed companies during the period of unusual price fluctuations in the stock market.

As at 31 December 2015, Huijin had not breached any of the above undertakings.

PENALTIES

During the reporting period, neither the Bank, the directors, the supervisors, the senior management nor the actual controller was subject to investigations by relevant authorities, coercive measures by judicial or disciplinary inspection departments, transfer to judicial organs or criminal investigation and punishment, investigation or administrative penalty by the CSRC, restricted access to market, identification as unqualified, penalty by other administrative authorities or public reprimand by the stock exchanges.

CREDIBILITY

During the reporting period, there was no unperformed judgment of the courts, or significant outstanding debt at maturity of the Bank and its controlling shareholder.

MAJOR EVENTS

On 3 November 2015, the Bank was for the first time named among the list of "Global Systemically Important Banks" formulated by the Financial Stability Board.

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 RMB'000	2014 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		Total
			for which allowances are collectively assessed	for which allowances are individually assessed	
		(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	Allowances for impaired loans and advances		Total
			which are collectively assessed	which are individually assessed	
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	Allowances for impaired loans and advances		Total
			which are collectively assessed	which are individually assessed	
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

Issue date	Maturity date	Interest rate per annum	Currency	Note	Group and Bank 2015	Group and Bank 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 2015	Group 2014	Bank 2015	Bank 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

	Note	2015 Before-tax amount	2015 Tax (expense)/ benefit	2015 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**

	Note	2014 (Restated) Before-tax amount	2014 (Restated) Tax benefit/ (expense)	2014 (Restated) 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

	Note	2015 Amount	2015 Ratio to similar transactions	2014 Amount	2014 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

	Note	2015 Balance	2015 Ratio to similar transactions	2014 Balance	2014 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

		Group		Bank	
	Note	**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)

	Note	2014 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.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB, unless otherwise stated)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2015 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2015 or total equity as at 31 December 2015 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

2 LIQUIDITY RATIOS

	As at 31 December 2015	Average for the year ended 31 December 2015	As at 31 December 2014	Average for the year ended 31 December 2014
RMB current assets to RMB current liabilities	44.17%	44.05%	48.88%	48.30%
Foreign currency current assets to foreign currency current liabilities	59.84%	60.12%	57.03%	56.87%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which is the arithmetic mean of each calendar month's liquidity ratio. The Group prepared the liquidity ratios on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

3 CURRENCY CONCENTRATIONS

	2015			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	963,701	242,240	182,060	1,388,001
Spot liabilities	(770,728)	(270,351)	(158,982)	(1,200,061)
Forward purchases	1,481,023	108,489	190,402	1,779,914
Forward sales	(1,659,618)	(52,594)	(201,843)	(1,914,055)
Net options position	478	–	–	478
Net long position	14,856	27,784	11,637	54,277
Net structural position	16,744	1,948	(2,821)	15,871

(Expressed in millions of RMB, unless otherwise stated)

3 CURRENCY CONCENTRATIONS (CONTINUED)

	2014			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	741,109	186,089	120,360	1,047,558
Spot liabilities	(713,853)	(207,223)	(141,626)	(1,062,702)
Forward purchases	778,919	46,628	91,559	917,106
Forward sales	(802,482)	(19,482)	(60,739)	(882,703)
Net options position	747	–	(152)	595
Net long position	4,440	6,012	9,402	19,854
Net structural position	4,506	1,619	(1,479)	4,646

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

4 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China. The international claims of the Group is the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if claims are guaranteed by a party in a country which is different from that of the counterparty or if claims are on an overseas branch of a bank whose head office is located in another country. The Group mitigates its credit risk exposures by way of additional guaranteed, collaterals or through credit derivatives.

	2015				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	2,147,264	4,382,175	1,462,694	41,419	8,033,552
– of which attributed to Hong Kong	70,325	19,243	230,208	827	320,603
Europe	26,539	5,863	24,871	–	57,273
North and South America	14,116	110,274	49,801	–	174,191
Total	2,187,919	4,498,312	1,537,366	41,419	8,265,016

(Expressed in millions of RMB, unless otherwise stated)

4 INTERNATIONAL CLAIMS (CONTINUED)

	2014				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	2,136,939	3,963,143	1,044,674	61,771	7,206,527
– of which attributed to Hong Kong	9,175	22,270	179,552	2,789	213,786
Europe	9,553	2,831	9,451	1,432	23,267
North and South America	6,181	38,347	48,386	5	92,919
Total	2,152,673	4,004,321	1,102,511	63,208	7,322,713

5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	31 December 2015	31 December 2014
Yangtze River Delta	**25,515**	33,320
Pearl River Delta	**20,348**	11,151
Central	**12,388**	9,413
Bohai Rim	**12,591**	7,833
Western	**15,385**	7,555
Northeastern	**10,547**	4,923
Head office	**4,669**	3,246
Overseas	**1,246**	1,370
Total	**102,689**	78,811

The above analysis represents the gross amount of loans and advances overdue for more than three months.

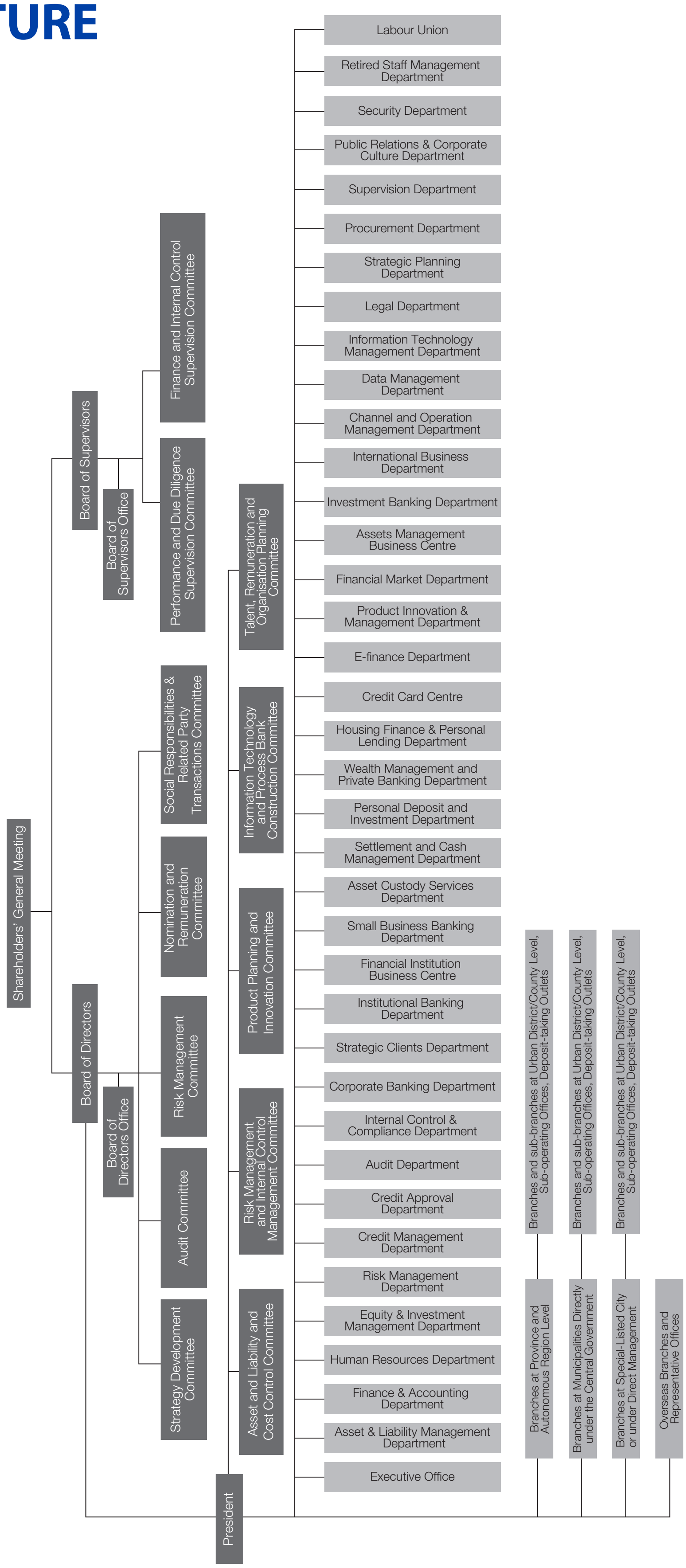
Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

6 NON-BANK MAINLAND CHINA EXPOSURE

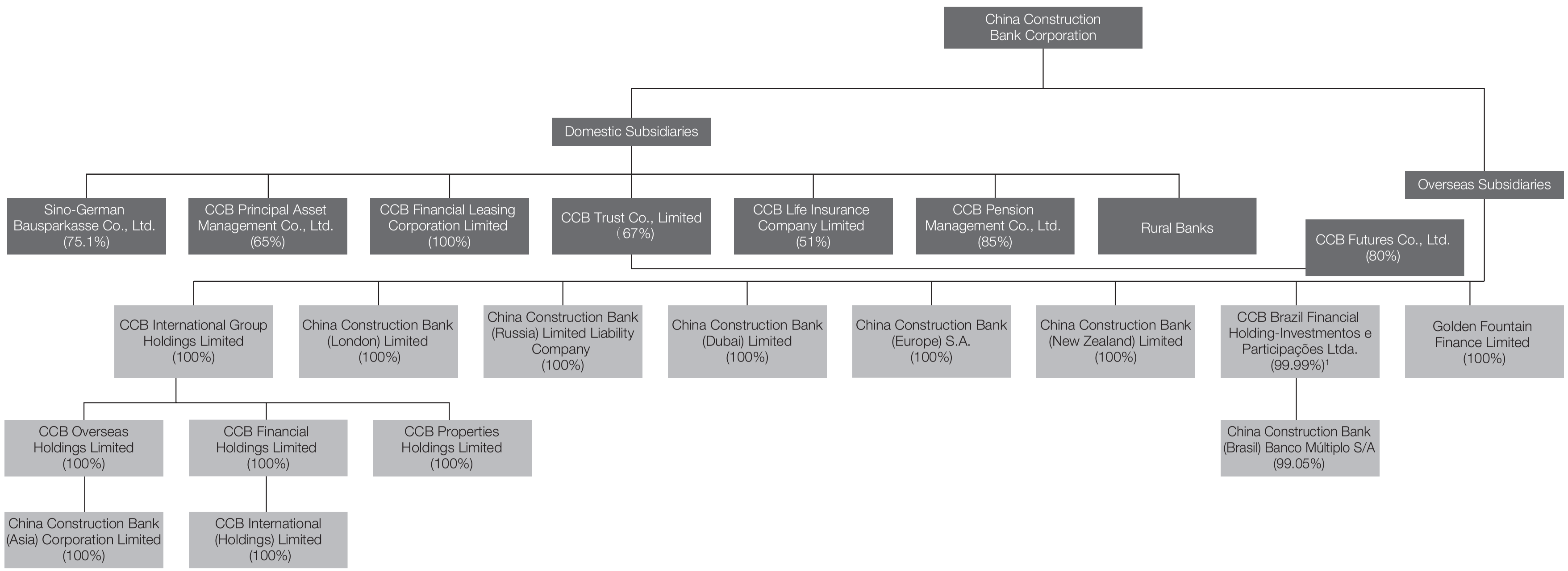
The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2015, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

ORGANISATIONAL STRUCTURE



CCB'S MANAGEMENT STRUCTURE

CCB'S EQUITY INVESTMENT STRUCTURE



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.

BRANCHES AND SUBSIDIARIES

TIER-ONE BRANCHES IN MAINLAND CHINA

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 255, Huizhou Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
Beijing Branch	Entry. 4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No. 142, Guping Road, Fuzhou Postcode: 350003	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 90, Minzu Road, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 148, Zhonghua North Road, Guiyang Postcode: 550001	(0851) 86696000	(0851) 86696377
Hainan Branch	CCB Plaza, No. 8, Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 87888866	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 53619009	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
Hunan Branch	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419378	(0731)84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 80835318	(0431) 88988748
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316

Branches	Address	Telephone	Facsimile
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
Liaoning Branch	No. 176, Zhongshan Road, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22856915
Inner Mongolia Branch	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593018	(0471) 4593890
Ningbo Branch	No. 31, Guangji Street, Ningbo Postcode: 315010	(0574) 87313888	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Street, Yinchuan Postcode: 750001	(0951) 4126111	(0951) 4106165
Qingdao Branch	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261154	(0971) 8261225
Shandong Branch	No. 178, Luoyuan Street, Jinan Postcode: 250012	(0531) 82088108	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87617515	(029) 87606014
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No. 900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	Block A, Rongchao Business Centre, No. 6003 Yitian Road, Futian District, Shenzhen Postcode: 518026	(0755) 23828888	(0755) 23828111
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suzhou Road West, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 23401166	(022) 23401811
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6836818
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160

Branches	Address	Telephone	Facsimile
Yunnan Branch	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060858	(0871) 63060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

BRANCHES OUTSIDE MAINLAND CHINA

Amsterdam Branch
Claude Debussylaan 32, 1082MD Amsterdam
Telephone: (31) 0-205047899
Facsimile: (31) 0-205047898

Barcelona Branch
Avenida Diagonal, 640 5a planta D, 08017, Barcelona, Spain
Telephone: (34) 935225000
Facsimile: (34) 935225078

Brisbane Branch
340 Queen Street, Brisbane, QLD 4000, Australia
Telephone: (61) 7-30691900
Facsimile: (61) 7-31721633

Cape Town Branch
15/F, Portside Building, 4 Bree Street, Cape Town, South Africa
Telephone: (27) 21- 4197300

DIFC Branch
31/F, Tower 2, Al Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE
Telephone: (971) 4-5674888
Facsimile: (971) 4-5674777

Frankfurt Branch
Bockenheimer Landstrasse 51-53, 60325 Frankfurt am Main, Germany
Telephone: (49) 69-9714950
Facsimile: (49) 69-97149588, 97149577

Ho Chi Minh City Branch
1105-1106 Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam
Telephone: (84) 8-38295533
Facsimile: (84) 8-38275533

Hong Kong Branch
28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Telephone: (852) 39186939
Facsimile: (852) 39186001

Johannesburg Branch
95 Grayston Drive, Morningside, Sandton, South Africa 2196
Telephone: (27) 11-5209400
Facsimile: (27) 11-5209411

London Branch
111 Old Broad Street, London, EC2N 1AP, U.K.
Telephone: (44) 20-70386000
Facsimile: (44) 20-70386001

Luxembourg Branch
1 Boulevard Royal, L-2449 Luxembourg, Luxembourg
Telephone: (352) 286688
Facsimile: (352) 28668801

Macau Branch	5/F, Circle Square, 61 Avenida de Almeida Ribeiro, Macau Telephone: (853) 82911880 Facsimile: (853) 82911804
Melbourne Branch	410 Collins Street, Melbourne VIC 3000, Australia Telephone: (61) 3-94528500 Facsimile: (61) 3-96706608
Milan Branch	Viale della Liberazione 13, 20124 Milan Telephone: (39) 02-32163000 Facsimile: (39) 02-58215400
New York Branch	33/F, 1095 Avenue of the Americas, New York, USA NY 10036 Telephone: (1) 646-7812400 Facsimile: (1) 212-2078288
Osaka Branch	1/F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan Telephone: (81) 6-61209080 Facsimile: (81) 6-62439080
Paris Branch	86-88 bd Haussmann 75008 Paris Telephone: (33) 155309908 Facsimile: (33) 155309998
Seoul Branch	China Construction Bank Tower, 24 Myeongdong 11-gil, Jung-gu, Seoul 04538, Korea Telephone: (82) 2-67303600 Facsimile: (82) 2-67303601
Singapore Branch	9 Raffles Place, #33-01/02, Republic Plaza, Singapore 048619 Telephone: (65) 65358133 Facsimile: (65) 65356533
Sydney Branch	Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia Telephone: (61) 2-80316100 Facsimile: (61) 2-92522779
Taipei Branch	1/F, No.108, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan Telephone: (886) 2-87292008 Facsimile: (886) 2-27235399
Tokyo Branch	13F/1F, West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004 Japan Telephone: (81) 3-52935218 Facsimile: (81) 3-32145157
Toronto Branch	181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3 Telephone: (1) 647-7777700 Facsimile: (1) 647-7777739
Zurich Branch	Beethovenstrasse 33, 8002 Zurich, Switzerland Telephone: (41) 43-5558800 Facsimile: (41) 43-5558898

SUBSIDIARIES

CCB Financial Leasing Corporation Limited	6/F, Building 4, ChangAn XingRong Centre, No.1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: (010) 67594583/76 Facsimile: (010) 66275808/9 Website: www.ccbleasing.com
CCB Futures Co., Ltd.	5/F, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: (021) 60635551 Facsimile: (021) 60635520 Website: www.ccbfutures.com
CCB International (Holdings) Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39118000 Facsimile: (852) 25301496 Website: www.ccbintl.com.hk
CCB Life Insurance Company Limited	32/F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: (021) 60638288 Facsimile: (021) 60638204 Website: www.ccb-life.com.cn
CCB Pension Management Co., Ltd.	10-11/F, A Section, Zhizhen Building,7 Zhichun Road, Haidian District, Beijing Postcode: 100191 Telephone: (010) 56731294 Website: www.ccbpension.com
CCB Principal Asset Management Co., Ltd.	16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: (010) 66228888 Facsimile: (010) 66228889 Website: www.ccbfund.cn
CCB Trust Co., Ltd.	No. 45, Jiushiqiao Street, Hefei, Anhui Province Postcode: 230001 Telephone: (0551) 65295516 Facsimile: (0551) 62679542 Website: www.ccbtrust.com.cn
China Construction Bank (Asia) Corporation Limited	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39186939 Facsimile: (852) 39186001
China Construction Bank (Brasil) Banco Múltiplo S/A	Avenida Brigadeiro Faria Lima, 4440, 1-5F, Itaim Bibi – São Paulo – SP – 04538-132 Postcode: 04538-132 Telephone: (55) 11-21739190 Facsimile: (55) 11-32668951 Website: www.br.ccb.com
China Construction Bank (Dubai) Limited	31/F, Tower 2, Al Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE Telephone: (971) 4-5674888 Facsimile: (971) 4-5674777

China Construction Bank (Europe) S.A.	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: (352) 286688 Facsimile: (352) 28668801
China Construction Bank (London) Limited	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: (44) 20-70386000 Facsimile: (44) 20-70386001
China Construction Bank (New Zealand) Limited	Level 16, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: (64) 9-3388200 Facsimile: (64) 9-3744275
China Construction Bank (Russia) Limited Liability Company	Lubyanskiy proyezd, 11/1, building 1, 101000 Moscow Russia Telephone: (7) 495-6759800 Facsimile: (7) 495-6759810
Sino-German Bausparkasse Co., Ltd.	No. 19, Guizhou Road, Heping District, Tianjin Postcode: 300051 Telephone: (022) 58086699 Facsimile: (022) 58086808 Website: www.sgb.cn
Anhui Fanchang Jianxin Rural Bank Company Limited	1/F, Oversea-Chinese International Hotel, Fanyang Town, Fanchang County, Anhui Province Postcode: 241200 Telephone: (0553) 7853939 Facsimile: (0553) 7853939
Chongqing Wanzhou Jianxin Rural Bank Company Limited	Podium Building A, Return House, Binjiang Road, Sunjiashufang, Wanzhou District, Chongqing City Postcode: 404000 Telephone: (023) 58690690 Facsimile: (023) 58690692
Hebei Fengning Jianxin Rural Bank Company Limited	No. 5-7, Fengheyuan Community, Xinfeng Road, Dage Town, Fengning County, Hebei Province Postcode: 068350 Telephone: (0314) 5975005 Facsimile: (0314) 5975005
Henan Xinye Jianxin Rural Bank Company Limited	North Chaoyang Road, Xinye County, Henan Province Postcode: 473500 Telephone: (0377) 60917789 Facsimile: (0377) 60917978
Heilongjiang Zhaodong Jianxin Rural Bank Company Limited	Building E, Jiangshandijing, Zhengyang South Road 15, Zhaodong City, Heilongjiang Province Postcode: 151100 Telephone: (0455) 7917001 Facsimile: (0455) 7917001
Hunan Taojiang Jianxin Rural Bank Corporation Limited	Junction of Furong Road and Taohui Road, Taohuajiang Town, Taojiang County, Hunan Province Postcode: 413400 Telephone: (0737) 8213820 Facsimile: (0737) 8213820

Jiangsu Gaochun Wujiazui Jianxin Rural Bank Company Limited	No. 97, Danyanghu North Road, Chunxi Town, Gaochun County, Jiangsu Province Postcode: 211300 Telephone: (025) 57336988 Facsimile: (025) 57336981
Jiangsu Haimen Jianxin Rural Bank Company Limited	No. 248, Middle Jiefang Road, Haimen Town, Haimen City, Jiangsu Province Postcode: 226100 Telephone: (0513) 81262289 Facsimile: (0513) 81262292
Jiangsu Taixing Jianxin Rural Bank Company Limited	No. 177, Zhongxing Avenue, Taixing City, Jiangsu Province Postcode: 225400 Telephone: (0523) 80737889 Facsimile: (0523) 87091017
Jiangsu Wujin Jianxin Rural Bank Company Limited	No. 104, Hutang Changwu North Road, Wujin District, Changzhou City, Jiangsu Province Postcode: 213161 Telephone: (0519) 86711369 Facsimile: (0519) 86707719
Jiangsu Xishan Jianxin Rural Bank Company Limited	No. 10-20, 21, 22, Youyi South Road, Dongting Street, Xishan District, Wuxi City, Jiangsu Province Postcode: 214101 Telephone: (0510) 88824910 Facsimile: (0510) 88824910
Ningbo Cixi Jianxin Rural Bank Company Limited	No. 1582, Bei Er Huan East Road, Baishalu Street, Cixi County, Ningbo City, Zhejiang Province Postcode: 315311 Telephone: (0574) 63993505 Facsimile: (0574) 63993506
Ningbo Ninghai Jianxin Rural Bank Company Limited	No. 600, Qixiang North Road, Ninghai County, Ningbo City, Zhejiang Province Postcode: 315600 Telephone: (0574) 82535268 Facsimile: (0574) 82535268
Shaanxi Ansai Jianxin Rural Bank Company Limited	Chengbei District, Ansai County, Shaanxi Province Postcode: 717400 Telephone: (0911) 6211077 Facsimile: (0911) 6211077
Shandong Tengzhou Jianxin Rural Bank Company Limited	No. 42, North Shanguo Road, Tengzhou City, Shandong Province Postcode: 277500 Telephone: (0632) 3598159 Facsimile: (0632) 3598159
Shandong Wendeng Jianxin Rural Bank Company Limited	No. 29, Wenshan East Road, Wendeng City, Shandong Province Postcode: 264400 Telephone: (0631) 8360189 Facsimile: (0631) 8360189
Shandong Zhaoyuan Jianxin Rural Bank Company Limited	Wenfeng Investment Building, Wenquan Road, Zhaoyuan Economic Development Zone, Yantai City, Shandong Province Postcode: 265400 Telephone: (0535) 8063938 Facsimile: (0535) 8255208

Shandong Zhucheng Jianxin Rural Bank Company Limited	No. 39, Xinghua East Road, Zhucheng City, Shandong Province Postcode: 262200 Telephone: (0536) 2160601 Facsimile: (0536) 2160621
Shandong Zoucheng Jianxin Rural Bank Company Limited	No. 518, Taiping East Road, Zoucheng City, Jining City, Shandong Province Postcode: 273500 Telephone: (0537) 5219639 Facsimile: (0537) 5219876
Shanghai Pudong Jianxin Rural Bank Company Limited	No. 26, Beishi Street, Chuansha Town, Pudong New District, Shanghai Postcode: 201200 Telephone: (021) 58385876 Facsimile: (021) 58385938
Suzhou Changshu Jianxin Rural Bank Company Limited	No. 33, North Haiyu Road, Changshu City, Jiangsu Province Postcode: 215500 Telephone: (0512) 51910510 Facsimile: (0512) 51910526
Zhejiang Cangnan Jianxin Rural Bank Corporation Limited	No. 102-104, Building 2,Yihe City Homeland, Yucang Road, Lingxi Town, Cangnan County, Zhejiang Province Postcode: 325800 Telephone: (0577) 68857896 Facsimile: (0577) 68857893
Zhejiang Chun'an Jianxin Rural Bank Company Limited	No. 15-51, Xinan South Road, Qiandaohu Town, Chunan County, Zhejiang Province Postcode: 311700 Telephone: (0571) 65090006 Facsimile: (0571) 65092226
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Zhejiang Lishui Liandu Jianxin Rural Bank Company Limited	No. 519, Renmin Street, Liandu District, Lishui City, Zhejiang Province Postcode: 323000 Telephone: (0578) 2227227 Facsimile: (0578) 2227228
Zhejiang Qingtian Jianxin Oversea-Chinese Rural Bank Company Limited	No. 59-75, Shengzhi Street, Qingtian County, Zhejiang Province Postcode: 323900 Telephone: (0578) 6812966 Facsimile: (0578) 6812910
Zhejiang Wuyi Jianxin Rural Bank Company Limited	1/F, No. 4 Area, Business Hall, Jiefang Middle Street, Wuyi County, Zhejiang Province Postcode: 321200 Telephone: (0579) 87679091 Facsimile: (0579) 87679091

THE INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF THE BANK

In accordance with the *Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks* issued by the CBRC, the following table shows the information of the Group's indicator data for assessing global systemic importance.

(In billions of RMB)		As at 31 December 2015
No.	**Indicator**	**Amount [3]**
1	Total on and off balance sheet assets after adjustment [1]	19,616.6
2	Intra-financial system assets	1,123.8
3	Intra-financial system liabilities	1,790.4
4	Securities outstanding and other financing tools	1,555.0
5	Total payments through payment system and as a correspondent for other banks	256,766.4
6	Assets under custody	7,167.3
7	Securities underwriting activity	1,233.6
8	Notional amount of over-the-counter (OTC) derivatives	3,053.5
9	Trading and available-for-sale securities [2]	187.6
10	Level 3 assets	219.0
11	Cross-jurisdictional claims	556.2
12	Cross-jurisdictional liabilities	948.6

1. On-balance sheet assets after adjustment include derivatives using the current exposure approach and other on-balance sheet assets. Off-balance sheet items after adjustment include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet assets.

2. As per the regulatory requirements, trading and available-for-sale securities are calculated by netting off the level 1 and level 2 assets. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks (Trial)* issued by the CBRC.

3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under regulatory scope of consolidation, which will cause certain differences from the data under accounting scope of consolidation.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Bank"	China Construction Bank Corporation
"Baosteel Group"	Baosteel Group Corporation
"Basis Point"	1% of one percentage point
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Dubai"	China Construction Bank (Dubai) Limited
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB Futures"	CCB Futures Co., Ltd.
"CCB International"	CCB International (Holdings) Limited
"CCB Life"	CCB Life Insurance Company Limited
"CCB London"	China Construction Bank (London) Limited
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited Liability Company
"CCB Trust"	CCB Trust Co., Ltd.
"CIC"	China Investment Corporation
"Company Law"	The Company Law of the People's Republic of China
"Cost Advisory Service"	The professional advisory services, provided by the project cost advisory agency when entrusted, on the investment of construction projects and the determination and control of project cost
"CSRC"	China Securities Regulatory Commission
"Financial Services for Housing Reform"	A general term for credit activities of money collection, financing, etc., in connection with the reform of housing system
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Huijin"	Central Huijin Investment Ltd.
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	Ministry of Finance of the People's Republic of China
"PBOC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi
"SAFE"	State Administration of Foreign Exchange
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Council"	State Council of the People's Republic of China
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. We use words such as “will”, “may”, “expect”, “try”, “strive”, and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated in any forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government’s adjustments and control policies and in laws and regulations, and factors specific to the Group.

During the reporting period, we proactively took measures to manage various risks effectively. For more information, please refer to “Risk Management” in the “Management Discussion and Analysis”.

China Construction Bank Corporation
(A joint stock company incorporated in the People's Republic of China with limited liability)

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China Construction Bank

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