中國銀行
BANK OF CHINA

BANK OF CHINA

SERVING SOCIETY
DELIVERING EXCELLENCE

2015 Annual Report

Bank of China Limited

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

Ordinary H-Share Stock Code: 3988

Offshore Preference Share Stock Code: 4601

Bank of China Global Network

Bank of China is the most internationalised bank in China. After establishing the London Agency in 1929, which was the first overseas institution of Chinese financial institutions, the Bank gradually expanded its overseas network to major global financial centres including Tokyo, Singapore and New York. At present, the Bank provides a comprehensive range of financial services to customers across the Chinese mainland as well as 46 countries and regions.






CALGARY
VANCOUVER
TORONTO
MONTREAL
CHICAGO
NEW YORK
LOS ANGELES
GRAND CAYMAN
COLON
PANAMA
RIO DE JANEIRO
SAO PAULO
AUCKLAND

Introduction

Bank of China was formally established in February 1912 following the approval of Dr. Sun Yat-sen. From 1912 to 1949, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. Fulfilling its commitment to serving the public and developing China's financial services sector, the Bank rose to a leading position in the Chinese financial industry and developed a good standing in the international financial community, despite many hardships and setbacks. After 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and provided vital support to the nation's foreign trade development and economic infrastructure by its offering of international trade settlement, overseas fund transfer and other non-trade foreign exchange services. During China's reform and opening up period, the Bank seized the historic opportunity presented by the government's strategy of capitalising on foreign funds and advanced technologies to boost economic development, and became the country's key foreign financing channel by building up its competitive advantages in foreign exchange business. In 1994, the Bank was transformed into a wholly state-owned commercial bank. In August 2004, Bank of China Limited was incorporated. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. In 2015, Bank of China was again designated as a Global Systemically Important Bank, thus becoming the sole financial institution from emerging economies to be designated as a Global Systemically Important Bank for five consecutive years.

As China's most internationalised and diversified bank, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland as well as 46 countries and regions. The Bank's core business is commercial banking, including corporate banking, personal banking and financial markets services. BOC International Holdings Limited, a wholly owned subsidiary, is the Bank's investment banking arm. Bank of China Group Insurance Company Limited and Bank of China Insurance Company Limited, both wholly owned subsidiaries, run the Bank's insurance business. Bank of China Group Investment Limited, a wholly owned subsidiary, undertakes the Bank's direct investment and investment management business. Bank of China Investment Management Co., Ltd., a controlled subsidiary, operates the Bank's fund management business. BOC Aviation Pte. Ltd., a wholly owned subsidiary, is in charge of the Bank's aircraft leasing business.

Bank of China has upheld the spirit of "pursuing excellence" throughout its hundred-year history. With adoration of the nation in its soul, integrity as its backbone, reform and innovation as its path forward and "people first" as its guiding principle, the Bank has built up an excellent brand image that is widely recognised within the industry and by its customers. Faced with new historic opportunities, the Bank will meet its social responsibilities, strive for excellence, and make further contributions to achieving the China Dream and the great rejuvenation of the Chinese nation.

Development Strategy

Core Values

Pursuing excellence

Integrity Performance Responsibility Innovation Harmony

Strategic Goal

Serving Society, Delivering Excellence

Overall Requirements of the Development Strategy

To build Bank of China into an excellent bank driven by the pursuit of noble values, a bank that shoulders significant responsibility for the nation's revival, a bank that possesses a competitive edge in the globalisation process, a bank that leads lifestyle changes through technological innovations, a bank that earns customer loyalty through market competition and a bank that meets the expectations of shareholders, employees and society in the course of its sustained development.

Contents

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meaning set out below:

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage point
BOC Aviation	BOC Aviation Pte. Ltd.
BOC Insurance	Bank of China Insurance Company Limited
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCG Life	BOC Group Life Assurance Co., Ltd.
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK (Holdings)
BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong, the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCIM	Bank of China Investment Management Co., Ltd.
BOCI China	BOC International (China) Limited
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.
CBRC	China Banking Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
Convertible Bonds	Corporate bonds that are vested for conversion to the A-Share stock of the Bank
CSRC	China Securities Regulatory Commission
Domestic Preference Share	Domestic preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are traded on SSE (Stock Code: 360002, 360010)
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi and Shandong
HKEx	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
Huijin	Central Huijin Investment Ltd.
Independent Director	Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin and Liaoning
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
Offshore Preference Share	Offshore preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are listed on the Hong Kong Stock Exchange and traded in US dollars (Stock Code: 4601)
PBOC	The People's Bank of China, PRC
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SAFE	State Administration of Foreign Exchange, PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank warrant that the information in this report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information in this report.

The 2015 Annual Report and Annual Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 30 March 2016. The number of directors who should attend the meeting is fourteen, with thirteen directors attending the meeting in person. Chairman of the Board of Directors TIAN Guoli did not attend the meeting because of other important business engagements and appointed Vice Chairman of the Board of Directors CHEN Siqing as his authorised proxy to attend and vote on his behalf at the meeting. All of the fourteen directors of the Bank exercised their voting rights at the meeting. Five supervisors attended the meeting as non-voting attendees.

The 2015 financial statements prepared by the Bank in accordance with Chinese Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS") have been audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with Chinese and international auditing standards, respectively. Both auditors issued an unqualified opinion.

Chairman of the Board of Directors TIAN Guoli, President CHEN Siqing, Executive Vice President responsible for the Bank's finance and accounting ZHU Hexin and General Manager of the Accounting and Information Department ZHANG Jianyou warrant the authenticity, accuracy and completeness of the financial statements in this report.

The Board of Directors has recommended a final dividend on ordinary shares for 2015 of RMB0.175 per share (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 7 June 2016. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank's own information and information from other sources the Bank believes to be reliable. They relate to future events or the Bank's future financial, business or other performance and are subject to a number of factors and uncertainties that may cause our actual results to differ materially. Any future plans mentioned do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.

The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse changes in market prices and operational risk. It shall at the same time meet regulatory and compliance requirements. The Bank actively adopts various measures to effectively manage all types of risks. Please refer to the section "Management Discussion and Analysis — Risk Management" for details.

Honours and Awards

Directors & Boards
Golden Prize of Round Table for Excellent Board of Directors

The Banker
Ranked 4th in Top 1,000 World Banks

FORTUNE
Ranked 45th in Global 500 (2015)

Forbes
Ranked 4th in Global 2000

Global Finance
Global Renminbi Bank
Best Trade Finance Bank in China
Best Supply Chain Finance Provider in China
Best Debt Bank in China

The Asian Banker
Best RMB Clearing Bank in Asia Pacific
Best Trade Finance Bank in China

Euromoney
Best Domestic Cash Manager in China

AsiaMoney
Best Local Currency Cash Management Bank in China
Best Financial Bond

CFO
Best Global Cash Management
Best Cash Management Brand
Most Reliable Custody Service Bank as Voted by Chinese CFOs

WPP Group
The BrandZ Top 100 Most Valuable Global Brands

Interbrand
Ranked 7th in 2015 Best Chinese Brands

World Brand Lab
The World's 500 Most Influential Brands 2015

China Banking Association
Most Socially Responsible Financial Institution
Social Responsibility — Best Charitable Contribution Award
Best Practice Case Award in Social Responsibilities

Xinhuanet.com
Outstanding Enterprise in Social Responsibilities

China News Service
2015 Most Socially Responsible Enterprise

Southern Weekly
Top 100 Listed State-owned Enterprises by Corporate Social Responsibility

Sina.com.cn
Listed Bank with Best Brand Image

China Report
Enterprise with Best Overseas Image

Universum
Ideal Employer for Chinese Business Students

ChinaHR.com
Best Employer in Banking Industry in the Opinion of Chinese University Students

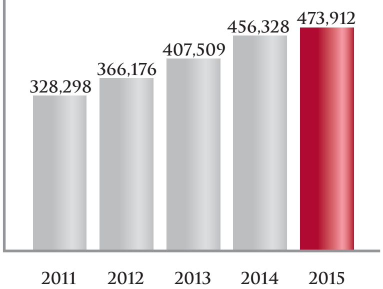
FinanceAsia
Best Investor Relations

League of American Communications Professionals
Silver Award for 2014 Annual Report

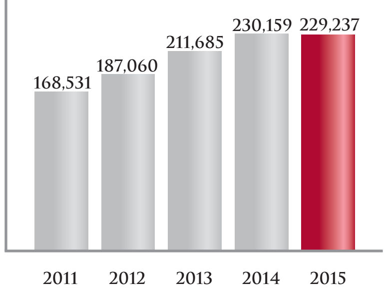
Annual Report Competition
Gold Award in financial data and Honors in written text of 2014 Annual Report

Financial Highlights

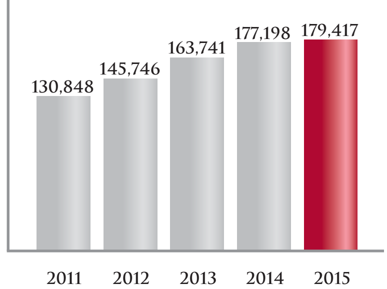
Operating income
RMB Million



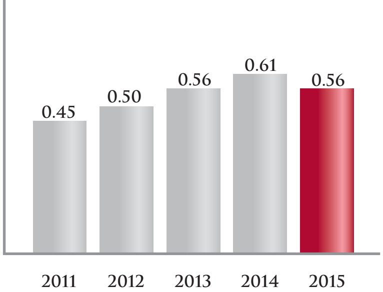
Operating profit
RMB Million



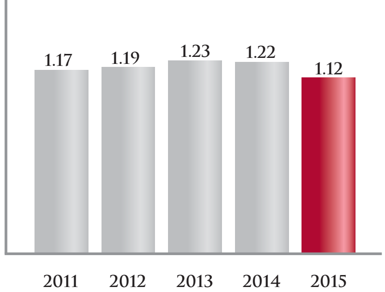
Profit for the year
RMB Million



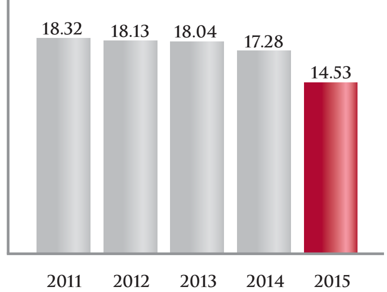
EPS (basic)
RMB



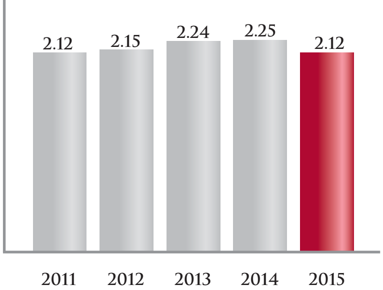
ROA
%



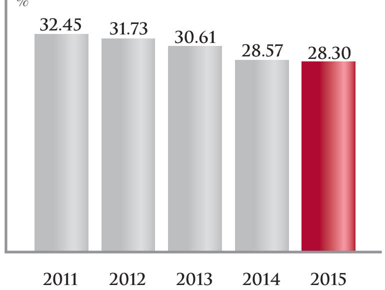
ROE
%



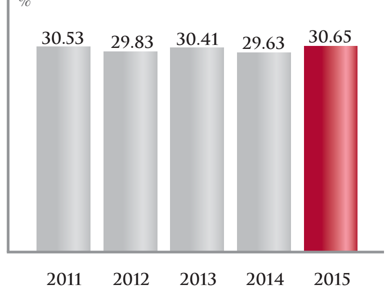
Net interest margin
%



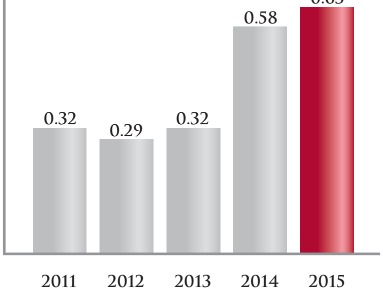
Cost to income (calculated under domestic regulations)
%



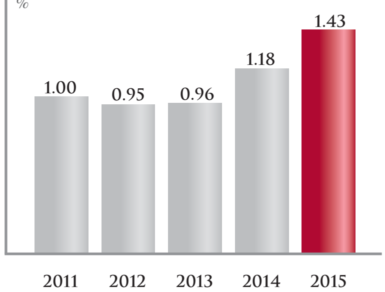
Non-interest income to operating income
%



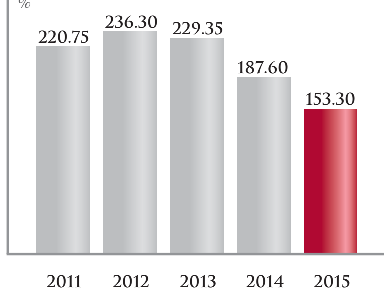
Credit cost
%



Non-performing loans to total loans
%



Allowance for loan impairment losses to non-performing loans
%



Note: The financial information in this report has been prepared in accordance with IFRS. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	2015	2014	2013	2012	2011
Results of operations						
Net interest income		**328,650**	321,102	283,585	256,964	228,064
Non-interest income	1	**145,262**	135,226	123,924	109,212	100,234
Operating income		**473,912**	456,328	407,509	366,176	328,298
Operating expenses		**(185,401)**	(177,788)	(172,314)	(159,729)	(140,412)
Impairment losses on assets		**(59,274)**	(48,381)	(23,510)	(19,387)	(19,355)
Operating profit		**229,237**	230,159	211,685	187,060	168,531
Profit before income tax		**231,571**	231,478	212,777	187,673	169,047
Profit for the year		**179,417**	177,198	163,741	145,746	130,848
Profit attributable to equity holders of the Bank		**170,845**	169,595	156,911	139,656	124,622
Total dividend of ordinary shares		**N.A.**	55,934	54,755	48,851	43,268
Financial position						
Total assets		**16,815,597**	15,251,382	13,874,299	12,680,615	11,829,789
Loans, gross		**9,135,860**	8,483,275	7,607,791	6,864,696	6,342,814
Allowance for loan impairment losses		**(200,665)**	(188,531)	(168,049)	(154,656)	(139,676)
Investments	2	**3,595,095**	2,710,375	2,403,631	2,272,724	2,000,759
Total liabilities		**15,457,992**	14,067,954	12,912,822	11,819,073	11,072,652
Due to customers		**11,729,171**	10,885,223	10,097,786	9,173,995	8,817,961
Capital and reserves attributable to equity holders of the Bank		**1,304,946**	1,140,859	923,916	824,677	723,914
Share capital		**294,388**	288,731	279,365	279,147	279,147
Per share						
Basic earnings per share (RMB)		**0.56**	0.61	0.56	0.50	0.45
Dividend per share (before tax, RMB)	3	**0.175**	0.19	0.196	0.175	0.155
Net assets per share (RMB)	4	**4.09**	3.70	3.31	2.95	2.59
Key financial ratios						
Return on average total assets (%)	5	**1.12**	1.22	1.23	1.19	1.17
Return on average equity (%)	6	**14.53**	17.28	18.04	18.13	18.32
Net interest margin (%)	7	**2.12**	2.25	2.24	2.15	2.12
Non-interest income to operating income (%)	8	**30.65**	29.63	30.41	29.83	30.53
Cost to income ratio (calculated under domestic regulations, %)	9	**28.30**	28.57	30.61	31.73	32.45
Capital ratios	10					
Common equity tier 1 capital		**1,197,868**	1,068,706	925,037	N.A.	N.A.
Additional tier 1 capital		**103,159**	72,923	698	N.A.	N.A.
Tier 2 capital		**212,937**	250,714	262,768	N.A.	N.A.
Common equity tier 1 capital adequacy ratio (%)		**11.10**	10.61	9.69	N.A.	N.A.
Tier 1 capital adequacy ratio (%)		**12.07**	11.35	9.70	N.A.	N.A.
Capital adequacy ratio (%)		**14.06**	13.87	12.46	13.63	12.98
Asset quality						
Identified impaired loans to total loans (%)	11	**1.43**	1.18	0.96	0.95	1.00
Non-performing loans to total loans (%)	12	**1.43**	1.18	0.96	0.95	1.00
Allowance for loan impairment losses to non-performing loans (%)	13	**153.30**	187.60	229.35	236.30	220.75
Credit cost (%)	14	**0.63**	0.58	0.32	0.29	0.32
Allowance for loan impairment losses to total loans (%)	15	**2.62**	2.68	2.62	2.62	2.56
Exchange rate						
USD/RMB year-end middle rate		**6.4936**	6.1190	6.0969	6.2855	6.3009
EUR/RMB year-end middle rate		**7.0952**	7.4556	8.4189	8.3176	8.1625
HKD/RMB year-end middle rate		**0.8378**	0.7889	0.7862	0.8108	0.8107

Notes:

1 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on financial investments + other operating income.

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

3 Dividend per share is the dividend per ordinary share distributed to ordinary shareholders.

4 Net assets per share = (capital and reserves attributable to equity holders of the Bank at year-end – other equity instruments) ÷ number of ordinary shares in issue at year-end.

5 Return on average total assets = profit for the year ÷ average total assets. Average total assets = (total assets at the beginning of the year + total assets at year-end) ÷ 2.

6 Return on average equity = profit attributable to ordinary shareholders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.

7 Net interest margin = net interest income ÷ average balance of interest-earning assets. Average balance is average daily balance derived from the Bank's management accounts (unaudited).

8 Non-interest income to operating income = non-interest income ÷ operating income.

9 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2011] No. 50) formulated by the MOF.

10 In accordance with *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L. [2012] No. 1) and related regulations, the capital ratios of 2015 and 2014 are calculated under the advanced approaches, and the capital ratios of 2013 are calculated under the non-advanced approaches. The capital ratios of 2012 and 2011 are calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* (Y.J.H.L. [2004] No. 2) and related regulations. Therefore, the capital ratios of 2015 and 2014 should not be compared directly with those of previous years in this regard.

11 Identified impaired loans to total loans = identified impaired loans at year-end ÷ total loans at year-end.

12 Non-performing loans to total loans = non-performing loans at year-end ÷ total loans at year-end.

13 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at year-end ÷ non-performing loans at year-end.

14 Credit cost = impairment losses on loans ÷ average balance of loans. Average balance of loans = (balance of loans at the beginning of the year + balance of loans at year-end) ÷ 2.

15 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at year-end ÷ total loans at year-end. Calculation is based on the data of the Bank's domestic institutions.

Corporate Information

Registered Name in Chinese
中國銀行股份有限公司 (“中國銀行”)

Registered Name in English
BANK OF CHINA LIMITED (“Bank of China”)

Legal Representative and Chairman
TIAN Guoli

Vice Chairman and President
CHEN Siqing

Secretary to the Board of Directors and Company Secretary
GENG Wei
Office Address:
No. 1 Fuxingmen Nei Dajie, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Listing Affairs Representative
LUO Nan
Office Address:
No. 1 Fuxingmen Nei Dajie, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Registered Address
No. 1 Fuxingmen Nei Dajie, Beijing, China

Office Address
No. 1 Fuxingmen Nei Dajie, Beijing, China, 100818
Telephone: (86) 10-6659 6688
Facsimile: (86) 10-6601 6871
Website: http://www.boc.cn
E-mail: ir@bankofchina.com
Customer Service and Complaint Hotline:
(86) Area Code-95566

Place of Business in Hong Kong
Bank of China Tower, 1 Garden Road,
Central, Hong Kong

Selected Newspapers for Information Disclosure (A Share)
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website Designated by CSRC for Publication of the Annual Report
http://www.sse.com.cn

Website of HKEx for Publication of the Annual Report
http://www.hkexnews.hk

Place where Annual Report can be Obtained
No. 1 Fuxingmen Nei Dajie, Beijing, China

Domestic Legal Advisor
King & Wood Mallesons

Hong Kong Legal Advisor
Allen & Overy

Auditors
Domestic auditor
Ernst & Young Hua Ming LLP
Office Address:
Level 16, Ernst & Young Tower, Oriental Plaza,
No. 1 East Chang An Avenue,
Dongcheng District, Beijing, China
Certified Public Accountants who signed the auditor’s report:
ZHANG Xiaodong, YANG Bo

International auditor
Ernst & Young
Office Address:
22/F, CITIC Tower, 1 Tim Mei Avenue
Central, Hong Kong

Business Licence Serial Number
100000000001349

Financial Institution Licence Serial Number
B0003H111000001

Tax Registration Certificate Number
Jingshuizhengzi 110102100001342

Organisation Code
10000134-2

Registered Capital
RMB279,147,223,195

Securities Information
A Share
Shanghai Stock Exchange
Stock Name: 中國銀行
Stock Code: 601988

H Share
The Stock Exchange of Hong Kong Limited
Stock Name: Bank of China
Stock Code: 3988

Domestic Preference Share
Shanghai Stock Exchange

First Tranche
Stock Name: 中行優1
Stock Code: 360002

Second Tranche
Stock Name: 中行優2
Stock Code: 360010

Offshore Preference Share
The Stock Exchange of Hong Kong Limited
Stock Name: BOC 2014 PREF
Stock Code: 4601

Joint Sponsors for Domestic Preference Shares
CITIC Securities Company Limited
Office Address:
North Tower, Excellence Times Plaza II,
No. 8 Zhongxinsan Road, Futian District, Shenzhen,
Guangdong Prov., China
Sponsor Representatives: MA Xiaolong, ZHU Jie

BOC International (China) Limited
Office Address:
39/F, BOC Building, 200 Mid. Yincheng Road,
Pudong New District, Shanghai, China
Sponsor Representatives: CHEN Wei, LIANG Binsheng

Continuous Supervision Period
From 8 December 2014 to 31 December 2015
(First Tranche)
From 31 March 2015 to 31 December 2016
(Second Tranche)

Message from the Chairman

In this beautiful spring season, I am pleased to present our annual results for 2015 to the shareholders of the Bank and the public. The Group achieved a profit for the year of RMB179.4 billion, a year-on-year increase of 1.25%, according to International Financial Reporting Standards. It recorded a profit attributable to equity holders of the Bank of RMB170.8 billion, an increase of 0.74%. Asset quality was controlled within the target range. The Board of Directors has proposed a dividend of RMB0.175 per ordinary share for 2015, pending approval by the Annual General Meeting to be held in June 2016.

In the past year, closely following its strategic goal of "Serving Society, Delivering Excellence", the Bank consciously intertwined its own development with the nation's efforts on deepening the reform and expanding the opening up. Actively adapted to the new normal of economic development and accurately grasped the new laws governing banking industry development, the Bank recorded a year of sound, sustained growth and many remarkable achievements.

The Bank continues to become more internationalised, with our overseas business making a greater contribution to the Bank's development. As at the end of 2015, the total assets of the Bank's overseas institutions accounted for 27% of the Group's total assets, and the contribution of the profit before income tax realised by overseas institutions further increased. The Bank's overseas institutions now cover 46 countries and regions, 5 more than the previous year, further enhancing our global service network. We actively supported major national strategies such as the "Belt and Road" initiative, the "Going Global" efforts of Chinese enterprises and the construction of China's free trade zones. We successfully led a number of major cross-border M&A projects, maintaining our leading position in the market. BOC-Samsung Life officially opened for business, further expanding our diversified business platforms. We also led the way in RMB internationalisation. Our cross-border RMB clearing and settlement volumes retained the top spot and our global clearing network was further expanded, due to the addition of RMB clearing bank qualifications in Kuala Lumpur, Hungary, South Africa and Zambia.

In 2015, we accelerated innovations in technology and business modes and continuously pushed the development of inclusive finance. We actively implemented the nation's "Internet Plus" action plan and thus promoted its cross-border e-finance services at a faster pace. We put forth a range of innovative financial products, including cross-border e-commerce direct link, cross-border trade tax, cross-border fee payment and online finance for customers going abroad, thus improving the effectiveness of the financial services. We created a cross-border matchmaking platform for SMEs, successfully holding 11 meetings at home and abroad that served more than 4,000 SMEs, thereby expanding our market influence. We also paid close attention to people's financial needs regarding housing, consumption, culture, education, tourism, cross-border affairs and old age care, and made great efforts to support the expansion of domestic demand and improve the people's livelihood. In 2015, the domestic RMB-denominated personal loans increased by 15.10%.

We placed special emphasis on enhancing the management and control of asset quality and firmly defended the risk bottom line. Upholding the principle of "substance over form", we comprehensively enhanced credit risk control, continuously improved monitoring and early warning mechanisms and undertook a number of measures to collect and resolve non-performing loans (NPLs). Thanks to a united effort across the Bank, asset quality was kept under control and the ratio of allowance for loan impairment losses to NPLs and the ratio of allowance for loan impairment losses to total loans were above regulatory targets. In light of domestic and overseas market volatility, we implemented sound management of liquidity risk, market risk, business compliance and anti-money laundering, thus ensuring sustained and stable operations. In the meantime, we actively shouldered our social responsibilities and stood alongside companies that encountered temporary difficulties because of challenging market conditions. Based on in-depth analysis of companies' fundamentals and by fully exerting our advantages in internationalised and diversified operations, we took a range of proactive and innovative steps to mitigate NPLs and help eligible enterprises to get through tough times and recover.

In 2015, the Bank further improved the structure and overall quality of its corporate governance. It made great efforts to strengthen the construction of its institutional framework for corporate governance and improved the three-tiered authorisation system, comprised of the Shareholders' Meeting, the Board of Directors and the President, by more clearly defining their functions and powers. We continued to improve corporate governance operating mechanisms and made the decision-making of the Board of Directors more efficient, allowing us to earnestly fulfil our responsibilities to shareholders, customers, employees, society and other stakeholders. Working with diligence and commitment, the Board members made positive contributions to the Group's sustained and healthy development. In accordance with the applicable laws and regulations and the Articles of Association, the Bank smoothly completed changes to the Board's composition in 2015.

The global economy is going through the longest and most sluggish recovery since the Great Depression of the 20th century. The China's economy is at a critical juncture, in which the growth is shifting gear, the economic structure is adjusting and the driving impetus is changing. While we must recognise that

China's economic development faces bumps in the road, we must also remember that the fundamental trend of the China's economy towards long-term growth and expansion has not changed. China's economy will maintain a medium-high rate of growth and steadily move toward a medium-high level of development. The deepening of China's high-level reform and opening up, combined with the implementation of the "Belt and Road" initiative, the coordinated development of the Beijing-Tianjin-Hebei region and the building of the Yangtze River Economic Belt, will generate enormous business opportunities. Meanwhile, the ever-faster transformation and upgrading of the national economy and the continuous increase in people's wealth will create immense demand for financial services. As financial reform deepens and e-finance flourishes, the space for innovative development will become more and more vast.

As an old Chinese saying goes, "Zhou is an old state, but its mission is reform". Bank of China has never ceased to reform: its century-long history is a history of constant financial innovation. Faced with new circumstances and fresh tasks, we will continue to follow our development strategy of "Serving Society, Delivering Excellence". We will pursue sound, long-term development while boosting timely reforms. By speeding up business structure adjustment and the reform of our systems and mechanisms, we will continue to enhance our market penetration, sharpen our competitive edge and improve our internal cohesion. All of this will support our aim of creating a better life for our customers, energising global economic growth, supporting China's economic transformation and rewarding our shareholders and the public for their trust and support by delivering solid business performance.

TIAN Guoli
Chairman
30 March 2016

Message from the President

In 2015, the Bank faithfully implemented the Government's guidelines, policies and strategic arrangements and responded in a calm and measured manner to an unprecedentedly complex and volatile business environment, adhering at all times to its strategic goal of "Serving Society, Delivering Excellence". Focused on the task of serving the real economy, it met its annual development objectives and delivered strong results by stabilising growth, adjusting structure, controlling risks and fortifying its foundations.

At the end of 2015, the Bank's total assets stood at RMB16.82 trillion, total liabilities amounted to RMB15.46 trillion and equity attributable to shareholders of the Bank was RMB1.30 trillion, according to International Financial Reporting Standards. This represented an increase of 10.26%, 9.88% and 14.38% respectively from the prior year-end. The Bank achieved a profit for the year of RMB179.4 billion, a year-on-year increase of 1.25%, and a profit attributable to equity holders of the Bank of RMB170.8 billion, a year-on-year increase of 0.74%. The Bank's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.10%, 12.07% and 14.06%, respectively. The non-performing loan ratio was 1.43%, up 0.25 percentage point from the prior year-end, which remained within the target range.

In 2015, the Bank achieved steady profit growth despite the slowdown of the economy. This was mainly driven by the following four factors. First, net interest income and non-interest income continued to grow steadily. The Bank realised net interest income of RMB328.7 billion and non-interest income of RMB145.3 billion, a year-on-year increase of 2.35% and 7.42% respectively. Second, the Bank's input/output efficiency continued to improve. The cost to income ratio was 28.30%, a year-on-year decrease of 0.27 percentage point. Third, the Bank took further steps to control the cost of risk, maintaining its credit cost at the relatively low level of 0.63%. Fourth, the Bank's strengths in internationalised and diversified operations came to the fore, with its overseas business and integrated operations' contribution to the Group continuously increased. The Bank's overseas institutions realised a profit before income tax of USD8.775 billion, a year-on-year increase of 1.37%. Their contribution to the Group's overall profit before income tax increased by 0.66 percentage point from the previous year to 23.64%. The profit before income tax of the Bank's subsidiaries increased by 42% compared to the prior year, with its contribution to the Group's overall profit before income tax up 1.36 percentage points.

In the past year, the Bank's determined efforts to maintain stable development and promote business transformation have yielded stable growth across its operations. The scale of the Bank's liabilities expanded steadily, with deposits in RMB and foreign currencies increasing by RMB843.948 billion or 7.75%. Specifically, deposits in RMB and foreign currencies in the Bank's domestic institutions increased by RMB791.421 billion, up 9.17% from the previous year. The Bank continued to upgrade its asset structure with the aim of serving the real economy. Loans in RMB and foreign currencies saw an increase of RMB652.585 billion, up 7.69%. Growth in loans to micro and small-sized businesses outpaced average domestic loan growth by 1.52 percentage points, while the proportion of the Bank's loans granted to aggressive growth and selective growth industries rose by 2.2 percentage points. The Bank accelerated its efforts to build the financial artery of China's "Belt and Road" initiative. It granted approximately USD28.6 billion in credits to the "Belt and Road" countries, followed up 330 major projects and successfully issued the world's first "Belt and Road" bond. The Bank maintained a leading position among global peers in terms of cross-border RMB clearing and settlement volume. It also seized market opportunities to improve its securities investment structure. The book value of its RMB-denominated investment portfolios stood at RMB2,109.2 billion, up 36.54% from the previous year, and the average rate of return on its foreign currency-denominated investment portfolios rose by 26 basis points.

In the past year, the Bank has made strenuous efforts to resolve non-performing assets and control risks, thus ensuring effective control of asset quality. Following the principles of "overall planning, control by category, an intensive, specialised and market-based approach and multiple policies", the Bank worked out a holistic programme for resolving non-performing assets, combining various measures such as reorganisation, cash collection, batch disposal and write-off. In 2015, the Bank's domestic institutions resolved RMB104.4 billion of non-performing assets, a year-on-year increase of RMB32.8 billion. Following the principle of "substance over form", the Bank comprehensively strengthened control over the various risks involved in its business. This includes the specific risks arising from on-balance and off-balance sheet assets, actual and contingent liabilities, RMB and foreign currencies, online and offline services, agency and proprietary operations, local and other places, and domestic and overseas operations. It also pushed forward its marketing, credit granting, credit approval and post-lending management on a unified basis. The Bank improved its risk monitoring and early warning mechanisms. It stepped up the proactive exiting of risky businesses, reducing or terminating RMB107.3 billion of credit facilities to borrowers not involving non-performing assets. The Bank strengthened liquidity management and made great strides in building up its overseas fund pool. It also intensified internal control and fraud case prevention, improved the "three lines of defence" for internal control, and set in place 50 risk control measures for its grassroots outlets. In addition, the Bank pressed ahead with the construction of a centralised, automated and specialist anti-money laundering function.

In the past year, the Bank has steadily pushed ahead efforts to cement the foundations of its business and increase the efficiency of its grassroots operations. It accelerated the development of Internet banking by launching innovative products such as cross-border e-commerce direct link and easy-trade wealth management, and vigorously explored opportunities to apply big data to precision marketing and internet financing. Thanks to these efforts, the Bank's customer base increased by 35% compared to the previous year and the increment volume of online merchant transactions topped RMB1.8 trillion. In 2015, the Bank considerably increased its IT output capacity, as shown by the successful implementation of a cross-border RMB payment system and other major projects. Phase-by-phase, the Bank recorded fresh achievements towards the "smart functionality" upgrade of its outlets. In 2015, 2,598 smart outlets were built. In addition, the Bank continued its channel integration efforts, with the migration ratio of transactions migrating to e-channels increasing by 3.87 percentage points.

2016 is a year full of challenges, but also a year full of potential. The Bank will comprehensively carry forward the spirit of the 5th Plenary Session of the 18th CPC Central Committee and of the Central Economic Work Conference. It will conscientiously implement the development concepts of innovation, coordination, green development, opening up and sharing, all while remaining true to its strategic goal of "Serving Society, Delivering Excellence". The Bank will attach great importance to "innovation, transformation, mitigation and management and control" as it seeks to develop its all-round business and deliver a strong start to the period of the 13th Five-Year Plan. First, the Bank will continue to seek innovation-led growth while striving to stay at the cutting edge of future development. It will implement the country's "Internet Plus" action plan, proactively apply advanced technologies and industrial experience, boost innovation in technology and business modes, secure the strategic high ground needed to thrive in the era of mobile internet and shape new competitive and growth advantages. Second, the Bank will deepen business transformation and enhance operating efficiency. Continuing to implement major national strategies, the Bank will speed up business transformation and make new breakthroughs in structural adjustment. Geographically, it will place greater emphasis on its overseas operations and key domestic areas. Structurally, it will highlight the strategic importance of personal banking. In terms of revenue streams, the Bank will focus on growth in non-interest income, especially growth from capital-lite business. Third, the Bank will make unremitting efforts to resolve risks and improve its risk control system. It will accelerate the upgrading of its risk management system to ensure that it is fully in line with the new normal of economic development, regulatory requirements, the Bank's status as a Global Systemically Important Bank and with its "cross-border, cross-industry and cross-sector" business model. Fourth, the Bank will strengthen Group-wide management and control and enhance developmental synergy. With a close focus on key fields and links, it will further improve its systems and mechanisms and pursue a higher level of refined and specialised management, with the aim of increasing the Group's overall management and control capabilities.

On behalf of the Management, I would like to avail myself of this opportunity to express my heartfelt gratitude to all of our employees for your hard work, to our directors and supervisors for your guidance and assistance, and to our customers, investors and friends for your constant support. We will make steadfast efforts to pursue innovation and forge ahead, and we will repay the trust and care of our investors and friends with better business performance and by working hard to deliver excellence.

CHEN Siqing
President
30 March 2016

Message from the Chairman of the Board of Supervisors

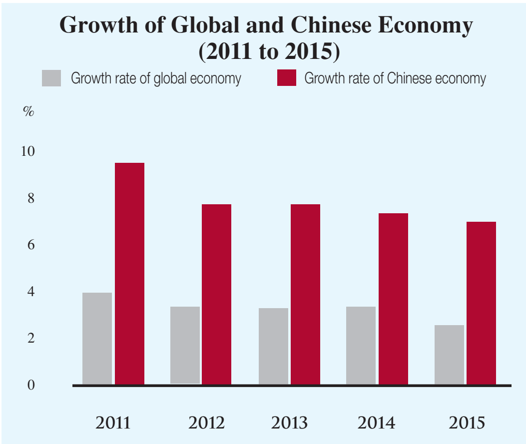
In 2015, the Board of Supervisors focused on the key issues underpinning the Bank's strategic goal of "Serving Society, Delivering Excellence". Adhering to the issues-focused approach and selecting the right starting points, it assumed its responsibilities with proactivity and courage, earnestly performed its supervision duties regarding duty performance, finances, internal control and risk management, enhanced the pertinence and effectiveness of its supervision and actively pushed forward the Bank's continued stable development, in accordance with the relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank.

Last year, the Board of Supervisors strictly enforced regulatory requirements and earnestly supervised the Bank's day-to-day duty performance. It objectively assessed the annual duty performance of the Board of Directors, the senior management and its members and energetically urged directors and senior management members to perform their duties diligently. It continued to strengthen financial supervision and communicated effectively regarding the preparation, review and disclosure of financial reports and provided supervisory opinions. It strengthened its supervision of the progress made in major and key risk management tasks, steadily pushed forward supervision of internal control case prevention, raised risk-related issues by various means to ensure the Bank defended the risk bottom line resolutely. It established a supervision rectification mechanism and earnestly carried out reassessments regarding the implementation of the rectification of special inspections and surveys, ensuring that the related work was arranged, checked, and successfully implemented. The Board of Supervisors closely followed the problems related to the Bank's operations, management and risk management and control in line with its policy of focusing on the Bank's central tasks, serving the overall interest and taking into account internal and external conditions. It organised and carried out special inspections and surveys, put forward supervisory opinions and continuously followed up on the progress of improvement, so as to promote the effective conversion of special inspection and survey achievements into improvements in relevant areas. All members of the Board of Supervisors faithfully and diligently brought their strengths into play by proactively offering opinions and suggestions to the Bank regarding its sound and healthy development. The Board of Directors and the Senior Management attached great importance to the supervision and advice of the Board of Supervisors, checked and implemented relevant rectifications and refined operation and management measures, thus effectively mitigating potential risks and improving operations and management.

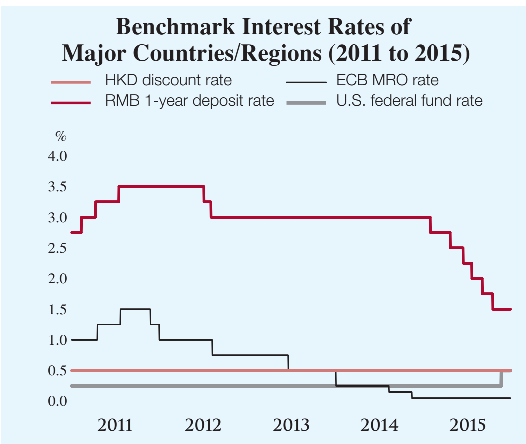
In the coming year, the Board of Supervisors will continue its effective communication and interaction with the Board of Directors and the Senior Management, focus on key problems and risks, highlight important points, and steadily perform various supervisory functions. It will provide supervision and advice, constantly improve the standard of the Bank's corporate governance, and actively contribute to the strategic goal of "Serving Society, Delivering Excellence".

LI Jun
Chairman of the Board of Supervisors
30 March 2016

Management Discussion and Analysis — Financial Review



Source: International Monetary Fund (IMF), National Bureau of Statistics of China



Source: Thomson Reuters EcoWin

Economic and Financial Environment

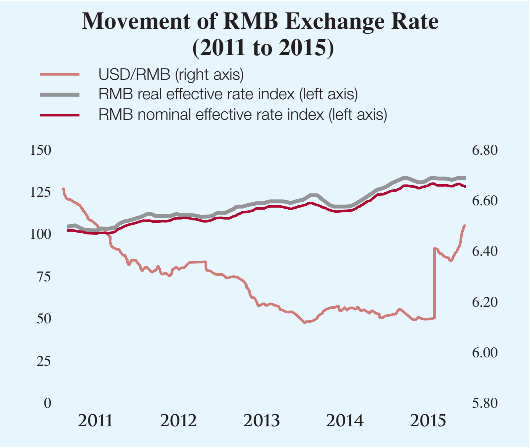
In 2015, the global economic recovery remained weak, with divergent growth trends and economic policies among the major economies. The US economy grew steadily. The Eurozone economy experienced moderate recovery while Japan's recovery was sluggish. Some emerging economies experienced slow growth due to weak external demand, falling commodity prices and the US Federal Reserve's rate rise.

Global financial markets experienced heightened volatility. Financial risks increased significantly amid the weak recovery of the real economy, divergent global monetary policies and geopolitical instability, particularly in emerging economies. The US Dollar appreciated strongly against the currencies of its major trade partners, while commodity prices fell sharply and global capital markets became more volatile.

China's economy remained stable. The Chinese government actively responded to the difficulties and challenges, drove forward innovation and improvement in its macroeconomic policies and accelerated economic reforms, so as to maintain steady economic growth. In the year, China achieved remarkable progress in terms of economic restructuring, with consumption and the tertiary industries contributing more to economic growth and new advances being made in energy saving and emissions reduction. In 2015, gross domestic product (GDP) grew by 6.9%. The consumer price index (CPI) rose by 1.4%. Total retail sales of consumer goods (TRSCG) grew by 10.7%. Total fixed asset investments (TFAI) grew by 10% and energy consumption per unit of GDP decreased by 5.6%.

The Chinese government continued to carry out a prudent monetary policy and made timely and appropriate pre-emptive adjustments and fine-tuning. Money supply and credit realised a steady growth, RMB exchange rates became more resilient and financial markets remained generally stable. In 2015, the PBOC cut both the RMB deposit reserve requirement ratio and benchmark interest rate on five separate occasions. In addition, it removed the floating RMB deposit interest rate ceiling and allowed financial institutions to issue certificates of deposit (CDs) to corporate and individual customers, indicating basic accomplishment of interest rate liberalisation. The broad money supply (M2) grew by 13.3%, 1.1 percentage points higher than the growth rate of the prior year. The balance of RMB loans increased by RMB11.72 trillion, RMB1.81 trillion more than that of the prior year. The total scale of social financing stood at RMB138.14 trillion, an increase of 12.4% compared with the prior year. The scale of bond issuance continued to grow with a total issuance of RMB22.9 trillion, an increase of 108.3% compared with the prior year. The SSE composite index rose by 9.4%, and the floating market value of the Shanghai and Shenzhen stock markets increased by 31.7% compared with the prior year. The middle rate of the RMB against USD fell by 5.77% compared with the prior year-end.

China's banking sector also remained stable. Financial regulators guided the banking sector towards sustainable and sound development by focusing on reform, innovation, support to the real economy and risk control. Regulatory authorities promoted an orderly, two-way opening-up of the banking sector and strengthened reform of corporate governance. The banking sector further enhanced its ability to serve the real economy and provided greater financial support to key fields and vulnerable sectors. The banking sector effectively controlled and mitigated financial risks and supported banks' efforts to revitalise existing credit assets, resolve potential non-performing loans (NPLs) and prevent new NPLs. As at the end of 2015, the total assets of China's banking industry grew by 15.7% from the prior year-end to RMB199.3 trillion, while total liabilities increased by 15.1% to RMB184.1 trillion. Commercial banks recorded a profit after tax of RMB1.59 trillion, an increase of 2.4% compared with the prior year. The balance of NPLs rose by RMB431.8 billion compared with the prior year-end to RMB1,274.4 billion. The NPL ratio was 1.67%, up by 0.42 percentage point compared with the prior year-end.



Source: Thomson Reuters EcoWin

Source: Thomson Reuters EcoWin

Income Statement Analysis

In 2015, the Group achieved a profit for the year of RMB179.417 billion and a profit attributable to equity holders of the Bank of RMB170.845 billion, an increase of 1.25% and 0.74% respectively compared with the prior year. Return on average total assets (ROA) was 1.12%, a decrease of 0.10 percentage point compared with the prior year. Return on average equity (ROE) was 14.53%, a decrease of 2.75 percentage points compared with the prior year.

The principal components and changes of the Group's consolidated income statement are set out below:

Unit: RMB million, except percentages

Items	2015	2014	Change	Change (%)
Net interest income	**328,650**	321,102	7,548	2.35%
Non-interest income	**145,262**	135,226	10,036	7.42%
Including: net fee and commission income	**92,410**	91,240	1,170	1.28%
Operating income	**473,912**	456,328	17,584	3.85%
Operating expenses	**(185,401)**	(177,788)	(7,613)	4.28%
Impairment losses on assets	**(59,274)**	(48,381)	(10,893)	22.52%
Operating profit	**229,237**	230,159	(922)	(0.40%)
Profit before income tax	**231,571**	231,478	93	0.04%
Income tax expense	**(52,154)**	(54,280)	2,126	(3.92%)
Profit for the year	**179,417**	177,198	2,219	1.25%
Profit attributable to equity holders of the Bank	**170,845**	169,595	1,250	0.74%

A detailed review of the Group's principal items in each quarter of 2015 is summarised in the following table:

Unit: RMB million

	For the three-month period ended			
Items	31 December 2015	30 September 2015	30 June 2015	31 March 2015
Operating income	117,972	117,062	117,549	121,329
Profit attributable to equity holders of the Bank	39,300	40,799	44,908	45,838
Net cash flow from operating activities	136,679	(131,980)	267,230	400,165

Net Interest Income and Net Interest Margin

In 2015, the Group achieved a net interest income of RMB328.650 billion, an increase of RMB7.548 billion or 2.35% compared with the prior year. The average balances[1] and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, its domestic RMB businesses and its domestic foreign currency businesses, as well as their respective year-on-year changes, are summarised in the following table:

[1] Average balances are average daily balances derived from the Group's management accounts (unaudited).

Unit: RMB million, except percentages

Items	2015 Average balance	2015 Average interest rate	2014 Average balance	2014 Average interest rate	Change Average balance	Change Average interest rate
Group						
Interest-earning assets						
Loans	**8,916,436**	**4.88%**	8,263,521	5.19%	652,915	(31) Bps
Investments	**3,145,750**	**3.45%**	2,461,952	3.50%	683,798	(5) Bps
Balances with central banks	**2,257,994**	**1.31%**	2,319,947	1.41%	(61,953)	(10) Bps
Due from and placements with banks and other financial institutions	**1,204,278**	**3.47%**	1,229,126	4.48%	(24,848)	(101) Bps
Total	**15,524,458**	**3.96%**	14,274,546	4.22%	1,249,912	(26) Bps
Interest-bearing liabilities						
Due to customers	**11,388,012**	**1.94%**	10,650,698	2.02%	737,314	(8) Bps
Due to and placements from banks and other financial institutions and due to central banks	**2,703,157**	**2.01%**	2,516,830	2.24%	186,327	(23) Bps
Bonds issued	**271,374**	**4.02%**	260,750	3.88%	10,624	14 Bps
Total	**14,362,543**	**1.99%**	13,428,278	2.10%	934,265	(11) Bps
Net interest margin		**2.12%**		2.25%		(13) Bps
Domestic RMB businesses						
Interest-earning assets						
Loans	**6,459,621**	**5.77%**	5,854,808	6.23%	604,813	(46) Bps
Investments	**2,320,776**	**3.93%**	1,826,017	3.90%	494,759	3 Bps
Balances with central banks	**1,775,952**	**1.57%**	1,872,829	1.67%	(96,877)	(10) Bps
Due from and placements with banks and other financial institutions	**882,036**	**4.12%**	969,597	4.94%	(87,561)	(82) Bps
Total	**11,438,385**	**4.62%**	10,523,251	4.90%	915,134	(28) Bps
Interest-bearing liabilities						
Due to customers	**8,492,422**	**2.28%**	7,981,630	2.30%	510,792	(2) Bps
Due to and placements from banks and other financial institutions and due to central banks	**1,650,677**	**3.34%**	1,481,293	4.33%	169,384	(99) Bps
Bonds issued	**143,719**	**4.90%**	174,776	4.59%	(31,057)	31 Bps
Total	**10,286,818**	**2.48%**	9,637,699	2.66%	649,119	(18) Bps
Net interest margin		**2.38%**		2.46%		(8) Bps
Domestic foreign currency businesses				Unit: USD million, except percentages		
Interest-earning assets						
Loans	**75,272**	**2.35%**	91,084	2.70%	(15,812)	(35) Bps
Investments	**34,925**	**1.59%**	27,940	1.52%	6,985	7 Bps
Due from and placements with banks and other financial institutions and balances with central banks	**67,863**	**0.47%**	60,453	1.05%	7,410	(58) Bps
Total	**178,060**	**1.49%**	179,477	1.96%	(1,417)	(47) Bps
Interest-bearing liabilities						
Due to customers	**84,578**	**0.66%**	81,127	1.20%	3,451	(54) Bps
Due to and placements from banks and other financial institutions and due to central banks	**89,163**	**0.39%**	92,830	0.79%	(3,667)	(40) Bps
Bonds issued	**2,981**	**5.74%**	412	5.34%	2,569	40 Bps
Total	**176,722**	**0.61%**	174,369	0.99%	2,353	(38) Bps
Net interest margin		**0.88%**		1.00%		(12) Bps

Notes:

1 Investments include available for sale debt securities, held to maturity debt securities, debt securities classified as loans and receivables, trading debt securities, debt securities designated at fair value through profit or loss, and investment trusts and asset management plans.

2 Balances with central banks include the mandatory reserves, the surplus reserves and other deposits.

3 Due to and placements from banks and other financial institutions and due to central banks include due to and placements from banks and other financial institutions, due to central banks and other funds.

The interest income and expense and the impact of volume and interest rate changes on the interest income and expense of the Group, its domestic RMB businesses and its domestic foreign currency businesses are summarised in the following table:

Unit: RMB million

Items	2015	2014	Change	Analysis of changes in interest income/expense	
				Volume factor	Interest rate factor
Group					
Interest income					
Loans	**435,062**	428,572	6,490	33,886	(27,396)
Investments	**108,651**	86,210	22,441	23,933	(1,492)
Balances with central banks	**29,543**	32,779	(3,236)	(874)	(2,362)
Due from and placements with banks and other financial institutions	**41,800**	55,119	(13,319)	(1,113)	(12,206)
Total	**615,056**	602,680	12,376	55,832	(43,456)
Interest expense					
Due to customers	**221,288**	215,019	6,269	14,894	(8,625)
Due to and placements from banks and other financial institutions and due to central banks	**54,209**	56,434	(2,225)	4,174	(6,399)
Bonds issued	**10,909**	10,125	784	412	372
Total	**286,406**	281,578	4,828	19,480	(14,652)
Net interest income	**328,650**	321,102	7,548	36,352	(28,804)
Domestic RMB businesses					
Interest income					
Loans	**372,513**	365,022	7,491	37,680	(30,189)
Investments	**91,277**	71,140	20,137	19,296	841
Balances with central banks	**27,811**	31,186	(3,375)	(1,618)	(1,757)
Due from and placements with banks and other financial institutions	**36,378**	47,939	(11,561)	(4,326)	(7,235)
Total	**527,979**	515,287	12,692	51,032	(38,340)
Interest expense					
Due to customers	**193,391**	183,674	9,717	11,748	(2,031)
Due to and placements from banks and other financial institutions and due to central banks	**55,181**	64,196	(9,015)	7,334	(16,349)
Bonds issued	**7,036**	8,019	(983)	(1,426)	443
Total	**255,608**	255,889	(281)	17,656	(17,937)
Net interest income	**272,371**	259,398	12,973	33,376	(20,403)
Domestic foreign currency businesses					Unit: USD million
Interest income					
Loans	**1,770**	2,456	(686)	(427)	(259)
Investments	**556**	424	132	106	26
Due from and placements with banks and other financial institutions and balances with central banks	**320**	637	(317)	78	(395)
Total	**2,646**	3,517	(871)	(243)	(628)
Interest expense					
Due to customers	**559**	972	(413)	41	(454)
Due to and placements from banks and other financial institutions and due to central banks	**348**	732	(384)	(29)	(355)
Bonds issued	**171**	22	149	137	12
Total	**1,078**	1,726	(648)	149	(797)
Net interest income	**1,568**	1,791	(223)	(392)	169

Note: The impact on interest income/expense of variances in the volume factor is calculated based on the changes in average balances of interest-earning assets and interest-bearing liabilities during the reporting period. The impact on interest income/expense of variances in the interest rate factor is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. The impact relating to the combined changes in both the volume factor and the interest rate factor has been classified as changes in the interest rate factor.

The average balances and average interest rates of domestic loans and due to customers, classified by business type, are summarised in the following table:

Unit: RMB million, except percentages

Items	2015 Average balance	2015 Average interest rate	2014 Average balance	2014 Average interest rate	Change Average balance	Change Average interest rate
Domestic RMB businesses						
Loans						
Corporate loans	**4,022,655**	**6.00%**	3,752,063	6.51%	270,592	(51) Bps
Personal loans	**2,234,610**	**5.44%**	1,986,408	5.71%	248,202	(27) Bps
Trade bills	**202,356**	**4.75%**	116,337	6.27%	86,019	(152) Bps
Total	**6,459,621**	**5.77%**	5,854,808	6.23%	604,813	(46) Bps
Including:						
Medium and long term loans	**4,312,654**	**5.98%**	3,902,599	6.37%	410,055	(39) Bps
Short term loans within 1 year and others	**2,146,967**	**5.35%**	1,952,209	5.97%	194,758	(62) Bps
Due to customers						
Corporate demand deposits	**2,144,678**	**0.69%**	2,082,762	0.74%	61,916	(5) Bps
Corporate time deposits	**2,215,337**	**3.45%**	2,133,567	3.54%	81,770	(9) Bps
Personal demand deposits	**1,381,000**	**0.52%**	1,291,650	0.52%	89,350	–
Personal time deposits	**2,435,218**	**3.37%**	2,271,031	3.41%	164,187	(4) Bps
Other	**316,189**	**4.09%**	202,620	4.24%	113,569	(15) Bps
Total	**8,492,422**	**2.28%**	7,981,630	2.30%	510,792	(2) Bps
Domestic foreign currency businesses					Unit: USD million, except percentages	
Loans	**75,272**	**2.35%**	91,084	2.70%	(15,812)	(35) Bps
Due to customers						
Corporate demand deposits	**27,031**	**0.14%**	23,329	0.15%	3,702	(1) Bp
Corporate time deposits	**19,854**	**1.80%**	26,082	2.96%	(6,228)	(116) Bps
Personal demand deposits	**19,695**	**0.05%**	14,283	0.04%	5,412	1 Bp
Personal time deposits	**15,532**	**0.63%**	14,364	0.59%	1,168	4 Bps
Other	**2,466**	**2.31%**	3,069	2.44%	(603)	(13) Bps
Total	**84,578**	**0.66%**	81,127	1.20%	3,451	(54) Bps

Note: "Due to customers-other" includes structured deposits.

In 2015, the Group's net interest margin was 2.12%, a decrease of 13 basis points compared with the prior year. Major factors that affected the Group's net interest margin include:

First, the PBOC cut RMB benchmark deposit and lending rates and removed the floating deposit rate ceiling for commercial banks. In November 2014, the PBOC lowered RMB benchmark deposit and lending rates and raised the RMB deposit rate ceiling to 1.2 times the benchmark rates. In 2015, the PBOC cut RMB benchmark deposit and loan interest rates further on five separate occasions and removed the floating deposit rate ceiling altogether for commercial banks.

Second, the RMB deposit reserve requirement ratio was reduced. In 2015, the PBOC lowered the RMB reserve requirement ratio for financial institutions five times, leaving the ratio applicable to the Bank lower than that of the prior year-end.

Third, the Bank's assets and liabilities structure was further improved. In response to changes in the external environment, the Bank further emphasised the importance of capital constraints in its business development by adjusting and optimising existing assets and liabilities and efficiently allocating their increments, resulting in continuous improvement to its assets and liabilities structure. In 2015, the proportion of the average balance of loans to total interest-earning assets in the Group's domestic RMB businesses rose by 0.83 percentage point, the proportion of the average balance of investments to total interest-earning assets rose by 2.94 percentage points, and the proportion of the average balance of RMB personal loans to total RMB loans rose by 0.66 percentage point.

Non-interest Income

In 2015, the Group reported a non-interest income of RMB145.262 billion, an increase of RMB10.036 billion or 7.42% compared with the prior year. Non-interest income represented 30.65% of operating income.

Net Fee and Commission Income

The Bank fully leveraged its competitive advantages, strengthened product innovation and grasped opportunities arising in capital markets, resulting in stable growth of its net fee and commission income. In 2015, the Group reported a net fee and commission income of RMB92.410 billion, an increase of RMB1.170 billion or 1.28% compared with the prior year. This accounted for 19.50% of operating income. Seizing opportunities to develop its asset management business, the Bank strengthened its research and analysis of capital markets, jointly developed new customised products with fund management companies, enhanced cooperation with insurance companies and promoted insurance agency business, resulting in agency commission income growth of 22.57%. The Bank continuously optimised its bank card product system by targeting key customer segments, including cross-border, consumer finance and internet-based business, thus achieving stable growth in bank card issuance and transaction volumes and realising an increase of 12.28% in bank card fee income compared with the prior year. In terms of custodian business, the Bank took advantage of opportunities relating to publicly-placed funds, social security funds, insurance and cross-border business, improved system functionality, strengthened its global custodian service network and enhanced its custodian service capabilities, resulting in a 7.33% increase in custodian and other fiduciary service fee income. Meanwhile, due to factors such as slowing down imports and exports, the Bank's fee and commission income from settlement and clearing business, foreign exchange business and consultancy and advisory business decreased compared with the prior year. Moreover, the Bank proactively fulfilled its social responsibilities, actively supported the real economy and micro and small-sized enterprises, and cut the burden on firms by reducing or waiving service fees for eligible customers.

Unit: RMB million, except percentages

Items	2015	2014	Change	Change (%)
Group				
Agency commissions	**24,481**	19,973	4,508	22.57%
Bank card fees	**24,215**	21,567	2,648	12.28%
Settlement and clearing fees	**11,888**	14,815	(2,927)	(19.76%)
Credit commitment fees	**16,541**	16,112	429	2.66%
Consultancy and advisory fees	**5,757**	8,835	(3,078)	(34.84%)
Spread income from foreign exchange business	**7,388**	7,610	(222)	(2.92%)
Custodian and other fiduciary service fees	**3,677**	3,426	251	7.33%
Other	**6,958**	6,200	758	12.23%
Fee and commission income	**100,905**	98,538	2,367	2.40%
Fee and commission expense	**(8,495)**	(7,298)	(1,197)	16.40%
Net fee and commission income	**92,410**	91,240	1,170	1.28%
Domestic				
Agency commissions	**16,951**	13,965	2,986	21.38%
Bank card fees	**20,771**	18,369	2,402	13.08%
Settlement and clearing fees	**10,237**	12,727	(2,490)	(19.56%)
Credit commitment fees	**9,891**	11,556	(1,665)	(14.41%)
Consultancy and advisory fees	**5,677**	8,704	(3,027)	(34.78%)
Spread income from foreign exchange business	**6,556**	6,864	(308)	(4.49%)
Custodian and other fiduciary service fees	**3,322**	3,113	209	6.71%
Other	**5,040**	4,611	429	9.30%
Fee and commission income	**78,445**	79,909	(1,464)	(1.83%)
Fee and commission expense	**(3,225)**	(2,701)	(524)	19.40%
Net fee and commission income	**75,220**	77,208	(1,988)	(2.57%)

Other Non-interest Income

The Group realised other non-interest income of RMB52.852 billion, an increase of RMB8.866 billion or 20.16% compared with the prior year. This was primarily attributable to the rapid growth in net gains on financial investments and income from insurance business compared with the prior year. Please refer to Notes V.3, 4 to the Consolidated Financial Statements for detailed information.

Operating Expenses

The Bank continued to operate its business prudently. It further optimised its cost structure, tightened control over administrative expenses, allocated greater resources to key areas, business frontlines and overseas institutions, and made greater efforts to support internet finance, RMB internationalisation and the construction of smart service outlets, thus continuously improving its overall input-output efficiency. In 2015, the Group recorded operating expenses of RMB185.401 billion, an increase of RMB7.613 billion or 4.28% compared with the prior year. The Group's cost to income ratio (calculated in accordance with domestic regulations) was 28.30%, a decrease of 0.27 percentage point compared with the prior year. Please refer to Notes V.5, 6 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2015	2014	Change	Change (%)
Staff costs	**80,324**	77,889	2,435	3.13%
General operating and administrative expenses	**40,671**	39,284	1,387	3.53%
Depreciation and amortisation	**13,218**	13,214	4	0.03%
Business tax and surcharges	**26,734**	26,224	510	1.94%
Insurance benefits and claims	**14,123**	10,900	3,223	29.57%
Other	**10,331**	10,277	54	0.53%
Total	**185,401**	177,788	7,613	4.28%

Impairment Losses on Assets

The Bank continued to improve its comprehensive risk management system and adopted a proactive and forward-looking approach to risk management, ensuring a relatively stable credit asset quality. It stringently implemented a prudent risk provisioning policy, made allowances in full compliance with regulatory requirements and maintained an adequate capacity of risk mitigation. In 2015, the Group's impairment losses on loans and advances totalled RMB55.872 billion, an increase of RMB9.266 billion or 19.88% compared with the prior year. The credit cost was 0.63%. In particular, collectively-assessed impairment losses stood at RMB25.808 billion, an increase of RMB2.523 billion compared with the prior year, while individually-assessed impairment losses stood at RMB30.064 billion, an increase of RMB6.743 billion compared with the prior year.

Please refer to the section "Risk Management — Credit Risk Management" and Notes V.8, VI.3 to the Consolidated Financial Statements for more information on loan quality and allowance for loan impairment losses.

Income Tax Expense

In 2015, the Group incurred income tax of RMB52.154 billion, a decrease of RMB2.126 billion or 3.92% compared with the prior year. This was primarily attributable to the increase in bond investment, for which the Bank enjoyed a preferential rate of corporate income tax. The Group's effective tax rate was 22.52%. Please refer to Note V.9 to the Consolidated Financial Statements for the reconciliation of the statutory income tax rate to the effective income tax rate.

Financial Position Analysis

As at the end of 2015, the Group's total assets amounted to RMB16,815.597 billion, an increase of RMB1,564.215 billion or 10.26% compared with the prior year-end. The Group's total liabilities amounted to RMB15,457.992 billion, an increase of RMB1,390.038 billion or 9.88% compared with the prior year-end.

The principal components of the Group's consolidated statement of financial position are set out below:

Unit: RMB million, except percentages

	As at 31 December 2015		As at 31 December 2014	
Items	**Amount**	**% of total**	Amount	% of total
Assets				
Loans and advances to customers, net	**8,935,195**	**53.14%**	8,294,744	54.39%
Investments	**3,595,095**	**21.38%**	2,710,375	17.77%
Balances with central banks	**2,196,063**	**13.06%**	2,306,088	15.12%
Due from and placements with banks and other financial institutions	**1,007,855**	**5.99%**	1,130,211	7.41%
Other assets	**1,081,389**	**6.43%**	809,964	5.31%
Total assets	**16,815,597**	**100.00%**	15,251,382	100.00%
Liabilities				
Due to customers	**11,729,171**	**75.88%**	10,885,223	77.38%
Due to and placements from banks and other financial institutions and due to central banks	**2,627,973**	**17.00%**	2,353,848	16.73%
Other borrowed funds	**313,210**	**2.03%**	308,492	2.19%
Other liabilities	**787,638**	**5.09%**	520,391	3.70%
Total liabilities	**15,457,992**	**100.00%**	14,067,954	100.00%

Notes:

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

2 Other borrowed funds include bonds issued and other borrowings.

Loans and Advances to Customers

The Bank increased credit support to the real economy and expanded its lending scale at a stable and moderate pace. In line with China's macroeconomic policies, the Bank further improved its credit structure so as to provide credit support to a series of key national projects, such as the construction of the "Belt and Road" financial artery, Chinese enterprises' "Going Global" initiative, cross-border capacity transfer, RMB internationalisation, the coordinated development of the Beijing-Tianjin-Hebei economic area, development of the Yangtze River economic belt and the development of free trade zones (FTZs). The Bank strictly controlled credit facilities granted to industries characterised by high pollution, high energy consumption and overcapacity. Implementing the national policy of promoting consumption and expanding domestic demand, the Bank increased consumer loans. As at the end of 2015, the Group's loans and advances to customers amounted to RMB9,135.860 billion, an increase of RMB652.585 billion or 7.69% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB7,011.867 billion, an increase of RMB672.815 billion or 10.61% compared with the prior year-end, while its foreign currency loans amounted to USD327.090 billion, a decrease of USD23.330 billion or 6.66%.

The Bank continuously improved its risk management, paid close attention on changes in the macroeconomic situation, and strengthened risk identification and management in key areas, maintaining a relatively stable asset quality. As at the end of 2015, the balance of the Group's allowance for loan impairment losses amounted to RMB200.665 billion, an increase of RMB12.134 billion compared with the prior year-end. The ratio of allowance for loan impairment losses to non-performing loans was 153.30%. The balance of the Group's restructured loans amounted to RMB5.305 billion, a decrease of RMB37 million compared with the prior year-end.

Investments

The Bank tracked market dynamics and proactively adjusted the structure of its investment securities portfolio, so as to improve its return on investment. It reinforced the research and analysis of markets, made appropriate judgements on changes to bond yield trends, increased its investment in RMB bonds and further enriched its portfolio management approaches. Moreover, the Bank optimised its foreign currency investment structure and effectively managed sovereign debt risks.

As at the end of 2015, the Group held investments of RMB3,595.095 billion, an increase of RMB884.720 billion or 32.64% compared with the prior year-end. The Group's RMB investments totalled RMB2,833.062 billion, an increase of RMB704.094 billion or 33.07% compared with the prior year-end, while foreign currency investments totalled USD117.351 billion, an increase of USD22.334 billion or 23.51%.

The classification of the Group's investment portfolio is shown below:

Unit: RMB million, except percentages

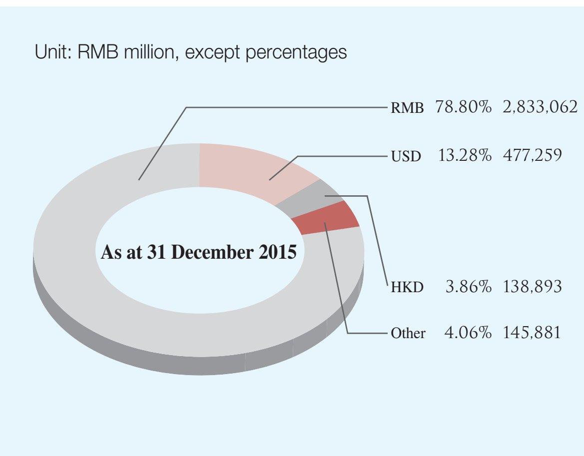
Items	As at 31 December 2015		As at 31 December 2014	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**119,062**	**3.31%**	104,528	3.86%
Financial investments available for sale	**1,078,533**	**30.00%**	750,685	27.70%
Debt securities held to maturity	**1,790,790**	**49.81%**	1,424,463	52.55%
Financial investments classified as loans and receivables	**606,710**	**16.88%**	430,699	15.89%
Total	**3,595,095**	**100.00%**	2,710,375	100.00%

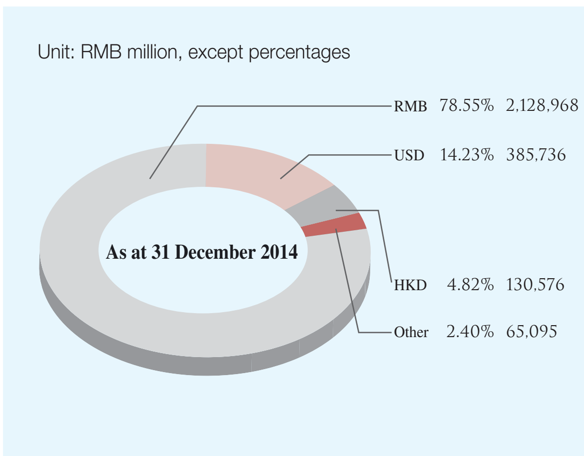
Investments by Issuer Type

Unit: RMB million, except percentages

Items	As at 31 December 2015 Amount	As at 31 December 2015 % of total	As at 31 December 2014 Amount	As at 31 December 2014 % of total
Debt securities				
Issuers in Chinese mainland				
Government	**1,411,475**	**39.26%**	892,754	32.94%
Public sectors and quasi-governments	**62,293**	**1.73%**	42,979	1.59%
Policy banks	**441,288**	**12.28%**	420,378	15.51%
Financial institutions	**292,978**	**8.15%**	207,606	7.66%
Corporates	**278,719**	**7.75%**	334,224	12.33%
China Orient Asset Management Corporation	**160,000**	**4.45%**	160,000	5.90%
Sub-total	**2,646,753**	**73.62%**	2,057,941	75.93%
Issuers in Hong Kong, Macau, Taiwan and other countries and regions				
Governments	**289,498**	**8.05%**	193,154	7.13%
Public sectors and quasi-governments	**50,534**	**1.41%**	45,617	1.68%
Financial institutions	**157,267**	**4.37%**	138,055	5.09%
Corporates	**106,776**	**2.97%**	60,708	2.24%
Sub-total	**604,075**	**16.80%**	437,534	16.14%
Equity instruments and others	**344,267**	**9.58%**	214,900	7.93%
Total	**3,595,095**	**100.00%**	2,710,375	100.00%

Investments by Currency





Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual Rate	Maturity Date	Impairment
Bond issued by policy banks in 2014	7,710	5.44%	2019/04/08	–
Bond issued by policy banks in 2010	6,070	Term deposit rate for 1 year +0.52%	2017/01/26	–
Bond issued by financial institutions in 2015	6,000	3.50%	2016/12/26	–
Bond issued by financial institutions in 2015	5,500	4.95%	2018/01/19	–
Bond issued by policy banks in 2006	5,000	Term deposit rate for 1 year +0.60%	2016/12/12	–
Bond issued by policy banks in 2011	4,910	3.55%	2016/12/06	–
Bond issued by policy banks in 2010	4,750	Term deposit rate for 1 year +0.59%	2020/02/25	–
Bond issued by policy banks in 2009	4,660	Term deposit rate for 1 year +0.54%	2016/09/01	–
Bond issued by policy banks in 2015	4,620	3.94%	2020/04/23	–
Bond issued by policy banks in 2015	4,470	4.10%	2020/03/24	–

Note: Financial bonds refer to the debt securities issued by financial institutions in the bond market, including the bonds issued by policy banks, other banks and non-bank financial institutions, but excluding restructured bonds and PBOC bills.

Due to Customers

The Bank persisted in the foundation role of customer deposits, vigorously developed low-cost and stable fund sources, proactively sought high quality deposits from administrative institutions, army and policy banks, and actively expanded customer basis along the upstream and downstream of supply chains and industrial chains. As a result, it expanded its customer base and steadily grew customer deposits. The Bank carefully controlled deposits carrying longer maturities and higher costs. It strived to increase the demand deposit balance and reduce deposit costs through clearing, fund custody, salary payment agency, payment collection and cash management, etc.

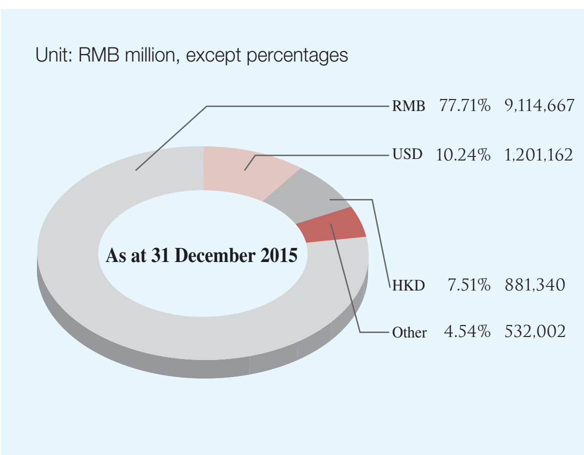
As at the end of 2015, the Group's due to customers amounted to RMB11,729.171 billion, an increase of RMB843.948 billion or 7.75% compared with the prior year-end. The Group's RMB due to customers totalled RMB9,114.667 billion, an increase of RMB530.332 billion or 6.18% compared with the prior year-end, while its foreign currency due to customers stood at USD402.628 billion, an increase of USD26.604 billion or 7.08%.

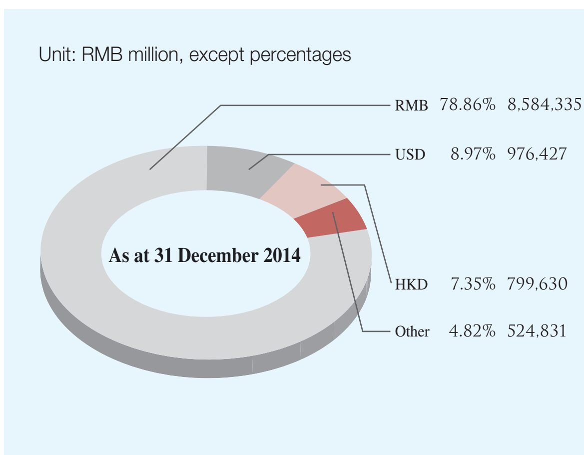
The principal components of due to customers of the Group and its domestic institutions are set out below:

Unit: RMB million, except percentages

Items	As at 31 December 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
Group				
Corporate deposits				
Demand deposits	**3,130,624**	**26.69%**	2,663,173	24.46%
Time deposits	**3,037,783**	**25.90%**	3,013,812	27.69%
Structured deposits	**274,799**	**2.34%**	234,187	2.15%
Sub-total	**6,443,206**	**54.93%**	5,911,172	54.30%
Personal deposits				
Demand deposits	**2,092,841**	**17.84%**	1,847,870	16.98%
Time deposits	**2,841,372**	**24.22%**	2,709,995	24.90%
Structured deposits	**65,112**	**0.56%**	83,300	0.76%
Sub-total	**4,999,325**	**42.62%**	4,641,165	42.64%
Certificates of deposit	**230,793**	**1.97%**	278,576	2.56%
Other deposits	**55,847**	**0.48%**	54,310	0.50%
Total	**11,729,171**	**100.00%**	10,885,223	100.00%
Domestic				
Corporate deposits				
Demand deposits	**2,599,679**	**27.58%**	2,254,165	26.10%
Time deposits	**2,282,082**	**24.20%**	2,238,938	25.93%
Structured deposits	**251,251**	**2.67%**	204,590	2.37%
Sub-total	**5,133,012**	**54.45%**	4,697,693	54.40%
Personal deposits				
Demand deposits	**1,616,747**	**17.15%**	1,411,723	16.35%
Time deposits	**2,559,844**	**27.16%**	2,394,343	27.73%
Structured deposits	**63,008**	**0.67%**	80,884	0.94%
Sub-total	**4,239,599**	**44.98%**	3,886,950	45.02%
Other deposits	**53,409**	**0.57%**	49,956	0.58%
Total	**9,426,020**	**100.00%**	8,634,599	100.00%

Due to Customers by Currency





Equity

As at the end of 2015, the Group's total equity was RMB1,357.605 billion, an increase of RMB174.177 billion or 14.72% compared with the prior year-end. This was primarily attributable to the following reasons: (1) In 2015, the Bank realised a profit for the year of RMB179.417 billion, of which profit attributable to equity holders of the Bank amounted to RMB170.845 billion. (2) The Bank undertook prudent and proactive external capital financing, successfully issuing RMB28.0 billion of preference shares in the domestic market. (3) A proportion of the Convertible Bonds of the Bank was converted into ordinary A Shares. (4) As per the 2014 profit distribution plan approved at the 2014 Annual General Meeting, the Bank paid a cash dividend of RMB55.934 billion. (5) The Bank paid a dividend on its preference shares of RMB5.012 billion. Please refer to the "Consolidated Statement of Changes in Equity" in the Consolidated Financial Statements for further details.

Off-balance Sheet Items

Off-balance sheet items include derivative financial instruments, contingent liabilities and commitments, etc.

The Group entered into various derivative financial instruments relating to foreign currency exchange rates, interest rates, equity, credit, precious metals and other commodities for trading, hedging, asset and liability management and on behalf of customers. Please refer to Note V.16 to the Consolidated Financial Statements for the contractual/notional amounts and fair values of derivative instruments.

Contingent liabilities and commitments include legal proceedings and arbitrations, assets pledged, collateral accepted, capital commitments, operating leases, Treasury bonds redemption commitments, credit commitments and underwriting obligations, etc. Please refer to Note V.40 to the Consolidated Financial Statements for more detailed information on contingent liabilities and commitments.

Cash Flow Analysis

As at the end of 2015, the balance of the Group's cash and cash equivalents was RMB1,052.078 billion, a decrease of RMB96.073 billion compared with the prior year-end.

In 2015, net cash flow from operating activities was an inflow of RMB672.094 billion, an increase of RMB545.176 billion compared with the prior year. This was mainly attributable to the increase of net increase in due to customers, the decrease of net changes in balances with central banks, and the increase of net changes in placements from banks and other financial institutions compared with the prior year.

Net cash flow from investing activities was an outflow of RMB757.279 billion, an increase of RMB556.680 billion compared with the prior year. This was mainly attributable to the increase in net cash outflow of securities investments.

Net cash flow from financing activities was an outflow of RMB28.715 billion, compared to an inflow of RMB83.555 billion of the prior year. This was mainly attributable to the decrease of proceeds from issuance of bonds and preference shares, while the net cash flow from other financing activities did not change much compared with the prior year.

Segment Reporting by Geography

The Group conducts its business activities in Chinese mainland, Hong Kong, Macau, Taiwan and other countries. A geographical analysis of profit contribution and the related assets and liabilities is set forth in the following table:

Unit: RMB million

Items	Chinese mainland		Hong Kong, Macau and Taiwan		Other countries		Elimination		Group	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net interest income	**282,151**	270,405	**31,738**	33,467	**14,761**	17,230	**–**	–	**328,650**	321,102
Non-interest income	**101,468**	98,969	**41,769**	33,102	**3,150**	4,161	**(1,125)**	(1,006)	**145,262**	135,226
Including: net fee and commission income	**75,220**	77,208	**14,729**	11,758	**3,302**	3,033	**(841)**	(759)	**92,410**	91,240
Operating expenses	**(150,393)**	(147,149)	**(31,370)**	(26,990)	**(4,763)**	(4,655)	**1,125**	1,006	**(185,401)**	(177,788)
Impairment losses on assets	**(56,409)**	(43,940)	**(2,095)**	(2,850)	**(770)**	(1,591)	**–**	–	**(59,274)**	(48,381)
Profit before income tax	**176,817**	178,285	**42,376**	38,048	**12,378**	15,145	**–**	–	**231,571**	231,478
As at the year-end										
Assets	**13,053,114**	12,071,129	**3,010,958**	2,715,651	**1,819,844**	1,843,435	**(1,068,319)**	(1,378,833)	**16,815,597**	15,251,382
Liabilities	**11,970,984**	11,125,104	**2,784,066**	2,521,863	**1,770,859**	1,799,659	**(1,067,917)**	(1,378,672)	**15,457,992**	14,067,954

As at the end of 2015, total assets[2] of the Bank's Chinese mainland segment amounted to RMB13,053.114 billion, an increase of RMB981.985 billion or 8.13% compared with the prior year-end, representing 72.99% of the Group's total assets. In 2015, this segment recorded a profit before income tax of RMB176.817 billion, a decrease of RMB1.468 billion or 0.82% compared with the prior year, representing 76.36% of the Group's profit before income tax for the year.

Total assets of the Hong Kong, Macau and Taiwan segment amounted to RMB3,010.958 billion, an increase of RMB295.307 billion or 10.87% compared with the prior year-end, representing 16.84% of the Group's total assets. In 2015, this segment recorded a profit before income tax of RMB42.376 billion, an increase of RMB4.328 billion or 11.38% compared with the prior year, representing 18.30% of the Group's profit before income tax for the year.

Total assets of the other countries segment amounted to RMB1,819.844 billion, a decrease of RMB23.591 billion or 1.28% compared with the prior year-end, representing 10.17% of the Group's total assets. In 2015, this segment recorded a profit before income tax of RMB12.378 billion, a decrease of RMB2.767 billion or 18.27% compared with the prior year, representing 5.34% of the Group's profit before income tax for the year.

Please refer to the section "Business Review" for more detailed information on the Group's business segments.

Critical Accounting Estimates and Judgements

The Bank makes accounting estimates and judgements that affect the reported amounts of assets and liabilities of the next financial year. These estimates and judgements are continuously evaluated and are based on historical experience, expectations of future events that are believed to be reasonable under the circumstances and other factors. The management believes that the accounting estimates and judgements have properly reflected the Bank's operating environment. Please refer to Notes II and III to the Consolidated Financial Statements for more detailed information related to the Bank's accounting policies and accounting estimates.

2 The figures for segment assets, segment profit before income tax and their respective proportions are prior to intragroup elimination.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	Opening balance	Closing balance	Change in the year	Impact on profit for the year
Financial assets at fair value through profit or loss				
Debt securities	82,285	99,864	17,579	(1,118)
Fund investments and other	2,211	5,642	3,431	
Loans	4,144	4,218	74	
Equity securities	15,888	9,338	(6,550)	
Investment securities available for sale				
Debt securities	712,138	1,029,842	317,704	(54)
Fund investments and other	11,999	18,482	6,483	
Equity securities	26,548	30,209	3,661	
Derivative financial assets	47,967	82,236	34,269	1,143
Derivative financial liabilities	(40,734)	(69,160)	(28,426)	
Placements from banks and other financial institutions at fair value	(5,776)	(1,617)	4,159	33
Due to customers at fair value	(317,487)	(339,911)	(22,424)	(403)
Short position in debt securities	(7,224)	(7,012)	212	(11)

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Guidelines on Market Risk Management in Commercial Banks*, *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks*, *CAS* and *IFRS*, with reference to the New Basel Capital Accord, and drawing on the best practices of leading international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information disclosure. Please refer to Note VI.6 to the Consolidated Financial Statements for more detailed information related to the fair value measurement.

Other Financial Information

There are no differences in the equity and profit for the year of the Group prepared in accordance with IFRS to those prepared in accordance with CAS. Please refer to the section "Supplementary Information" for detailed information.

Operating income for each line of business of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	2015		2014	
	Amount	**% of total**	Amount	% of total
Commercial banking business	**440,847**	**93.02%**	429,300	94.08%
Including: Corporate banking business	**206,231**	**43.52%**	209,912	46.00%
Personal banking business	**135,652**	**28.62%**	126,250	27.67%
Treasury operations	**98,964**	**20.88%**	93,138	20.41%
Investment banking and insurance	**22,062**	**4.66%**	18,231	4.00%
Others and elimination	**11,003**	**2.32%**	8,797	1.92%
Total	**473,912**	**100.00%**	456,328	100.00%

A detailed review of the Group's principal deposits and loans is summarised in the following table:

Unit: RMB million

Items	**As at 31 December 2015**	As at 31 December 2014	As at 31 December 2013
Corporate deposits			
Domestic: RMB	**4,818,850**	4,431,867	4,179,257
Foreign currency	**314,162**	265,826	284,253
Hong Kong, Macau, Taiwan and overseas operations	**1,310,194**	1,213,479	957,368
Subtotal	**6,443,206**	5,911,172	5,420,878
Personal deposits			
Domestic: RMB	**3,982,160**	3,688,329	3,508,797
Foreign currency	**257,439**	198,621	188,356
Hong Kong, Macau, Taiwan and overseas operations	**759,726**	754,215	683,406
Subtotal	**4,999,325**	4,641,165	4,380,559
Corporate loans			
Domestic: RMB	**4,402,258**	4,021,257	3,688,976
Foreign currency	**398,103**	500,208	503,179
Hong Kong, Macau, Taiwan and overseas operations	**1,569,551**	1,524,131	1,247,184
Subtotal	**6,369,912**	6,045,596	5,439,339
Personal loans			
Domestic: RMB	**2,397,327**	2,082,757	1,864,654
Foreign currency	**1,406**	1,551	1,371
Hong Kong, Macau, Taiwan and overseas operations	**367,215**	353,371	302,427
Subtotal	**2,765,948**	2,437,679	2,168,452

Commercial Banking

Domestic Commercial Banking

In 2015, the Bank's domestic commercial banking business recorded an operating income of RMB377.921 billion, an increase of RMB13.419 billion or 3.68% compared with the prior year. Details are set forth below:

Unit: RMB million, except percentages

	2015		2014	
Items	Amount	% of total	Amount	% of total
Corporate banking business	**183,928**	**48.67%**	192,006	52.68%
Personal banking business	**118,849**	**31.45%**	112,960	30.99%
Treasury operations	**73,820**	**19.53%**	58,524	16.05%
Other	**1,324**	**0.35%**	1,012	0.28%
Total	**377,921**	**100.00%**	364,502	100.00%

Corporate Banking

The Bank devoted great efforts to transforming its corporate banking business. It continued to promote product innovation, optimise its customer structure, expand its customer base, and enhance its diversified operation and the integration of domestic and overseas operations. The Bank strived to improve its global service capability for corporate banking customers, thus achieving balanced and steady development of its corporate banking business. In 2015, the Bank's domestic corporate banking business realised an operating income of RMB183.928 billion, a decrease of RMB8.078 billion or 4.21% compared with the prior year.

Corporate Deposits

The Bank accelerated the development of its corporate liability business, constantly enhanced service levels and thus realised sustainable growth in corporate deposits. It strived to attract more administrative institution customers by improving product and service systems for corporate customers engaged in supporting people's livelihood, public finance and social security, education and public health, etc., and reported a rapid growth in deposits from such institutions. The Bank also actively sought out customers along the upstream and downstream of supply chains and industrial chains in order to explore more potential customer deposits. In response to interest rate liberalisation, the Bank accelerated product and service innovation by issuing Corporate CDs and promoting the "BOC-Multi-Subaccount" service. In addition, seizing business opportunities arising from the rapid expansion of direct financing, the Bank stepped up its marketing efforts for cash management and settlement products. It also enhanced the corporate banking service functions and service levels of its outlets, resulting in an increase in deposit contribution per outlet.

As at the end of 2015, RMB corporate deposits in the Bank's domestic operations totalled RMB4,818.850 billion, an increase of RMB386.983 billion or 8.73% compared with the prior year-end. Foreign currency corporate deposits amounted to USD48.380 billion.

Corporate Loans

The Bank continued to implement national macroeconomic policies and strengthen support to the real economy. Guided by the national plan "Made in China 2025", the Bank strongly supported national key investment areas. To facilitate the transformation and upgrading of the domestic economy, the Bank provided greater credit support for enterprises in such key areas as technological upgrade, technology-driven innovation, high-end equipment manufacturing and environmental protection, as well as to enterprises in central and western China, micro, small and medium-sized enterprises and to traditional infrastructures such as railways and water conservation. The Bank further optimised its credit structure by making better use of new assets and revitalising existing assets, providing credit support for cross-border capacity transfer and the "Going Global" initiatives of Chinese enterprises, and strictly limiting lending to industries characterised by high pollution, high energy consumption and overcapacity. The Bank stepped up the transformation of its corporate banking service and guided enterprises to broaden their financing channels through a variety of means, such as supply chain finance and internet finance, in order to meet customers' comprehensive financial services needs.

As at the end of 2015, RMB corporate loans of the Bank's domestic operations totalled RMB4,402.258 billion, an increase of RMB381.001 billion or 9.47% compared with the prior year-end. Foreign currency corporate loans totalled USD61.307 billion.

Trade Finance and Settlement

While effectively managing and controlling risks, the Bank fully leveraged its traditional advantages in trade finance, accelerated innovation in its business model and seized opportunities arising from national strategies, thus driving forward stable growth and continuously consolidating its market dominance. In 2015, the Group's international settlement volume reached USD3.98 trillion, an increase of 1.67% compared with the prior year. The Bank's domestic institutions retained the leading position among peers in providing international trade settlement and held the leading market share in overseas guarantee business.

The Bank also consolidated its leading position in FTZ business. Capturing opportunities arising from the expansion of the China (Shanghai) Pilot Free Trade Zone (the "Shanghai FTZ"), the Bank took the lead in FTZ financial services innovation, such as overseas financing under separate accounting, copper premium swap settlement and cross-border interbank CDs. The Bank led its peers in the number of FTZ accounts under separate accounting and the volume of cross-border financial services such as cross-border investment financing. The Bank launched six professional business platforms providing specialised and efficient services for commodity business, global cash management, cross-border investment, financing and M&A, asset management, treasure services, and personal cross-border wealth management. In addition, the Bank became one of the first banking institutions to offer services in the Guangdong, Tianjin and Fujian FTZs, successfully carrying out the first transactions of various financial businesses in those zones. As a result, the Bank has built up a brand image as the premier FTZ financial services provider. The Bank actively expanded online supply chain finance, following the overall internet finance development trend. The Bank established the Commodity Business Centre (New York) and set up a Global Energy Commodity Business Centre and Global Commodity Repo Centre in Singapore, thus promoting more professional business operations and intensive management. The Bank accelerated innovation in the product area of centralised operations for the headquarters of multinational enterprises, leading the market in terms of the number of customers for which the Bank served as the lead bank.

The Bank continued to promote the development of its RMB internationalisation business. It implemented the nation's RMB internationalisation strategy and endeavoured to serve as the main channel for cross-border RMB fund flows, a key promoter of RMB internationalisation and a leader in RMB-related financial product and service innovation. In 2015, the cross-border RMB settlement volume of the Group reached RMB5.39 trillion. Cross-border RMB settlement of the domestic institutions of the Bank totalled RMB2.93 trillion, maintaining its leading market share. In addition, the Bank actively promoted the use of RMB in emerging business, completed the first RMB-CHF direct transaction in the interbank market, closely cooperated with a number of overseas exchanges in launching RMB-denominated products and became the first domestic bank to launch cash exchange services for the Nepalese Rupee, Pakistan Rupee and Mongolian Tugrik. The Bank also continued to publish the "BOC Cross-border RMB Index (CRI)" and "BOC Offshore RMB Index (ORI)", as well as the 2015 *White Paper on RMB Internationalisation – RMB along the "Belt and Road"*, thus maintaining a leading position of professional research in RMB internationalisation.

The Bank received 12 awards granted by prestigious local and international media and institutions, such as "Best Trade Finance Provider (Domestic)", "Best Supply Chain Finance Provider (Domestic)" and "Best Global RMB Bank".

Cash Management

Drawing on the strength of its globally integrated operations, the Bank continued to improve the functions and related services of its global cash management platform and made greater efforts to promote its global cash management business. Grasping the business opportunities arising from the centralised operation of cross-border local and foreign currency funds and the development of FTZs, the Bank actively expanded its cross-border cash management business and maintained a leading market share. The Bank successfully secured the cash management business of many large-sized multinational corporations through competitive bids. Its global cash management group customer base increased rapidly, with its business coverage now extending to 43 countries and regions across Asia-Pacific, Europe, Africa and the Americas. The Bank introduced the Bank Host-to-Host Direct Connection and Multi-Bank Cash Management System services

Building the Financial Artery of the "Belt and Road" Initiative

Dedicated to the strategic goal of "Serving Society, Delivering Excellence", the Bank accelerated the building of the financial artery of the "Belt and Road" initiative in line with national strategy, in an effort to become the preferred bank for China's "Going Global" enterprises, to serve as the main channel for the "Belt and Road" related cross-border RMB business and to secure a presence in over 50% of countries along the "Belt and Road".

The Bank energetically supported the "Belt and Road" infrastructure projects and provided finance for the M&A and investment of Chinese "Going Global" enterprises in the "Belt and Road" countries. It signed the "Belt and Road" strategic cooperation agreements with large enterprises such as Anhui Conch Cement Company Limited, China Merchants Group, China National Petroleum Corporation, China National Offshore Oil Corporation and Power Construction Corporation of China to support their "Going Global" projects. In 2015, the Bank granted a total of USD28.6 billion in credits to the "Belt and Road" countries in various forms, e.g. corporate loans, letters of guarantee or letters of credit, followed up approximately 330 material projects and expressed the intent to lend totalled approximately USD87.0 billion.

Leveraging its advantages in cross-border RMB business, the Bank supported systematic RMB clearing services for countries along the "Belt and Road". It now accounts for 10 of the 20 authorised RMB clearing banks worldwide. The Bank launched the "BOC OBOR RMB Index" and its sub-indices in the world, and listed prices on specialised terminals such as Reuters, Bloomberg and Xinhua Finance on a real-time basis. It also published specialist analysis reports at regular intervals, objectively reflecting and tracking in real time the overall movement of the RMB against the home currencies of the "Belt and Road" countries. To provide strong funding support for the "Belt and Road" projects, the Bank successfully issued the first "Belt and Road" bond, setting a new record in terms of overseas bond issuance size by a Chinese bank.

To improve its efficiency and effectiveness in serving the "Belt and Road" initiative, the Bank devoted greater efforts to cooperation with domestic and international peers, as well as exploring innovation in business expansion models. For instance, it held a "Belt and Road" international financial seminar and a "Belt and Road" international financial communication and cooperation seminar to promote communication and cooperation with international financial institutions. Domestically, the Bank reinforced cooperation with China's policy financial institutions including China Development Bank Corporation, Export-Import Bank of China and China Export & Credit Insurance Corporation, participated in acquisition and financing projects along the "Belt and Road" and provided extensive services such as account management, settlement and clearing. The Bank began comprehensive cooperation with new international organisations and development agencies such as Asian Infrastructure Investment Bank, New Development Bank and Silk Road Fund, established cooperative relationships with international multilateral financial institutions including International Finance Corporation, the Multilateral Investment Guarantee Agency of the World Bank Group and Asian Development Bank, and facilitated the establishment and operation of the China-Eurasia Economic Cooperation Fund.

The Bank accelerated institution setup in the countries along the "Belt and Road", opening up Vientiane Branch in Laos, Prague Branch in Czech Republic and Rangoon Representative Office in Myanmar. As at the end of 2015, the Bank had overseas institutions in 46 countries and regions, 18 of which along the "Belt and Road".

The Bank held the launching ceremony for the RMB clearing bank in Hungary

The Bank held the opening ceremony of the Vienna Branch

The Bank held the "Belt and Road" international financial cooperation seminar in order to effectively meet the differentiated requirements of the market. The Bank also strengthened the risk control management over its cash management business and improved customer experience. The Bank was recognised as the "Best Domestic Cash Manager in China" by *Euromoney* for the fourth consecutive year, and was ranked second in the Asia Pacific region by the same publication.

Financial Institutions Business

The Bank continued to deepen comprehensive cooperation with various global financial institutions, including domestic banks, overseas correspondent banks, non-bank financial institutions and multi-lateral financial institutions. It enhanced its integrated financial services platform and maintained a leading position in terms of customer coverage. Having established correspondent relationships with more than 1,600 financial institutions in 179 countries and regions, the Bank provided financial services for multinational institutions and enterprises in fields such as international settlement, bond financing, foreign exchange trading, custody and global cash management. Closely supporting the national "Belt and Road" initiative, the Bank held a "Belt and Road" international financial seminar and consolidated cooperation with key correspondent banks along the "Belt and Road". It initiated wide-reaching cooperation with emerging international organisations and development institutions such as Asian Infrastructure Investment Bank, New Development Bank and Silk Road Fund, participated in the investment and financing projects of domestic policy financial institutions along the "Belt and Road" and provided extensive financial services. The Bank devoted more efforts to cross-border RMB business and thus became the major RMB clearing channel for overseas central banks, correspondent banks and exchanges and the preferred bank of Chinese enterprises for RMB business. It opened 1,449 cross-border RMB clearing accounts for correspondent banks from 110 countries and regions, holding a leading position among domestic banks. In addition, the Bank promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participating banks with 76 domestic and overseas financial institutions. The Bank's custodian service for Qualified Foreign Institutional Investors (QFIIs) and RMB Qualified Foreign Institutional Investors (RQFIIs) ranked among the top in terms of both customer base and business scale. To step up cooperation with global non-bank financial institutions, the Bank held a seminar on cooperation between BOC and global exchanges and signed strategic cooperation memoranda with BM&F Bovespa, Dubai Gold and Commodities Exchange, Taiwan Stock Exchange Corporation, Taipei Exchange, Taiwan Depository & Clearing Corporation and Taiwan Futures Exchange. It supported overseas financial institutions and government authorities in issuing financing instruments for overseas non-financial institutions (Panda Bonds) and offshore RMB bonds.

As at the end of 2015, the Bank ranked first in terms of market share in foreign currency deposits from financial institutions. It also led its peers in B-Share clearing business volume. The inbound international settlement business volume directed to the Bank by its overseas correspondent banks also ranked first in the market. Its third-party custody business continued to grow rapidly and the annual fee income from its bancassurance business reached a record high.

SME Finance

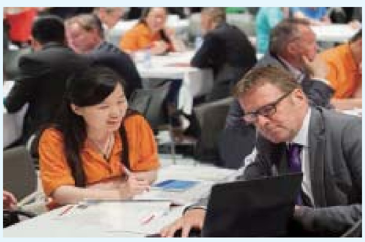
The Bank comprehensively implemented national policies and measures to support the development of small and medium-sized enterprises (SMEs), actively responded to the national strategy of "popular entrepreneurship and mass innovation" and made innovations to its SME business model to promote the sustainable and sound development of its SME services. In 2015, loans to micro and small-sized enterprises in the Chinese mainland continued to grow stably, with the Bank satisfying the regulatory requirement of the "Three No-Less-Thans" — that is, an SME loan growth rate of no less than the average growth rate of domestic loans, a number of SME borrowers no less than that of the prior

Guiding Domestic SMEs in "Going Global"

The Bank proactively assumed its social responsibilities by giving close consideration to the financial demands of SMEs and striving to resolve their financing difficulties through innovation in its service models. Considering the complementary management experience, mismatching technological markets and strong cooperating aspiration, the Bank leveraged advantages arising from its internationalised operations, and initiated the "cross-border SME matchmaking service" and built a globally interconnected platform, guiding the "Going Global" efforts of domestic SMEs and the "Bringing In" of high-quality overseas SMEs.

The "cross-border SME matchmaking service" provides an effective communication platform for domestic and overseas SMEs who seek cross-border investment and trade cooperation. Based on the unique characteristics of SME cross-border cooperation, the Bank designed a "six-step" matchmaking method, involving information sharing, customer matching, online matchmaking, face-to-face communication, on-site investigation and financial services. Working with domestic and foreign government bodies, banks and chambers of commerce, it built a mechanism for co-ordinating processes and sharing information, organised a bilateral selection process for domestic and overseas enterprises to agree their intent to cooperate, and then carried out a series of post-matchmaking services such as communication, negotiation and investigation. Throughout the whole matchmaking process, the Bank provided financial services such as commercial banking, investment banking and insurance, all customised to meet the differentiated financial demands of SMEs at various stages of their life cycle, such as attracting investment, investment and construction, initial establishment and expansion. At the same time, the Bank provided specialist support such as legal, accounting and translation services, thus helping SMEs overcome cross-border operational challenges relating to environment and language, lack of understanding of policies and laws and financing difficulties. In 2015, the Bank held 11 face-to-face cross-border matchmaking fairs in Germany, Malaysia, France, the Netherlands, Italy, the United States and the United Kingdom, as well as in Hebei, Guangxi, Beijing and Anhui in China. More than 10,000 entrepreneurs from more than 4,000 domestic and foreign SMEs have participated in these events. More than 4,000 "one-on-one" meetings have yielded about 3,500 cooperation agreements, realising a matchmaking success ratio as high as 70%.

The "cross-border SME matchmaking service" has lowered the barriers of entry for SMEs in international markets, provided strong support for domestic enterprises in exploring global opportunities, introduced advanced technologies and expertise, promoted industry transformation and upgrading and improved the internal financing and risk protection capability of SMEs, thus sharpening their international competitiveness.



The Bank held the China-Netherlands Agricultural SME Cross-border Investment and Trade Cooperation Conference in Rotterdam, the Netherlands

The Bank held the 12th China-ASEAN Expo SME Cross-border Investment and Trade Cooperation Conference in Nanning, Guangxi

The Bank held the China-CEE SME Cross-border Investment and Trade Cooperation Conference in Langfang, Hebei year and a loan approval ratio for SME borrowers of no less than that of prior year. Fully leveraging the advantages of its integrated global operations, the Bank promoted innovation in its SME service model. Specifically, it moved from traditional loan financing towards a "cross-border matchmaking plus" model, thus helping domestic SMEs to explore global markets by bringing into play advanced technologies, broadening their international outlook and resolving financing difficulties. Based on the financing demands of technological enterprises across different stages of their life cycle, the Bank explored innovative service modes for collaboration of investment and lending. Relying on such technological means as "big data" and cloud computing, the Bank developed an innovative "Internet Plus" service model for micro and small-sized enterprises. It developed online financing products for micro and small-sized enterprises based on the "short-term, frequent, and quick" characteristics of their financing needs and promoted internet finance services such as "BOC Wang Luo Tong Bao", "Wo Finance" and "BOC Wang Rong Yi" with the aim of effectively combining online and offline services. The Bank enhanced risk control and compliance management, re-inspected the risk management system of its "Credit Factory", improved its early-warning mechanisms on asset quality management and continuously enhanced its ability to identify and mitigate credit risk, thus maintaining SME loan quality at a stable and controllable level.

As at the end of 2015, the Bank's outstanding loans to micro and small-sized enterprises[3] amounted to RMB1,145.7 billion, an increase of RMB107.5 billion compared with the prior year-end. The Bank served 2.89 million SME customers and granted SME loans of RMB1,813.0 billion.

Pension Business

In an effort to support the development of China's social security system, the Bank continuously increased its pension-related product offerings, promoted product innovation, optimised service system functions and developed a comprehensive service system. It provided a range of pension-related financial services including enterprise annuities, occupational annuities, social security, employee benefit plans, employee stock ownership plans and pension security management products, enhancing customer satisfaction. As at the end of 2015, the Bank's total number of individual pension accounts reached 3.8735 million, an increase of 0.8051 million or 26.24% compared with the prior year-end. Assets under custody amounted to RMB131.8 billion, an increase of RMB32.248 billion or 32.39% compared with the prior year-end, with the Bank serving more than 10,000 clients. The Bank won the "Best Performance Award" and the "Contribution Award" in the field of pension business from the China Banking Association.

3 Micro and small-sized enterprise loans statistical standards are executed in accordance with the *Guiding Opinions on Financial Services for Micro and Small-sized Enterprises in 2014* (Yinjianfa [2014] No. 7).

Personal Banking

Guided by customer demand and with the core aim of enhancing customer satisfaction, the Bank closely followed changes in the market situation, emphasised product and service innovation and strived to enhance its personal banking service capacity. In 2015, the Bank's domestic personal banking business realised an operating income of RMB118.849 billion, an increase of RMB5.889 billion or 5.21% compared with the prior year.

Personal Deposits

The Bank actively responded to external changes, including interest rate liberalisation and internet finance development, leveraged the Group's comprehensive financial services system and vigorously expanded fundamental strategic businesses such as salary payment agency, collection and payment agency, etc., thus promoting steady growth in its deposit business. The Bank ramped up innovation in personal deposit products, took the lead in issuing personal CDs and provided customers with deposit products of different terms and types, thus meeting their diverse needs. The Bank further diversified its personal foreign-currency deposit products, adding 8 currencies such as the South African Rand, Philippine Peso and Thai Baht, thus bringing the number of foreign currencies offered for personal deposit and withdrawal businesses up to 24 and enhancing its competitive advantage in foreign exchange services.

As at the end of 2015, the Bank's domestic RMB personal deposits totalled RMB3,982.160 billion, an increase of RMB293.831 billion or 7.97% compared with the prior year-end. Personal foreign-currency deposits amounted to USD39.645 billion, maintaining a leading market share.

Personal Loans

The Bank actively implemented national policies aimed at expanding domestic demand and promoting consumption by accelerating the development of its personal loan business. The Bank extended more personal housing loans and consolidated the fundamental role of its housing loan business. To meet growing consumption demand, the Bank vigorously expanded consumer loans and developed non-housing-loan growth areas. In addition, it actively fulfilled its social responsibilities by supporting micro and small-sized enterprises. It established tailored financing service models for different customer segments, such as customers targeted according to shopping districts or industrial chains, or those commonly engaged in agriculture-related businesses. The Bank reinforced its support to government-sponsored student loan business, and has served as the host bank of government-sponsored student loans for central government-administered colleges for 11 consecutive years. It accelerated IT system improvement for personal loans, enhanced its e-channel structure and further enriched online lending functions, thus constantly enhancing customer satisfaction. Fully leveraging its globally integrated operations, the Bank provided customers with services such as foreign currency loans for overseas study and cross-border credit rating certification.

As at the end of 2015, the total amount of RMB personal loans of the Bank's domestic operations stood at RMB2,397.327 billion, an increase of RMB314.570 billion or 15.10% compared with the prior year-end. The Bank also maintained a leading market position in personal auto loans and sponsored student loans.

Wealth Management and Private Banking

The Bank accelerated the development of its wealth management business and enhanced its private banking service capabilities, steadily improving its competitive edge. Specifically, the Bank further cultivated its customer relationship manager and private banker teams and made unremitting efforts to improve customer relationships, thereby recording a notable increase in the number of middle and high-end customers. The Bank expanded business relationships with its high-quality customers by effectively capitalising on "big data" technology and its customer relationship management system. Taking advantage of its diversified and internationalised operations, the Bank expanded its external customer base by focusing on featured customer groups. The Bank improved the competitiveness of its wealth management business by enhancing product innovation, speeding up channel construction and expanding service coverage. It supported the rapid development of its fund distribution business by seizing opportunities arising from the recovery in domestic capital markets. In addition, the Bank reinforced internal collaboration across the Group, integrated high-quality business resources and assisted domestic and overseas listed companies in carrying out employee equity incentive plans.

Drawing on its asset management service capabilities, the Bank established an open product platform and drove the rapid growth of exclusive products for private banking, responding to the trend of "Broad Asset Management". Adhering to the principles of value investment, it provided high-net-worth customers with customised asset allocation plans as well as discretionary account and family trust services, so as to realise all-round financial asset management. The Bank further enriched the "BOC Private Banking Prestigious Activities" service and built a value-added private banking service platform based on elite education, charity and quality of life, thus enhancing the reputation of its private banking brand. Leveraging its global operations, it deepened overseas and domestic business collaboration, stayed abreast of customers' cross-border finance needs and promoted product and service innovation across different aspects of its offer, providing comprehensive financial services for customers in terms of business travel, overseas learning and investment. Pivoting around Hong Kong, Macau and Singapore, the Bank built up an integrated private banking service network covering the entire globe, in a bid to further enhance global service levels for middle and high-end customers.

As at the end of 2015, the Bank had set up 7,204 wealth management centres, 303 prestigious wealth management centres and 34 private banking centres in the Chinese mainland. The Bank achieved growth of over 10% in both the number of middle and high-end customers and the size of financial assets under management, compared with the prior year-end. The Group had 86,500 private banking customers and manages over RMB810.0 billion financial assets on their behalf. In 2015, the Bank was recognised as the "Excellent Competitiveness-Wealth Management Bank in 2015" by *China Business Journal* and the "Golden Medal Private Banking of the Year" by *Financial Money*.

Bank Card

The Bank actively pushed forward credit card innovation and continuously enhanced its credit card products system, introducing exclusive and eye-catching features. Striving to create a middle and high-end, international, metropolitan brand image, it made increased promotional efforts for its BOC Great Wall Globe-in-One Credit Cards, BOC Multi-Currency Credit Cards, BOC Great Wall Traveller's Cards, BOC Overseas Student Cards and ETC Cards. It issued "digital credit cards", i.e., BOC Great Wall e-Quickpass, pioneering a new frontier of digital life and a new mobile payment experience for the era of "Internet Plus". By focusing on people's livelihood, household, auto and featured services, the Bank created a diversified, efficient and market-leading consumer finance products system. It promoted such credit card-based consumer finance products as Automatic Instalments, Auto Instalments, Education Instalments and Household Instalments

The 30th Anniversary of BOC Credit Card

In 1985, the Bank issued the first ever credit card in the Chinese mainland, signalling the prelude of wider reform for the digitisation of currency operations and the credit card industry. The year 2015 marked the 30th anniversary of the BOC Credit Card.

Over the past three decades, the Bank has given equal emphasis to "scale, benefit, quality and service", worked to integrate the structure of its domestic and overseas operations and highlighted its cross-border specialties, so as to provide customers with secure, convenient and cost-efficient credit card payment services. At home and abroad, online and offline, it has contributed to the continuous growth of Chinese consumer finance, helped domestic payment industry develop into an integral part of the global payment system, and secured its leading position in the industry by achieving the following milestones:

in 1987, becoming the first Chinese member of the international bank card organisation;

in 1988, issuing the first international credit card across the Chinese mainland;

in 1994, issuing the first Great Wall smart card across the Chinese mainland;

in 2008, issuing the first Beijing Olympics credit card across the world;

in 2010, issuing the first Globe-in-One credit card across the Chinese mainland;

in 2013, issuing the first EMV credit card with standard chip across the Chinese mainland;

in 2015, issuing "digital credit cards", i.e., BOC Great Wall e-Quickpass;

……

As at the end of 2015, the effective credit cards issued by the Bank exceeded 53 million and the total number of contracted merchants amounted to 510,000. The Bank issued credit cards in 8 countries and regions such as Hong Kong, Macau, Singapore, Thailand, the UK and Australia, thus securing its position as the largest cross-border credit card issuer among its domestic peers.

Looking to the future, the Bank will stay true to its innovative heritage as the pioneer that introduced bank card payment to the domestic market. It will embrace the trend and mind-set of "Internet Plus" and "big data". By further capitalising on its traditional advantages and stepping up its innovative efforts, the Bank will strive to realise an all-round transformation. Specifically, it will extend its leading position in select business markets to all core fields, move its focus from homogeneous competition to high-quality value creation, and make the shift from prosperity rooted in domestic markets to overseas business-centred growth. The Bank will work hard to develop itself into an influential payment service provider, a specialised consumer finance service provider and a globalised customer experience and value-added service provider, so as to boost the continuous development of the domestic payment industry.

to meet customers' diverse demands for financial services. The Bank built a merchant-based value-added service network with full online finance capabilities, through the official "BOC Credit Card" WeChat account, "Colourful Life" mobile APP and through online non-card payment, code and coupon-based payment and O2O, allowing customers to enjoy a variety of inclusive financial services for travelling, shopping, entertainment and daily life. By integrating various marketing resources, the Bank launched four campaigns to promote customers' brand awareness and loyalty: "BOC VIP Day", "Global Splendours in One Card", "BOC Overseas E-shopping" and "More Instalments, More Gifts".

The Bank continued to expand the application of IC debit cards across multiple industries and stimulated the rapid development of its debit card business through product innovation. IC debit cards have been used in 20 people's livelihood sectors, including corporate campuses, schools, communities, public transportation, commerce, personal identification, social security and hospitals. Moreover, the Bank introduced the Global Travel Card, the first of its debit cards to meet international chip standards of EMV (i.e. Europay, MasterCard and Visa), thus providing cross-border customers with convenient payment and settlement services. Meanwhile, in carrying forward its Livelihood Financial Services system, the Bank worked jointly with social security centres to issue social security cards with financial functions in nearly 30 provinces (including municipalities directly under the Central Government), covering 70% of China's prefecture-level cities, thus delivering "five-insurance" payment and settlement services to customers. It also issued the "resident health card" in collaboration with government institutions in provinces such as Guangdong, Liaoning, Hebei, Jilin and Guizhou, offering treatment payment and health management services across the country to cardholders.

As at the end of 2015, the Bank's bank card issuance and transaction volumes are set forth below:

Unit: million cards/RMB billion, except percentages

Items	As at 31 December 2015	As at 31 December 2014	Change (%)
Cumulative number of debit cards	**419.4756**	361.9304	15.90%
Cumulative number of effective credit cards	**53.2818**	47.8694	11.31%
Cumulative number of social security cards with financial functions	**73.9719**	60.6907	21.88%
	2015	2014	Change (%)
Transaction amount of debit cards	**2,726.753**	2,124.041	28.38%
Transaction amount of credit cards	**1,441.724**	1,338.230	7.73%

Financial Markets Business

The Bank actively aligned itself with the trend towards interest rate and exchange rate liberalisation and RMB internationalisation, closely tracked developments in financial markets, leveraged its specialised advantages, continued to deepen the adjustment of its business structure and enhance its efforts in financial market innovation, thus further enhancing its influence in financial markets.

Securities Investment

Seizing market opportunities arising from interest rate fluctuations in 2015, the Bank rationally adjusted its investment portfolio duration, increased the weighting of RMB interest rate bonds and high-grade credit bonds and narrowed its credit risk exposure, thus further optimising its investment structure. Consistent with national macroeconomic policy, the Bank participated in local government bond investment in a market-oriented way. The Bank also strengthened its credit risk analysis and judging capability, balanced risk against return and properly managed its portfolio risk. The Bank tracked trends in international bond markets and optimised its foreign currency investment structure, effectively preventing interest rate risk and sovereign debt risk. Furthermore, the Bank promoted the unified operations and decision-making of its overseas institutions regarding bond investments, thus strengthening the centralised management of group-wide bond investment.

Trading

The Bank firmly seized opportunities arising from market trends and national strategies and emphasised the principles of "global layout, innovative development, strategy implementation and risk management" in a bid to enhance its competitiveness. Fully implementing the global integration strategy of its trading business, it officially launched the Hong Kong Offshore RMB Trading Centre and the London Trading Centre, and now provides 5×24 global quotation services in Beijing, Shanghai, London and Hong Kong. The Bank became the first Asian bank to directly participate in determining the LBMA Gold Price on the Intercontinental Exchange (ICE) and became the first Chinese domestic bank to develop a precious metal forward product based on the LBMA Gold Price. Seizing the opportunity of the RMB being included in the SDR basket, the Bank launched the pioneering RMB Bond Trading Index and the BOC OBOR RMB Index globally. Closely following the "Belt and Road" strategy, the Bank included the South African Rand, Indian Rupee, UAE Dirham, Pakistani Rupee and Bruneian Dollar in the quotation for exchange of foreign currencies against the RMB, maintaining a leading position among peers. In addition, the Bank took advantage of opportunities arising from RMB internationalisation by carrying out the first bond repurchase on behalf of overseas RMB

participating banks and successfully offering such agency service to 72 overseas institutional customers. It vigorously promoted business innovation in FTZs and conducted the first market-making transaction for the International Board of the Shanghai Gold Exchange. It also launched a corporate electronic trading platform in response to the "Internet Plus" trend. The Bank secured the leading market share in both foreign currency exchange against the RMB and proprietary and agency gold trading volume on the Shanghai Gold Exchange.

Investment Banking and Asset Management

The Bank grasped the opportunities arising from the rapid development of asset management in the domestic market, leveraged the competitive advantages of its diversified businesses and provided customers with comprehensive, professional and customised investment banking and asset management services, including bond underwriting and distribution, asset management and financial advisory. To facilitate the building of China's multi-layered capital markets system and to support domestic customers' direct financing needs, it underwrote 382 debt financing instruments for non-financial enterprises in the domestic open market with a total financing amount of RMB398.1 billion. To leverage the advantages arising from its globally integrated operations, it assisted its clients with cross-border financing services and participated in the underwriting of overseas RMB and foreign currency bonds for a number of medium and large-sized enterprises. The Bank acted as lead underwriter in the issuance of the first offshore commercial bank Panda Bonds and the registration of the first sovereign Panda Bonds. It arranged the issuance of 17 of the

22 Euro-denominated bonds of Chinese enterprises that occurred in 2015, and captured the leading market share as an underwriter of Chinese enterprises' offshore G3 currency (i.e. USD, EUR and JPY) bonds. Following the trend of RMB internationalisation, it sought opportunities in offshore RMB bond issuance by sovereign and quasi-sovereign institutions, maintaining the leading market share among Chinese peers in offshore RMB bond underwriting.

The Bank promoted the transformation of its asset management business and proactively built up the "BOC Asset Management" brand. Intensifying product innovation, it took the lead in introducing wealth management products in the FTZs, successfully issued CDs, expanded foreign currency wealth management product lines and made great efforts to develop wealth management products and services for financial institutions. It improved the quality of wealth management, broadened investment channels and introduced various innovative investment models in order to meet customers' diversified investment needs. It promoted sales in compliance with related regulations and expanded its retail distribution channels, including mobile banking, WeChat banking and "Fast Communication", thus improving customer experience. In 2015, the Bank issued 5,589 wealth management products.

The Bank enhanced the quality of its financial advisory services and provided professional advisory including financing plans, debt hedging, cross-border finance advisory and restructuring and M&A advisory, so as to satisfy customers' multifaceted demands regarding financing and cross-border operations. The Bank took the lead globally in publishing the BOC Credits Investing and Financing Environment Difference Index (CIFED) and BOC OBOR RMB Index, enhancing the BOC index family. The Bank steadily promoted its credit asset-backed securitisation business and stepped up the structural optimisation of its existing assets. The Bank successfully issued its first residential mortgage-backed securities with an amount of RMB4.499 billion and two credit asset-backed securities with a total amount of RMB8.393 billion.

Custody Business

In response to interest rate liberalisation, the Bank made great efforts to develop capital-lite custody business and continuously promoted product innovation, service enhancement and system upgrading. It energetically promoted its custodian products, including publicly-placed funds by securities companies, insurance and security asset management schemes, asset securitisation, futures asset management schemes and pension funds. Meanwhile, it also developed new products such as Qualified Domestic Limited Partner (QDLP) and Qualified Domestic Investment Enterprise (QDIE). Taking advantage of the Group's cross-border operations, the Bank actively promoted its custody business for QDIIs, QFIIs and RQFIIs and helped to implement the mutual subscription of funds issued in the Chinese mainland and Hong Kong, thus achieving an outstanding market position in terms of the scale of overseas assets under custody and cross-border custody business. In addition, the Bank upgraded the Global Custody System (GCS) and established a comprehensive structure containing domestic custody, overseas custody and innovative custody business services, further improving the function and effectiveness of its system. As at the end of 2015, the Group's assets under custody exceeded RMB6.86 trillion, thus playing a leading role in the industry. The Bank was recognised as "Best Domestic Custody-China" by *The Asset* magazine and "Chinese Best CFO Asset Custodian Bank" by *CFO* magazine.

Village Bank

BOC Fullerton Community Bank actively implemented national strategies on agriculture, farmers and rural areas, with the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". They are committed to providing modern financial services to farmers, micro and small-sized enterprises, individual merchants and the wage-earning class, and promoting the construction of China's "New Countryside". The Bank focused its business efforts on agriculture, farmers and rural areas, introducing more than 50 kinds of products such as "Xin Nong Dai" belonging to 8 agricultural categories, i.e. poultry, cattle, aquatic products, plants, greenhouse, family farms, inclusive finance, and loans for rural areas. All products were highly praised by customers.

BOC Fullerton Community Banks significantly expanded its institutional reach with a focus on counties in central and western regions where financial services were previously lacking. As at the end of 2015, 76 BOC Fullerton Community Banks and 64 sub-branches had been established, with the total number increasing by 17 and 31 respectively compared with the prior year-end. In particular, 78% of BOC Fullerton Community Banks and sub-branches were established in central and western regions, and 33% were in official poverty-level counties. BOC Fullerton Community Banks has become the largest domestic village bank in terms of total institutions and business scope. As at the end of 2015, BOC Fullerton Community Banks served approximately 730,000 customers, an increase of 71.36% compared with the prior year-end. The balances of total deposits and loans of these banks were RMB15.080 billion and RMB15.244 billion respectively, an increase of 49.33% and 50.78% compared with the prior year-end, among which loans to farmers and micro and small-sized enterprises accounted for 91.44%. The NPL ratio was 1.42%, the ratio of allowance for loan impairment losses to total loans was 3.40%, and the ratio of allowance for loan impairment losses to non-performing loans stood at 239.33%.

BOC Fullerton Community Banks received several prizes including the "Best Agricultural Community Banks of the Year Award" issued by *Financial News* and Chinese Academy of Social Sciences, the "Rural Internet Financial Products Innovation Award" issued by *China Finance* and China Rural Bank Development Forum, the "Competitive Excellent Rural Bank Award" issued by *China Business Journal*, and the "Outstanding Bank of the Year Award" issued by *The Economic Observer*.

Overseas Commercial Banking

In 2015, the Bank practically implemented national strategies and proactively seized market opportunities arising from the construction of the financial artery of the "Belt and Road" initiative, RMB internationalisation and the Chinese enterprises' "Going Global" initiative. It promoted the establishment of overseas institutions in an organised manner and pushed forward the integrated development of its domestic and overseas operations, thus continuously improving its global service and support capabilities and sharpening its competitive advantages. As at the end of 2015, the balance of due to customers and loans of the Bank's overseas commercial banking operations amounted to USD350.205 billion and USD295.765 billion respectively. In 2015, the Bank's overseas commercial banking achieved a profit before income tax of USD7.321 billion, accounting for 19.72% of the Group's total profit before income tax. The Bank continued to lead its domestic peers in international business in terms of scale, profitability and the overall proportion of its internationalised operations.

Regarding branch distribution, the Bank proactively met the financial services requirements of Chinese "Going Global" enterprises, accelerated improvements in the distribution of institutions in countries along the "Belt and Road" and in emerging markets, and increased outlets in countries with an existing BOC presence, striving to achieve mainstream status in local markets and provide comprehensive financial services for customers. As at the end of 2015, overseas institutions of the Bank totalled 644, up by 16 from the prior year-end, covering 46 countries and regions across six continents, up by 5 countries, of which 18 countries were along the "Belt and Road", up by 3 countries from the prior year-end.

For corporate banking, the Bank explored the "Blue Ocean" of cross-border business. It established an overseas project marketing working group mechanism, energetically expanded cross-border business, improved service levels of overseas projects and coordinated the overall development of its overseas business, thus enhancing the efficiency of its service capabilities in respect of global financing for corporate customers. Furthermore, the Bank reinforced the multi-layer management of global customers and fully supported Chinese enterprises' "Going Global" initiative, as well as helped overseas enterprises with "Bring In" initiative to enter China. Developing closer business partnerships with the "Fortune Global 500" and high-quality local companies outside China, it continuously optimised the core customer group of its overseas corporate banking business. The Bank took full advantage of domestic and overseas markets and resources, thoroughly implemented the national "Belt and Road" initiative and actively promoted matching and coordination among its overseas and domestic customers. It witnessed steady development in key products with regard to RMB internationalisation, supply chain finance and guarantee. In 2015, the overall international settlement volume of the Bank's overseas institutions reached USD2.09 trillion and the cross-border RMB settlement volume stood at RMB2.46 trillion, providing solid support for the development of the Bank's trade finance business.

For personal banking, the Bank provided "one-stop" financial services for personal "Going Global" customers by leveraging on its advantages of overseas operations. For customers studying overseas, working or purchasing houses abroad, the Bank offered an account opening witness service in 17 countries and regions such as the US, the UK, Canada, Australia, Hong Kong, and Macau, satisfying the various financial services demands of customers and continuously enhancing its integrated service capabilities. The Bank actively promoted the construction of a credit card-based cross-border payment product and service system. It introduced various featured products for travellers, including "Splendid Southeast Asia", "Splendid Hong Kong, Macau and Taiwan", "Splendid South Korea", "Splendid Japan" and "Splendid USA". It built a stereoscopic publicity campaign combining broad promotions with highly targeted marketing initiatives, and focused its efforts on creating such cross-border payment brands as "Global Splendours" and "BOC Overseas E-shopping" so as to continuously improve its brand influence. For its overseas credit card business, the Bank implemented a differentiated and localised development strategy to secure its leading positions in the Hong Kong and Macau markets, promote business development and increase scale in Southeast Asia, speed up the business growth rate in Australia, North America and Europe, and provide high-quality cross-border payment services for "Going Global" Chinese enterprises, individual customers entering or leaving the Chinese mainland, as well as overseas customers. The Bank strengthened the building of its overseas debit card system and launched UnionPay dual-currency (RMB and local currency) debit cards and Visa and MasterCard single currency debit cards. As at the end of 2015, 16 of the Bank's overseas commercial banking institutions have issued debit card products.

For financial markets business, the Bank selected five overseas institutions, which were located in Abu Dhabi, Hungary, Singapore, Taipei and Hong Kong along the "Belt and Road", as issuers of "Belt and Road" bond denominated in RMB, USD, EUR and SGD. These bonds totalled USD4.0 billion equivalent and were listed on five exchanges, namely NASDAQ Dubai, Singapore Exchange, Taipei Exchange, Hong Kong Exchanges and Clearing Limited and London Stock Exchange, covering 7 tenors and 10 tranches. These were the first bonds in the international market with the "Belt and Road" concept, and the first bonds offered in four currency denominations and listed on five exchanges simultaneously. Together, this represented by far the largest overseas bond issuance by a Chinese bank. The Bank consequently won the *FinanceAsia* "Achievement Awards 2015 — Borrower of The Year". In respond to the RMB internationalisation, the Bank accelerated the construction of its global custody network. It improved overseas custody service, optimised overseas institutional investors' service plans, increased marketing efforts for overseas clients and developed its overseas institutions' custody businesses. As at the end of 2015, the Bank's overseas assets under custody exceeded RMB1.18 trillion, ranking first among Chinese custodian banks.

For clearing business, the Bank's global RMB clearing network was further improved, and its cross-border RMB settlement service capability was continuously enhanced. The Bank has vigorously promoted global offshore RMB market development and RMB internationalisation. In 2015, the Bank's cross-border RMB clearing transactions totalled RMB330.96 trillion, up by 37.43% compared with prior year, maintaining first place in global markets. The Bank was designated as the local RMB clearing bank in Kuala Lumpur, Hungary, South Africa and Zambia in 2015, thus accounting for 10 of the world's 20 authorised RMB clearing banks. The Bank successfully implemented its interface with the RMB Cross-border Interbank Payment System (CIPS) and processed the first transaction as CIPS went live. As one of the first comprehensive clearing members of the Shanghai Clearing House for Foreign Exchange, Bond and Bond Forward trades, the Bank became a qualified Central Counterparty (CCP) clearing agent for RMB Exchange, Bond Trade Netting and Bond Forward Trading. The Bank was also approved as a USD settlement bank for CCP Clearing of FX-CNY Bilateral trades in the Over-The-Counter (OTC) financial markets, a further demonstration of its growing strength as a clearing agent.

For e-banking, the Bank further extended the coverage of its overseas e-channel services. It completed the local promotion of online banking by the Prague Branch and the Vienna Branch and made domestic inter-bank remittance services available in Singapore, Malaysia, Zambia and the Philippines. The Singapore Branch introduced a new agency payment feature and BOC (Malaysia) introduced a reservation payment capability. It also improved the functions of its overseas telephone banking services.

BOCHK

In 2015, BOCHK effectively captured market opportunities and continuously implemented its business development strategy, recording satisfactory performance in its core businesses with key financial indicators staying at solid levels. It leveraged its competitive edge in cross-border business, reinforced its collaborative relationships within the Group, and focused on innovation in financial products and services. It expanded its customer base and realised rapid growth in its offshore RMB and cross-border services. BOCHK also optimised its asset portfolio through the proposed disposal and restructuring of assets.

BOCHK enhanced its competitive advantages in order to drive solid growth in core businesses. It adopted a flexible business strategy, with both deposits and loans growth outperforming the market. It successfully arranged a number of significant syndicated loans and remained the top mandated arranger in the Hong Kong-Macau syndicated loan market. It acted as the receiving bank for a number of major initial public offerings (IPOs) in Hong Kong. Commission income experienced solid growth as a result of increased business promotions, cross-selling activities and its enriched investment and insurance-related products. In addition, it expanded its mortgage business by launching a new fixed-rate mortgage scheme and the Premium Loan Insurance Scheme. Consequently, BOCHK remained the market leader in new residential mortgage loans. It also led the Hong Kong market in UnionPay merchant acquiring and card issuance business.

BOCHK captured business opportunities and maintained its market position in RMB business. It broadened its cross-border funding channels by issuing RMB1.0 billion financial bonds in the domestic interbank bond market of the Chinese mainland, the first by an international commercial bank. Moreover, it was appointed as sole settlement bank for Shanghai-Hong Kong Gold Connect to provide Shanghai International Gold Exchange Co. Ltd. with funds settlement and cross-border payment services. In addition, it completed the first repo transaction as an offshore participating bank in the onshore inter-bank bond market. With a focus on serving society, BOCHK acted as a Primary Liquidity Provider for Hong Kong's offshore RMB market and effectively supported liquidity in the market. As the clearing bank for RMB business in Hong Kong, BOCHK also enhanced its real-time RMB clearing services by extending the clearing service hours of the RMB Real Time Gross Settlement System to 20.5 hours per day.

To support the expansion of its cross-border business, BOCHK strengthened its collaboration with the Group. Following the establishment of new FTZs in Guangdong, Tianjin and Fujian, BOCHK leveraged its competitive edge as a member of the Group and expanded its relationships with various business enterprises. It took the lead in signing strategic cooperation agreements or loan contracts with enterprises in the new FTZs and arranged RMB cross-border direct loans for customers. Additionally, it strengthened its cross-border sales activities and provided large corporate clients with cross-border cash pooling solutions. For personal clients, it set up a Cross-border Financial Service Centre. BOCHK fully leveraged the competitive advantages of the Group's different units in terms of customer expansion, product innovation and professional services, allowing it to provide funding solutions for corporate clients expanding into countries along the "Belt and Road" and countries of Association of Southeast Asian Nations (ASEAN).

BOCHK drove product innovation and achieved continuous expansion of its customer base. It launched the first-ever Online Loan 360 Service in Hong Kong, with comprehensive Electronic Identification Management technology to provide customers with convenient and secure loan services. BOCHK was also among the first banks to introduce e-Cheques Services, as initiated by the Hong Kong Monetary Authority, to give customers more flexibility in allocating funds. BOCHK successfully expanded its corporate customer base by capturing opportunities from Chinese enterprises' "Going Global" and overseas enterprises' expanding into the Chinese mainland. At the same time, BOCHK launched Family Banking-themed promotions to strengthen the franchise of its Wealth Management and Enrich Banking business, with the aim of attracting high-quality customers. It provided high-end customers from the Chinese mainland and overseas with tailor-made investment management and estate planning services, which supported satisfactory growth in the number of its private banking clients.

BOCHK optimised its asset portfolio for long-term development. It proposed the disposal of its interests in Nanyang Commercial Bank, Limited (NCB), a wholly-owned subsidiary. The Bank also proposed restructuring and transferring its banking businesses and assets in certain ASEAN countries to BOCHK. The proposed disposal and restructuring is consistent with the development strategies of the Bank and BOCHK, and will strengthen the Group's ability to capture opportunities associated with the "Belt and Road" initiative, RMB internationalisation, and Chinese enterprises' "Going Global". It will further support business development in the ASEAN region. On 18 December 2015, BOCHK entered into a Sale and Purchase Agreement[4] with Cinda Financial Holdings Co., Limited and China Cinda (HK) Holdings Company Limited in relation to the disposal of all issued shares of NCB for a total consideration of HKD68.0 billion.

BOCHK was awarded "Strongest Bank in Asia Pacific and Hong Kong" and "Best Retail Bank in Hong Kong" by *The Asian Banker*. It was also recognised as the "Bank of the Year in Hong Kong" by *The Banker*. Furthermore, BOCHK received the "Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business for the eighth consecutive year.

(Please refer to the Annual Report of BOCHK for a full review of BOCHK's business performance.)

4 As the completion of the proposed disposal is subject to the satisfaction of the conditions precedent stated in the Sale and Purchase Agreement, the proposed disposal may or may not proceed to completion.

Diversified Business Platforms

The Bank gave full play to the competitive advantages arising from its diversified business platforms and fully implemented the national "Belt and Road" initiative by focusing on its specialised business areas, deepening business collaboration and promoting cross-selling and product innovation, thus enhancing synergies across the Group while providing comprehensive and high quality financial services to customers.

Investment Banking Business

BOCI

The Bank is engaged in investment banking through BOCI. As at the end of 2015, BOCI had total assets of HKD77.19 billion and net assets of HKD15.3 billion. Its operating income reached HKD4.248 billion.

BOCI built extensive sales and marketing networks across the world, strengthened collaboration with the Group's commercial banking platform and made full use of the Global Coverage Centre's function in order to provide diversified cross-border financial services. Seizing the opportunities arising from the "Belt and Road" initiative, Chinese enterprises' "Going Global" and RMB internationalisation, it steadily improved its global service capabilities, accelerated the execution of its internationalisation strategy and provided all-round financial solutions for domestic and overseas clients, including professional financial services to domestic government agencies at different levels. BOCI achieved leading positions in the Hong Kong market in multiple business sectors.

BOCI's equity financing and financial advisory businesses achieved steady growth and completed 11 IPOs, 7 secondary placements and 8 financial advisory projects. BOCI maintained leading advantages in bond issuance and underwriting business, provided professional credit rating advisory and B&D services to clients and optimised its comprehensive business lines and product chains. BOCI successfully executed the issuance and underwriting of 50 bond deals in 2015.

BOCI maintained a leading position in the equity trading market. Business related to the Shanghai-Hong Kong Stock Connect Programme achieved rapid growth. BOCI is one of the largest brokerage houses in Hong Kong and has steadily expanded its equity research coverage. It continued the global expansion of its private banking business, with equal emphasis on both business development and compliance control, while experiencing stable growth in managed assets. BOCI-Prudential Asset Management Ltd., the asset management arm of BOCI, was one of the leading service providers in the Hong Kong Mandatory Provident Fund market and the Macau Pension Fund market. Devoted to promoting the mutual recognition of funds between the Chinese mainland and Hong Kong, it was among the first batch of Hong Kong asset management companies that submitted applications for registration.

BOCI's private equity business recorded stable development. It has established a business platform in China (Guangdong) Pilot Free Trade Zone, Qianhai & Shekou Area of Shenzhen. Bohai Industrial Investment Fund, China Culture Industrial Investment Fund and BOCI Infrastructure Fund achieved good performances, and invested in several landmark projects in different industries.

BOCI's global commodity business has expanded steadily. BOCI is now the only Chinese financial institution able to self-clear on the Chicago Mercantile Exchange (CME), London Metal Exchange (LME) and Intercontinental Exchange Europe (ICE Europe). BOCI and Bloomberg jointly launched the "Bank of China International Crude Oil Index", becoming the first Chinese financial institution to independently compile and publish a benchmark commodity index. It also completed the world's first RMB pledge trade on the LME.

BOCI was awarded "Best Chinese DCM House in Hong Kong" and "Best IPO" by *FinanceAsia*, "Best Bond House Domestic-Hong Kong" by *The Asset*, "Best Investor Education Website on Shanghai-Hong Kong Stock Connect" by Hong Kong Exchanges and

Clearing Limited, "Chinese Securities Golden Bauhinia Award 2015 — Best IPO Investment Bank" by *Ta Kung Pao*, "Excellent Securities Service in Hong Kong — Gold Award for Cross-border Service" by *Hong Kong Wen Wei Po*, and "Most Popular Securities Broker among Investors both in Mainland China and Hong Kong" by *Hong Kong Commercial Daily*.

BOCI China

The Bank is engaged in securities-related business in the Chinese mainland through BOCI China. With a total assets and net assets of RMB48.103 billion and RMB10.075 billion respectively as at the end of 2015, the company has made rapid progress in business performance and its profit after tax reached RMB2.099 billion in 2015.

Taking advantage of its diversified and internationalised business model, BOCI China is pushing forward with the transition of its investment bank segment by introducing the business development models of "investment bank + commercial bank", "investment bank + investment" and "domestic + overseas". Its brokerage business has also shifted focus towards customised high-end wealth management, which has in turn advanced collaboration between BOCI China's securities companies and commercial banks' private banking business, allowing BOCI China to provide comprehensive investment and financing services for middle and high-end clients. Meanwhile, BOCI China's asset management business has expanded into active management, with the value of assets under active management realising rapid growth from the prior year-end.

BOCI China was awarded "Best Asset Management Securities Company" and "Best Financial Advisers Project Team in China" by *Securities Times* and "Outstanding Member of China's Bond Market and Best Short-term Financing Bill Issuer" by China Government Securities Depository Trust & Clearing Co. Ltd (CDC).

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at the end of 2015, BOCIM's total assets stood at RMB2.012 billion and its net assets totalled RMB1.485 billion. Its profit after tax reached RMB743 million, up by 96% compared with the prior year.

BOCIM's total assets under management (AUM) increased substantially to RMB676.4 billion, up by 97% compared with the prior year-end. Its AUM for publicly offered funds reached RMB277.8 billion, up by 73% compared with the prior year-end. BOCIM achieved good performance based on stable internal control and risk management, and its brand image and market reputation grew substantially.

In 2015, BOCIM was awarded "Golden Bull Investment Managers", "Golden Fund • TOP Fund Managers" and "Five-year Sustainable Return Star Fund", etc. It was the only domestic fund management company to win 3 prizes for 3 consecutive years. A number of BOCIM funds also received specific recognition within the fund industry.

Insurance

BOCG Insurance

The Bank is engaged in insurance business in Hong Kong through BOCG Insurance. As at the end of 2015, BOCG Insurance reported total assets of HKD7.613 billion and net assets of HKD3.890 billion. In 2015, BOCG Insurance recorded gross written premiums of HKD2.020 billion, remaining at the forefront of the Hong Kong general insurance market, and realised a profit after tax of HKD123 million.

BOCG Insurance continuously optimised its business structure and increased efforts to promote high-quality business, of which the gross written premium in 2015 stood at HKD1.067 billion, accounting for 52.84% of total gross written premium.

BOCG Insurance deepened business linkages within the Group and strengthened cross-border cooperation. It drew upon the Group's cooperation within the Guangdong-Hong Kong-Macau collaboration platform, strengthened intra-Group synergies and enhanced regional competitiveness across the Group by providing integrated products and services, expanding overseas business coverage and providing customers with comprehensive financial products and services.

BOCG Insurance enhanced product innovation and developed new medical insurance products. It launched the "BOC Worldwide Medical Insurance Plan", which helped high-end customers in the Chinese mainland, Hong Kong, Macau and Taiwan receive more convenient medical services. It joined with BOCHK to launch a family-themed product, "BOC Family Medical Insurance Plan", to further improve its market penetration in medical insurance.

BOCG Insurance increased its key product promotion and established a professional brand image. It hosted the second "Bank of China Group Insurance Forum", which was well received by the industry. It strengthened the promotion of key products through advertising campaigns on Hong Kong's trams and metro (MTR) and by producing publicity films. This further improved its market influence.

BOCG Insurance improved the comprehensiveness of its risk management and effectively guarded against business risks. Based on a sound risk management system, it enhanced risk control standards and implemented full-scale, full-process and full-crew risk management measures. By proactively managing post-underwriting risks, it strengthened the effective management of its insurance programmes and reduced various risks at the source.

BOCG Life

The Bank is engaged in life insurance business in Hong Kong through BOCG Life. As at the end of 2015, BOCG Life's total assets amounted to HKD98.282 billion while net assets amounted to HKD6.689 billion. In 2015, BOCG Life recorded a gross premium income of HKD22.663 billion and a profit after tax of HKD829 million.

By constantly enhancing its products and services, strengthening business collaboration and diversifying distribution channels, BOCG Life sustained growth in all business areas and maintained the leading position in the Hong Kong RMB life insurance market. To meet the diverse needs of customers, BOCG Life launched innovative products including the annuity plan "IncomeRich Annuity Insurance Plan", whole-life insurance plans "IncomeShine Whole Life Coupon Plan" and "StepUp Whole Life Insurance Plan", and "Forever Glorious ULife Plan" targeting high-end customers. Meanwhile, BOCG Life increased the number of partners in broker channel, expanded its tied agency sales force, and launched a new e-channel in order to develop a more diversified customer base.

BOCG Life received "Retirement Insurance Planning — Excellence Award", "Saving Insurance Plan — Outstanding Award" and "Life Insurance — Outstanding Award" by *Bloomberg Businessweek*. It also received awards in the category of "RMB Business Outstanding Awards 2015 — Outstanding Insurance Business" by Metro Finance, Metro Finance Digital and *Hong Kong Wen Wei Po*.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at the end of 2015, BOC Insurance reported total assets of RMB11.980 billion and net assets of RMB5.016 billion. In 2015, it realised gross written premiums of RMB4.608 billion, and a profit after tax of RMB282 million.

In response to the "Belt and Road" initiative, BOC Insurance accelerated the pace of overseas business development. Its overseas business generated written premiums of RMB58.634 million, up by 166.52% compared with the prior year. It undertook 90 overseas projects in 2015, reporting a total investment and project contracting amount of over RMB762.708 billion. In the meantime, BOC Insurance also backed large Chinese "Going Global" enterprises such as China National Petroleum Corporation, China Petroleum & Chemical Corporation, China Communications Construction Group, Power Construction Corporation of China and China Railway Construction Corporation Limited, and operated overseas insurance-related programmes in nearly 50 countries and regions in Asia, Africa and South America. Undertaking the social responsibility, BOC Insurance responded immediately and worked tirelessly to handle a variety of insurance claims. In terms of business channel innovation, BOC Insurance developed its key customer, e-commerce and other channels in a coordinated manner. After substantially expanding its key customer-related programmes, it successfully contracted with 176 key customers. Due to the rapid development of new channels such as "Direct Mailing and Call Selling", Internet Selling, and BOC Self-service Express, BOC Insurance recorded a year-on-year growth of 68.99% in written premiums in 2015. Standard & Poor's granted BOC Insurance an "A-" rating.

BOC-Samsung Life

The Bank engages in life insurance business in the Chinese mainland through BOC-Samsung Life. As at the end of 2015, BOC-Samsung Life recorded total assets of RMB8.031 billion and net assets of RMB1.455 billion. In 2015, it realised a premium income of RMB4.832 billion.

BOC-Samsung Life has reached new heights by rapidly developing its business scale and steadily enhancing its market competitiveness. Its premium income increased by 394% compared with the prior year, driving its market share up by 0.14 percentage point compared with the prior year-end and its market ranking up by 13 places compared with 2014. Investment returns increased by 88.4% compared with the prior year, gradually enhancing fund use capability. BOC-Samsung Life constantly improved its back-up support system and launched the BOC self-service bancassurance project and advanced telemarketing efforts. In addition, it fully adopted electronic contracts for personal insurance, promoted standardised counter-based service processes, improved the complaint service process and refined the classified service system based on added value, thus significantly enhancing service quality and customer experience. The company also devoted more efforts to product innovation, launching products for high-end customers such as "Zunxiang Huyou", "Zunxiang Wuyou" and "Zunxiang Jiacheng", and developing tailored products based on the features of bancassurance and customer demands.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business scope includes private equity investment, fund investment and management, real estate investment and management, and non-performing asset (NPA) investment. As at the end of 2015, BOCG Investment recorded total assets of HKD85.151 billion and net assets of HKD54.654 billion. In 2015, it recorded a profit after tax of HKD5.377 billion, an increase of 115% year-on-year.

BOCG Investment implemented the Group's internationalisation and diversification strategy, adhered to the two-wheel-drive model of business development and risk control, increased the investment of business resources, introduced stricter risk control measures and achieved stable and sustainable development. It actively supported the national strategy of "Belt and Road", and participated in the establishment of the China-Eurasian Economic Cooperation Fund. Taking advantage of its business platform, it provided strong support to the "popular entrepreneurship and mass innovation" strategy and invested in several outperforming venture capital funds. It invested in a wide variety of major projects, cementing its professional status in the market. To deepen collaboration and innovate its business model, it established the "City Development Fund" and "Non-performing Asset Fund". While maintaining its focus on the mainland China market, it also steadily carried out overseas expansion and completed the acquisition of the 7 Bryant Park Project in New York. At the same time, it grasped market opportunities to exit several mature projects so as to achieve good returns.

BOC Aviation

The Bank is engaged in the aircraft leasing business through BOC Aviation. As at the end of 2015, BOC Aviation recorded total assets of USD12.5 billion and net assets of USD2.4 billion. In 2015, as one of the leading global aircraft operating lessors, it realised a profit after tax of USD343 million. As at the end of 2015, BOC Aviation had a portfolio of 227 owned and 43 managed aircraft, leased to 62 airlines in 30 countries. BOC Aviation has one of the youngest modern aircraft portfolios in the aircraft leasing industry with an average fleet age of 3.3 years, weighted by net book value.

BOC Aviation remains committed to maintaining a strong funding position. It converted its USD5.0 billion Euro Medium Term Note (EMTN) Programme to a Global Medium Term Note (GMTN) Program and issued its inaugural USD750 million senior notes under Rule 144A and Regulation S. It broadened its cooperation with lenders by completing two unsecured syndicated loans amounting to USD0.8 billion. BOC Aviation has corporate credit ratings of "A-" from Standard & Poor's and Fitch.

In the last quarter of 2015, BOC Aviation completed its maiden portfolio sale of 24 aircraft in the capital markets which were on lease to 21 airlines in 18 countries. Committed to pursuing sustainable growth, the company built on its existing order book and invested in new technology aircraft. In 2015, it placed orders for 22 Boeing and 30 Airbus aircraft. As at the end of 2015, BOC Aviation had commitments to acquire 241 aircraft, scheduled for delivery through to 2021.

Service Channels

As the most internationalised and diversified bank in China, the Bank established specialised and diversified service channels and provided comprehensive financial services to customers in the Chinese mainland and 46 countries and regions. It is also dedicated to advancing the coordinated development of its physical outlets and electronic channels, as well as providing customers with an integrated and consistent experience through interactions across different channels. By integrating IT systems and financial services, the Bank streamlined its banking services and ensured that "one-point access" would trigger "whole-process response", allowing it to satisfy customers' needs anytime, anywhere.

Outlet Development

The Bank comprehensively carried forward its programme to upgrade outlets towards smarter functionality. Along with the programme, it refined the functional divisions inside the outlets, upgraded the service systems within the outlets and increased the investment in intelligent equipment. It also streamlined the business handling process and regulated the service sales process in a bid to offer a new customer experience and improve the brand image of the Bank. In 2015, a total of 2,598 outlets completed their upgrade towards smarter functionality, significantly optimising business processes.

The Bank consistently improved the management and operations of its outlets. It continued to optimise the outlet performance evaluation system and improve the outlet rating mechanism, striving to increase the profitability of low-output and low-efficiency outlets. It enriched the range of services offered by outlets and allocated more marketing personnel to the outlets with the aim of improving their overall marketing capacity. It also reinforced the risk management of various businesses within the outlets to help them improve comprehensive efficiency in business growth. As at the end of 2015, the domestic commercial banking network (including Head Office, tier-1 branches, tier-2 branches and outlets) comprised of 10,687 branches and outlets, domestic non-commercial banking institutions totalled 302, and institutions in Hong Kong, Macau, Taiwan and other countries and regions totalled 644.

Unit: single item, except percentages

Items	As at 31 December 2015	As at 31 December 2014	Change (%)
ATM	**45,506**	44,594	2.05%
Self-service terminal	**32,302**	26,689	21.03%
Self-service bank	**14,045**	13,527	3.83%

E-Banking

The Bank focused on mobile internet in an effort to create electronic banking habits among its customers. The Bank's e-channel customers have become consistently more active and more loyal, leading to rapid growth in the volume of mobile banking business. This in turn has given strong momentum to bank-wide customer service and business development. In 2015, the Bank's cumulative e-channel transaction amount reached RMB153.45 trillion, an increase of 13.00% compared with the prior year, while the substitution ratio of e-banking channels for outlet-based business transactions reached 87.97%. Among this, mobile banking transaction volumes hit RMB5.18 trillion, an increase of 152.00% year on year, meaning that mobile banking is gradually growing into one of the Bank's major customer service channels.

Unit: million customers, except percentages

Items	As at 31 December 2015	As at 31 December 2014	Change (%)
Number of corporate online banking customers	**2.8505**	2.5990	9.68%
Number of personal online banking customers	**122.4606**	112.4949	8.86%
Number of mobile banking customers	**79.9885**	64.6005	23.82%
Number of telephone banking customers	**105.4931**	95.8276	10.09%

Unit: RMB billion, except percentages

Items	2015	2014	Change (%)
Transaction amount of corporate online banking	**129,322.199**	114,420.613	13.02%
Transaction amount of personal e-banking	**19,792.780**	17,516.712	12.99%
Transaction amount of mobile banking	**5,178.079**	2,054.817	152.00%
Transaction amount of self-service banking	**4,297.750**	3,834.934	12.07%

The Bank further enhanced the service ability and functionality of its e-banking channels and fully implemented its mobile finance strategy. It further optimised the functionality of its mobile banking, online banking, telephone banking and WeChat banking, thus continuously improving customer experience. For mobile banking, the Bank added new functions such as online car insurance application, deposit pledged loans and personal revolving loans, and redesigned the bill payment function. For WeChat banking, the Bank further optimised a series of functions under three main themes of We-finance, We-life and We-service. For personal online banking, new products such as two-way foreign exchange trading, household property insurance and accident insurance were introduced. For corporate online banking, mobile platform-based terminals were made available to corporate customers, and a number of customised products were rolled out for a variety of customer groups including key customers, micro and small-sized enterprises, and administrative and public institutions. For security authentication, the Bank built a multi-layer security authentication system, introduced a security authentication mode linking to mobile phones, launched an audio USB Key security function onto various mobile terminals, thus offering further improved security and usability. For cross-border service, the Bank added an FTZ service function, integrated domestic with cross-border inter-group services, expanded its cross-border coverage for its corporate online banking; and also extended the service hours of cross-border remittance, increased the number of trading currencies and optimised the function of foreign exchange settlement for personal online banking, thus ensuring the integration and standardisation of its online banking cross-border service.

The Bank has made remarkable achievements in the development of its internet finance business. Comprehensively implementing the action programme of "Internet Plus" and China's 13th Five-Year Plan, the Bank integrated all online and offline channels, enriched product lines covering payment, asset management, trading and financing business, built unique application scenarios for cross-border business, industry chain and O2O, etc., and established an open, unified and multi-functional comprehensive service platform for internet finance. The Bank reinforced its edge in cross-border services and helped China's export and foreign trade industries to re-orient towards "Internet Plus". It took the lead in creating a cross-border e-commerce financial services solution named "BOC Global E-Commerce", and established partnerships with more than 50 e-commerce institutions, representing a trade size of over RMB20.0 billion. Moreover, it ran a pilot programme in New Zealand to provide a matchmaking service for cross-border e-commerce business. With the creation of a horizontally connected network of Customs, Treasury and commercial banks, the Bank led its peers in making an integrated regional customs e-guarantee available to the customers in regions along the Silk Road, Yangtze River economic belt, the Beijing-Tianjin-Hebei Region, Northeast China and Guangdong Province. The "BOC Easy-trade Cyber-tariff" service held the largest market share for the ninth consecutive year. By providing diversified industry chain solutions, the Bank fully satisfied the industry chain financial services needs of customers in shipping, auto, exchange and other industries. The Bank pushed forward the upgrade of smart e-communities. It established an O2O service system based on office resources and online open platforms. This system aims to meet customer needs in community (including zones and campus) entertainment, housing, healthcare, education and other fields by offering a package of services including convenient payment, hospital registration, online finance for overseas travel, wealth management and loan applications. This system has connected to 12,000 communities and cooperated with nearly 20,000 merchants. Through innovation in online payment, the Bank upgraded its B2C and B2B payment products, enhanced security management, met customers' needs for different application scenarios and improved customer experience. It launched Quick Pass Payment-based products and actively promoted R&D in near field communications (NFC) products that can be used in all-terminals, thus realising secure and convenient mobile payment through contactless technology. With respect to online asset management services, the Bank built a well-structured multi-channel system and established a "one-stop" online financial supermarket designed to meet customers' diverse demands for investment, wealth management and fund trading services. The Bank's "Pension Financial Service", which is available to certain customer groups, exceeded RMB45.0 billion in increased trade volumes. In addition, the "BOC Direct Bank" programme was run on a trial basis for customers of other banks, based on e-community scenarios. To promote online finance, the Bank engaged in R&D for "BOC E-Credit", a

whole-process online consumption-oriented credit product, and promoted its "Wo Finance" online business-targeted loans to more customers.

Information Technology Development

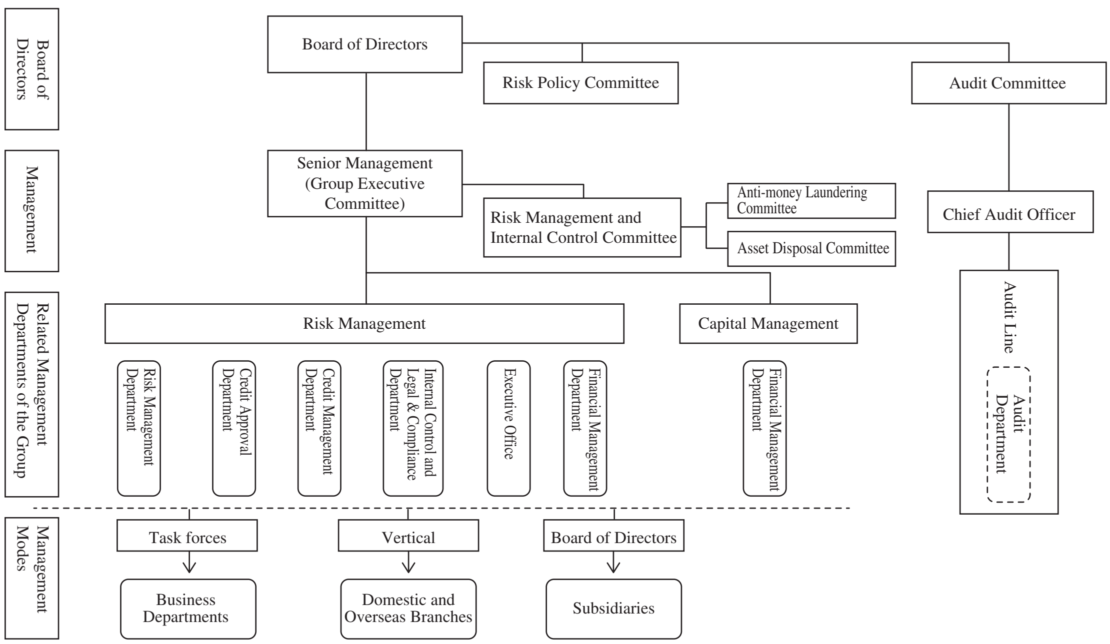
The Bank regarded information technology as a key growth engine, further improved its IT governance structure and established the IT Management Committee, effectively promoting in-depth integration and synergy between its business and technology. With the aim of building a globally integrated IT service system, the Bank steadily rolled out its overseas information system integration and transformation project, and vigorously promoted such globally integrated systems as global fund integration, global cash management and the Global Uniform Payment Platform (GUPP). Proactively participating in the process of RMB internationalisation, the Bank completed the construction of the RMB Cross-Border Interbank Payment System (CIPS), which realised a connection to the PBOC system, becoming a global pioneer for RMB cross-border business. The Bank continuously reinforced the foundations of IT development by increasing the functionality and performance of the existing system and striving to improve the external and internal customer experience. The Bank also strengthened the global IT risk management system. Due to improved regulatory compliance and enhanced prevention and control in network security, the Bank's IT system ran smoothly. In addition, the Bank continued to enhance its globally integrated IT operation management system and globally centralised operational abilities.

In response to the implementation of national strategies, the Bank facilitated the building of the financial artery of the "Belt and Road" by intensifying its IT application efforts in newly built institutions along the "Belt and Road". It also actively pushed forward projects in the FTZs of Guangdong, Tianjin and Fujian, so as to sharpen its competitiveness. By strengthening its overseas RMB clearing system, the Bank strongly supported its RMB clearing businesses in Hong Kong, Macau, Taiwan, Frankfurt, Paris and Sydney. The Bank fully and actively supported China's "Going Global" enterprises and gave priority to projects related to cross-border two-way RMB cash pooling for large state-owned enterprises, as well as projects meeting the specific and diversified needs of "Fortune Global 500" companies. It actively responded to trends in mobile and internet finance by building an internet finance IT framework. Adopting new technologies and new concepts such as mobile internet, cloud computing and "big data", this framework covers products, channels, access and public infrastructure through platforms and features including BOC open platform, BOC e-Community, cross-border e-commerce and internet financing.

Management Discussion and Analysis — Risk Management

In 2015, in response to China's economic "new normal", the Bank continuously improved its comprehensive risk management system, strengthened the coordinated management of all types of risks, constantly improved its risk management capabilities and held its risk bottom line. It continued to optimise its risk management policies and further improved its risk assessment mechanism. In addition, the Bank improved its advanced capital management approach, developed a rating model for large global companies and enhanced the forecast accuracy of its risk models. It accelerated the application of internal rating-based approaches, constantly enhanced the application of risk-adjusted return on capital (RAROC) and supported the development of capital-lite business. Moreover, the Bank strengthened its global limit management system and drove forward the integration of its domestic and overseas systems. It also further integrated its risk database and continuously improved data quality.

The risk management framework of the Bank is set forth below:



Credit Risk Management

Closely tracking changes in macroeconomic and financial conditions, the Bank controlled and mitigated risks, promoted development and consolidated the foundations of its credit risk management function. In addition, the Bank strengthened credit asset quality management, further improved its credit risk management policies, pushed forward adjustments to its credit structure and took a proactive and forward-looking stance on risk management.

The Bank strengthened its credit asset quality management. It kept a close eye on changes in the economic situation, intensified post-lending management and established and improved its risk monitoring and early warning mechanisms, including assessment of periodical inventory, list management of overdue loans, management of material credit risk events, centralised approval for group customers, and management of major customers, all with the aim of strengthening the proactive control of potential risks. Overall, the Bank maintained relatively stable asset quality by enhancing the supervision of risk analysis and asset quality control for key regions, and strengthening window guidance on trade finance and other key products.

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, the Bank stepped up the application of the New Basel Capital Accord and improved the management of its credit portfolios. In line with the government's macro-control measures and the direction of industrial policy, the Bank enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system so as to optimise its credit structure.

In terms of corporate banking, the Bank further strengthened risk identification and control, proactively reduced and exited credit relationships in key fields, strictly controlled the gross outstanding amount and weighting of loans through limit management, and prevented and mitigated risk from overcapacity industries. It intensified the management of loans to LGFVs and strictly controlled the outstanding balances. In addition, the Bank implemented the government's macro-control policies and regulatory measures in the real estate sector so as to strengthen the risk management of real estate loans.

In terms of personal banking, the Bank enforced regulatory requirements on personal housing loans and continued to strictly implement differentiated policies. It improved management policies for personal housing loans, personal business loans, personal operating auto loans, overseas personal loans and credit card loans. It also strengthened risk control of key products and regions.

The Bank intensified country risk management and closely monitored the quality of its overseas credit assets. It enhanced rating management and limit control, refined related country risk management policies and monitoring systems, and further strengthened the management of potential high-risk countries and regions.

The Bank also stepped up the collection of NPAs. The domestic branches set up recovery centres that enhanced NPA disposal efficiency by allocating internal and external recovery resources in a uniform manner and by carrying out centralised management of non-performing credit programmes. The Bank carefully assessed the potential value of NPAs, taking various steps including actively exploring innovative approaches such as NPA securitisation. It adopted policies based on the actual conditions of individual enterprises, strengthened restructuring efforts and strived to help enterprises get out of difficulty. Taking advantage of its internationalised and diversified business, the Bank made comparable analysis of domestic and international NPA collection, actively participated in the study and adjustment of regulatory policies and strengthened support to the real economy. It conducted NPA disposal and continued to implement accountability measures for losses in compliance with laws and regulations.

The Bank scientifically measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification* issued by the CBRC, which requires Chinese commercial banks to classify loans into the following five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified as substandard, doubtful and loss are recognised as NPLs. In order to further refine its credit asset risk management, the Bank used a 13-tier risk classification criteria scheme for corporate loans to domestic companies, covering on-balance sheet and off-balance sheet credit assets. In addition, the Bank strengthened risk classification management of key industries, regions and material risk events, and dynamically adjusted classification results. It strengthened the management of loan terms, managed overdue loans by the name list system and made timely adjustments to risk classification results, so as to truly reflect asset quality. The *Guidelines for Loan Credit Risk Classification* is also applicable to the overseas operations of the Bank. However, the Bank classified credit assets in line with local applicable rules and requirements if they were stricter.

As at the end of 2015, the Group's NPLs totalled RMB130.897 billion, representing an increase of RMB30.403 billion compared with the prior year-end. The NPL ratio was 1.43%, up by 0.25 percentage point compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB200.665 billion, representing an increase of RMB12.134 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 153.30%, down by 34.30 percentage points from the prior year-end. The NPLs of domestic institutions totalled RMB127.635 billion, representing an increase of RMB30.578 billion compared with the prior year-end. Domestic institutions' NPL ratio was 1.77%, up by 0.30 percentage point compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB229.165 billion, an increase of RMB28.511 billion compared with the prior year-end, accounting for 2.51% of total loans and advances, up by 0.14 percentage point from the prior year-end.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 31 December 2015 Amount	As at 31 December 2015 % of total	As at 31 December 2014 Amount	As at 31 December 2014 % of total
Group				
Pass	**8,775,798**	**96.06%**	8,182,127	96.45%
Special-mention	**229,165**	**2.51%**	200,654	2.37%
Substandard	**58,741**	**0.64%**	54,369	0.64%
Doubtful	**41,516**	**0.45%**	24,705	0.29%
Loss	**30,640**	**0.34%**	21,420	0.25%
Total	**9,135,860**	**100.00%**	8,483,275	100.00%
NPLs	**130,897**	**1.43%**	100,494	1.18%
Domestic				
Pass	**6,854,159**	**95.21%**	6,319,759	95.67%
Special-mention	**217,300**	**3.02%**	188,957	2.86%
Substandard	**57,049**	**0.79%**	52,925	0.80%
Doubtful	**40,612**	**0.56%**	22,991	0.35%
Loss	**29,974**	**0.42%**	21,141	0.32%
Total	**7,199,094**	**100.00%**	6,605,773	100.00%
NPLs	**127,635**	**1.77%**	97,057	1.47%

Migration Ratio

Unit: %

Items	2015	2014	2013
Pass	**2.22**	1.92	1.68
Special-mention	**22.07**	9.89	10.52
Substandard	**48.25**	42.38	31.09
Doubtful	**46.25**	46.94	8.86

In accordance with the International Accounting Standard No. 39, loans and advances to customers are considered impaired, and allowances are made accordingly, if there is objective evidence of impairment resulting in a measurable decrease in estimated future cash flows from loans and advances. As at the end of 2015, the Group's identified impaired loans totalled RMB130.237 billion, representing an increase of RMB30.448 billion compared with the prior year-end. The impaired loans to total loans ratio was 1.43%, an increase of 0.25 percentage point compared with the prior year-end. For domestic institutions, impaired loans totalled RMB127.635 billion, representing an increase of RMB30.578 billion compared with the prior year-end. The impaired loans to total loans ratio of domestic institutions was 1.77%, up by 0.30 percentage point compared with the prior year-end. The Bank's operations in Hong Kong, Macau, Taiwan and other countries reported identified impaired loans of RMB2.602 billion and an impaired loans to total loans ratio of 0.13%, representing a decrease of RMB0.130 billion and 0.02 percentage point compared with the prior year-end respectively.

Movement of Identified Impaired Loans

Unit: RMB million

Items	2015	2014	2013
Group			
Balance at the beginning of the year	**99,789**	73,119	65,455
Increase during the year	**71,325**	60,197	31,658
Decrease during the year	**(40,877)**	(33,527)	(23,994)
Balance at the end of the year	**130,237**	99,789	73,119
Domestic			
Balance at the beginning of the year	**97,057**	70,433	62,844
Increase during the year	**69,422**	58,577	30,325
Decrease during the year	**(38,844)**	(31,953)	(22,736)
Balance at the end of the year	**127,635**	97,057	70,433

Loans and Identified Impaired Loans by Currency

Unit: RMB million

Items	As at 31 December 2015		As at 31 December 2014		As at 31 December 2013	
	Total loans	Impaired loans	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	**7,011,867**	**112,983**	6,339,052	86,914	5,741,454	61,452
Foreign currency	**2,123,993**	**17,254**	2,144,223	12,875	1,866,337	11,667
Total	**9,135,860**	**130,237**	8,483,275	99,789	7,607,791	73,119
Domestic						
RMB	**6,799,585**	**112,763**	6,104,014	86,205	5,553,630	61,184
Foreign currency	**399,509**	**14,872**	501,759	10,852	504,550	9,249
Total	**7,199,094**	**127,635**	6,605,773	97,057	6,058,180	70,433

The Bank makes adequate and timely allowances for loan impairment losses in accordance with the principles of prudence and authenticity. Allowances for impairment losses on loans consist of individually assessed and collectively assessed allowances. Please refer to Notes II.4 and VI.3 to the Consolidated Financial Statements for the accounting policy in relation to allowances for impairment losses.

In 2015, the Group's impairment losses on loans and advances stood at RMB55.872 billion, an increase of RMB9.266 billion compared with the prior year. The credit cost was 0.63%, an increase of 0.05 percentage point compared with the prior year. In particular, domestic institutions registered impairment losses on loans and advances of RMB53.327 billion, an increase of RMB9.753 billion compared with the prior year. The credit cost of domestic institutions was 0.77%, an increase of 0.08 percentage point compared with the prior year.

The Bank continued to focus on controlling borrower concentration risk and was in full compliance with regulatory requirements on borrower concentration.

Unit: %

Indicator	Regulatory Standard	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Loan concentration ratio of the largest single borrower	≤10	**2.3**	2.4	2.1
Loan concentration ratio of the ten largest borrowers	≤50	**14.0**	14.7	14.2

Notes:

1 Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net regulatory capital.

2 Loan concentration ratio of the ten largest borrowers = total outstanding loans to the top ten borrowers ÷ net regulatory capital.

Please refer to Notes V.17 and VI.3 to the Consolidated Financial Statements for detailed information regarding loan classification, the classification of identified impaired loans and allowance for loan impairment losses.

The following table shows the top ten individual borrowers as at the end of 2015.

Unit: RMB million, except percentages

	Industry	Outstanding loans	% of total loans
Customer A	Manufacturing	33,899	0.37%
Customer B	Transportation, storage and postal services	30,979	0.34%
Customer C	Transportation, storage and postal services	27,014	0.30%
Customer D	Water, environment and public utility management	22,793	0.25%
Customer E	Commerce and services	19,026	0.21%
Customer F	Transportation, storage and postal services	16,503	0.18%
Customer G	Mining	16,494	0.18%
Customer H	Production and supply of electricity, heating, gas, and water	14,653	0.16%
Customer I	Production and supply of electricity, heating, gas, and water	14,129	0.15%
Customer J	Transportation, storage and postal services	13,806	0.15%

Market Risk Management

In response to changes in the market environment and to business development and management requirements, the Bank revised its market risk management policies, improving the responsiveness and flexibility of the Group's market risk management system. It actively responded to changes in business risk characteristics, reinforced the prevention and control of crossover risks, and established integrated management of counterparty credit risk. In addition, the Bank carried forward its programme of integrating the front, middle and back offices of its financial market businesses, thus supporting its overseas development.

The Bank remained committed to managing the market risk of the Group's trading book in a proactive manner. It unified the stress test scenarios of the Group and realised full coverage of market risk limits for all institutions' transactions. It also optimised the dynamic adjustment mechanism of limits so as to provide reasonable risk resources for business growth. In response to greater fluctuations in domestic capital markets and growing interconnection between domestic and overseas financial markets, the Bank enhanced the monitoring and analysis of market risks in non-traditional commercial banking business such as equity and commodities, thus enhancing its capabilities for early warning and timely response to risk events. It energetically expanded innovative businesses such as London gold pricing, offshore RMB integrated transactions and transactions in various FTZs, and effectively supported business growth through the preparation of plans regarding business authorisation, management processes, risk measurement and system implementation. Please refer to Note VI.4 to the Consolidated Financial Statements for detailed information regarding market risk.

In order to strengthen the interpenetrated management of on-balance and off-balance sheet bond investment, the Bank carried out graded warning and hierarchical management and established a Group integrated risk warning mechanism for credit-related bonds. Moreover, it formulated proper impairment rules of RMB credit-related bonds, so as to effectively mitigate risks. The Bank also established risk evaluation models for domestic asset-based securitisation (ABS) to carry out quantitative evaluations.

The Bank assessed the interest rate risk in its banking book mainly through analysis of interest rate re-pricing gaps, made timely adjustments to the structure of assets and liabilities based on changes in the market situation, and controlled the fluctuation of net interest income at an acceptable level. Assuming that the yield curves of all currencies were to shift up or down 25 basis points in parallel, the Group's banking book sensitivity analysis of net interest income on all currencies is as follows[5]:

Unit: RMB million

	As at 31 December 2015				As at 31 December 2014			
Items	**RMB**	**USD**	**HKD**	**Other**	RMB	USD	HKD	Other
Up 25 Bps	**(2,046)**	**(191)**	**(90)**	**(239)**	(1,240)	(149)	86	132
Down 25 Bps	**2,046**	**191**	**90**	**239**	1,240	149	(86)	(132)

In terms of the management of exchange rate risk, the Bank sought to achieve currency matching between fund source and application and managed exchange rate risk through timely settlement, thus effectively controlling its foreign exchange exposure.

5 This analysis is based on the approach prescribed by the CBRC, which includes all off-balance sheet positions. This is presented for illustrative purposes only, and is based on the Group's gap position as at the end of 2015 without taking into account any change in customer behavior, basis risks or any prepayment options on debt securities. The table has only shown the potential impact on the Group's net interest rates moving up or down 25 basis points. The analysis is based on the Group's audited financial information.

Liquidity Risk Management

The Bank continued to develop and improve its liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution level and the group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

The governance structure for liquidity risk management consists of the Board of Directors, the Board of Supervisors, senior management and its subordinate Asset and Liability Management Committee, functional departments of the Head Office, and the Bank's domestic and overseas branches and subsidiaries. The Board of Directors assumes ultimate responsibility for liquidity risk management, while other entities perform their own liquidity management and supervision functions.

Seeking at all times to balance safety, liquidity, and profitability, and following regulatory requirements, the Bank improved its liquidity risk management system and upgraded its liquidity management function in a forward-looking and scientific manner. The Bank enhanced liquidity risk management at both the Group and branch levels. It formulated sound liquidity risk management policies and contingency plans, periodically re-examined the liquidity risk limit, upgraded the early warning system for liquidity risk and strengthened the management of high-quality liquid assets, such as bond investments, in order to balance risk and return. In addition, it regularly improved the liquidity stress-testing plan and performed stress tests on a quarterly basis. The results of stress tests showed that the Bank had adequate payment ability to cope with distressed scenarios.

As at the end of 2015, all of the Bank's liquidity risk indicators met regulatory requirements, as shown in the table below (liquidity ratios apply to the Group, excess reserve ratio and inter-bank ratios apply to the Bank's domestic operations. Major regulatory ratios here are calculated in accordance with relevant provisions of domestic regulatory authorities):

Unit: %

Major regulatory ratios		Regulatory standard	**As at 31 December 2015**	As at 31 December 2014	As at 31 December 2013
Liquidity ratio	RMB	≥25	**48.6**	49.9	48.0
	Foreign currency	≥25	**62.0**	59.9	62.2
Excess reserve ratio	RMB	–	**1.5**	2.3	1.7
	Foreign currency	–	**19.0**	14.6	23.8
Inter-bank ratio	Inter-bank borrowings ratio	≤8	**1.1**	0.3	0.2
	Inter-bank loans ratio	≤8	**0.1**	0.4	2.3

Liquidity gap analysis is one of the methods used by the Bank to assess liquidity risk. Liquidity gap results are periodically calculated, monitored and used for sensitivity analysis and stress testing. As at the end of 2015, the Bank's liquidity gap was as follows (please refer to Note VI.5 to the Consolidated Financial Statements):

Unit: RMB million

Items	**As at 31 December 2015**	As at 31 December 2014
Overdue/Undated	**1,940,702**	2,042,886
On demand	**(5,673,516)**	(5,015,706)
Up to 1 month	**(1,163,853)**	(804,780)
1–3 months (inclusive)	**(236,711)**	(97,853)
3–12 months (inclusive)	**734,148**	230,541
1–5 years (inclusive)	**2,009,358**	1,696,225
Over 5 years	**3,747,477**	3,132,115
Total	**1,357,605**	1,183,428

Note: Liquidity gap = assets that mature in a certain period – liabilities that mature in the same period.

Reputational Risk Management

The Bank fully implemented the *Guidelines for Reputational Risk Management of Commercial Banks* issued by the CBRC, actively followed the Group's policy on reputational risk management and continued to enhance its reputational risk management system and mechanism. It strengthened the consolidated management of reputational risk in order to enhance the overall reputational risk management level of the Group. It attached great importance to the investigation and pre-warning of potential reputational risk factors, strengthened daily public opinion monitoring, carried out in-depth identification and assessment, response, reporting and evaluation of reputational risks, established a coordination mechanism between reputational risk management departments and liable departments, and dealt appropriately with reputational risk events, thus effectively maintaining the brand reputation of the Group. In addition, the Bank continued to implement training sessions on reputational risk, so as to enhance employees' awareness of reputational risk and cultivate the Group's reputational risk management culture.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision, emphasising early risk warning and prevention.

The Bank continued to improve the "three lines of defence" mechanism for internal control. The first line of defence consists of departments of the Head Office, tier-1 branches, direct branches, tier-2 branches and all banking outlets under tier-2 branches (with the exception of those departments that form part of the second or third lines of defence). They are the owners of, and are accountable for, local risks and controls. They undertake self-control risk management functions in the course of their business operations, including the formulation and implementation of policies, business examination, the reporting of control deficiencies and the organisation of rectification measures.

The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for overall planning, implementing, examining and assessing risk management and internal control. They are also responsible for identifying, measuring, monitoring and controlling risks. The Group's operational risk monitoring and analysis platform is used to realise regular and automated smart monitoring of major risks, helping the Bank to take timely risk prevention and mitigation measures. To enhance business processes and systems, the Bank adjusted policies and regulations in a timely manner during the year.

The third line of defence rests in the audit and inspection departments of the Bank. The audit department is responsible for performing internal audit of the Bank's internal control and risk management in respect of their adequacy and effectiveness. The inspection department is responsible for staff non-compliance sanction, investigation of cases, management accountability and Party member supervision. In 2015, the audit department performed its internal audit functions effectively, improved the audit working system and vigorously promoted IT application in audit activities. It closely watched risk changes and trends and enhanced the supervision and inspection of key anti-fraud areas, high-risk areas and areas of special concern to the Board of Directors, management and regulators. It strengthened follow-up audits of risk events, potential risks and issues identified by regulators and internal and external auditors, in order to assist the prevention of systemic and regional risks. In addition, the audit department dynamically tracked the establishment and improvement of the Group's risk management mechanism, thus continuing to support the sound operation and healthy development of the Bank.

In order to continually improve its anti-fraud management system, the Bank clarified which bodies were responsible for organisational leadership, policy-making and enforcement, supervision and inspection and accountability. To secure a comprehensive performance of counter-fraud duties, it adhered to the basic principles of fraud case accountability, including "inquiry of four accountable subjects into one case", "both institutional and business-line management accountability" and "management two levels higher than the branch/outlet accountable where serious fraud occurs". The Bank comprehensively enhanced day-to-day internal control management by establishing risk management and internal control committee in tier-2 branches and rolling out such practices as "branch outlet head contact" to enhance the risk prevention and control capacity of sub-branches and outlets. It also used management tools such as on-site examination, off-site monitoring and issue rectification to enhance its fraud case prevention and resolution capacity.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, adhering to the primary goal of ensuring the effectiveness of its internal control over financial reporting and the accuracy of its financial information. It also constantly improved non-financial internal control. The Bank earnestly implemented the *Guidelines for Internal Control of Commercial Banks* by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by a reasonable division of work, well-defined responsibilities and clear reporting relationships.

The Bank established and implemented a systematic financial accounting policy system in accordance with the relevant accounting laws and regulations. Accordingly, the Bank's accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was continuously improved. The Bank set criteria for accounting appraisal and continued to promote the qualification of accounting groundwork. The Bank continuously strengthened the quality management of its accounting information, so as to ensure the effectiveness of internal control over financial reporting. The financial statements of the Bank were prepared in accordance with the applicable accounting standards and related accounting regulations, and the financial position, operational performance and cash flows of the Bank were fairly presented in all material respects.

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In 2015, the Bank succeeded in preventing 128 external cases involving RMB152 million.

Operational Risk Management

The Bank continuously improved the Group's operational risk management system. It promoted the application of operational risk management tools, using the three major tools of Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC) to continually identify, assess and monitor operational risks. The Bank enhanced its system support capability by optimising the operational risk management information system, improving the mechanism for the rectification of internal control issues and establishing a written commitment system. It continuously strengthened its business continuity management system and improved its operating mechanism.

Compliance Management

The Bank continuously improved its compliance risk management system to better meet compliance risk management requirements. It continued to monitor and assess compliance risk by tracking regulatory requirements and undertaking inspections and evaluations, and significantly developed its compliance risk reporting mechanism. It adhered to international regulatory requirements, stepped up the development of the overseas institutions' compliance committee mechanism and related performance assessments, thus enhancing the overall level of compliance risk management throughout the Group.

The Bank enhanced group-wide anti-money laundering (AML) capabilities by formulating and implementing the three-year plan for AML. It improved its AML governance framework, increased AML-related resources and standardised the operational mechanism of the AML working committee. It implemented regulatory requirements and revised and improved AML working guidance for the Bank's business lines. It improved suspicious transaction identification and monitoring by establishing suspicious transaction monitoring centres in domestic institutions, carrying out quality assessment of suspicious transaction analysis and enhancing the quality of suspicious transaction reports. It established and implemented risk based mechanisms for customer risk rating and improved the functions of its customer risk rating system. It continued to roll out the AML system in overseas institutions and implemented AML training plans for all employees, with the aim of training 100% of outlet staff.

The Bank enhanced the management of its connected transactions and internal transactions. It updated databases of the Group's connected parties and strengthened information verification and monitoring. It also optimised its connected transaction monitoring system and expanded the automatic collection scope for transaction information and developed new functions for the automatic verification of connected parties. It implemented group-wide internal transaction monitoring and reporting and guided and standardised the operation mechanism of internal transaction verification.

Capital Management

Pursuant to capital regulations, the Bank urged all units to improve their awareness of capital constraints and continuously optimised its on-balance sheet and off-balance sheet asset structures. It allocated more capital to capital-lite business, rationally controlled increases in off-balance sheet risk assets, strictly limited the size of high-risk-weighted assets and made efforts to reduce capital occupancy. The Bank also strengthened the application of the New Basel Capital Accord and incorporated New Accord tools into its credit policy and portfolio management, so as to achieve more rigid control of RAROC and to allocate more credit resources to capital-lite business.

The Bank replenished capital in a proactive and prudent manner. On 13 March 2015, the Bank returned to the domestic market to successfully issue RMB28.0 billion of preference shares, thus completing the RMB100.0 billion preference share issuance plan approved by the Board of Directors and the shareholders' meeting. The Bank is now the largest issuer of preference shares listed in the domestic market in terms of issuing scale. In addition, the Bank took advantage of favourable capital market conditions to launch the redemption of RMB40.0 billion of convertible bonds. With a final conversion rate of 99.94%, this was effective in driving the conversion of convertible bonds into shares and increasing the Bank's common equity tier 1 capital. Such capital replenishment measures enhanced the quantity and quality of the Bank's capital, thereby laying a solid foundation for its future development. The Bank will continue to improve its capital management quality, promote the sustainable and healthy development of all its businesses and continuously deliver favourable returns and meet shareholders' needs.

Capital Adequacy Ratios

On 2 April 2014, the CBRC formally approved the Bank's implementation of advanced capital management approaches. As at the end of 2015, the capital adequacy ratios separately calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Regulation Governing Capital Adequacy of Commercial Banks* are listed below:

Capital Adequacy Ratios

Unit: RMB million, except percentages

	Group		Bank	
Items	**As at 31 December 2015**	As at 31 December 2014	**As at 31 December 2015**	As at 31 December 2014
Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Net common equity tier 1 capital	**1,182,300**	1,054,389	**1,042,396**	929,096
Net tier 1 capital	**1,285,459**	1,127,312	**1,142,110**	1,000,841
Net capital	**1,498,396**	1,378,026	**1,335,327**	1,234,879
Common equity tier 1 capital adequacy ratio	**11.10%**	10.61%	**11.06%**	10.48%
Tier 1 capital adequacy ratio	**12.07%**	11.35%	**12.12%**	11.29%
Capital adequacy ratio	**14.06%**	13.87%	**14.17%**	13.93%
Calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks*				
Core capital adequacy ratio	**11.38%**	11.04%	**11.56%**	11.20%
Capital adequacy ratio	**14.45%**	14.38%	**14.53%**	14.45%

Please refer to Note VI.7 to the Consolidated Financial Statements for detailed information.

Leverage Ratio

On 1 April 2015, the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* officially took effect. The Bank calculated its leverage ratio in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)*, the *Leverage Ratio Rules for Commercial Banks* and the *Capital Rules for Commercial Banks (Provisional)*. The details are as follows:

Unit: RMB million, except percentages

Items	**As at 31 December 2015 Calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)***	As at 31 December 2014 Calculated in accordance with the *Leverage Ratio Rules for Commercial Banks*
Net tier 1 capital	**1,285,459**	1,127,312
Adjusted on- and off-balance sheet assets	**18,297,331**	18,230,490
Leverage ratio	**7.03%**	6.18%

Please refer to the "Leverage Ratio" in Appendix IV to the Consolidated Financial Statements for detailed information.

Management Discussion and Analysis — Organisational Management, Human Resources Development and Management

Organisational Management

As at the end of 2015, the Bank had a total of 11,633 institutions worldwide, including 10,989 institutions in Chinese mainland and 644 institutions in Hong Kong, Macau, Taiwan and other countries. Its domestic commercial banking business comprised 10,687 institutions, including 37 tier-1 and direct branches, 323 tier-2 branches and 10,326 outlets.

Geographic Distribution of Organisations and Employees

Unit: RMB million/unit/person, except percentages

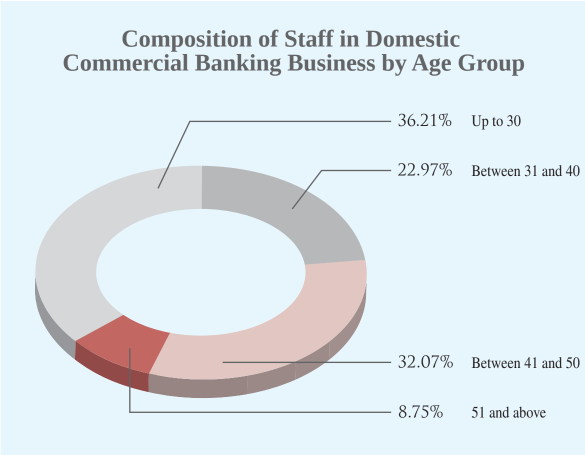
	Assets		Organisations		Employees	
Items	**Total assets**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Northern China	5,644,926	29.86%	1,901	16.34%	57,980	18.69%
Northeastern China	686,305	3.63%	953	8.19%	26,256	8.47%
Eastern China	3,726,724	19.71%	3,614	31.07%	93,295	30.09%
Central and Southern China	2,678,824	14.17%	2,804	24.10%	69,527	22.43%
Western China	1,341,178	7.09%	1,717	14.76%	38,001	12.26%
Hong Kong, Macau and Taiwan	3,010,958	15.92%	510	4.38%	20,021	6.46%
Other countries	1,819,844	9.62%	134	1.16%	4,962	1.60%
Elimination	(2,093,162)					
Total	16,815,597	100.00%	11,633	100.00%	310,042	100.00%

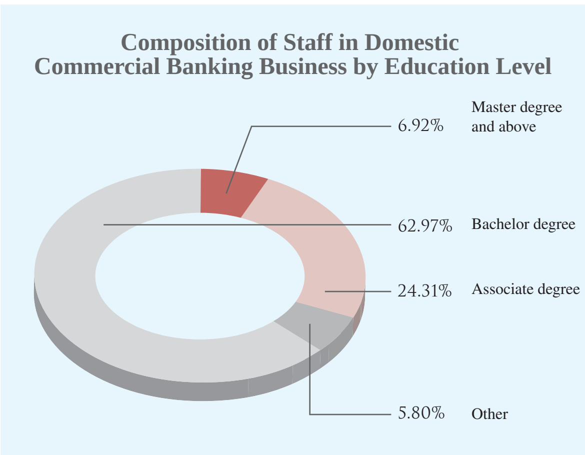
Note: The proportion of geographic assets was based on data before intra-group elimination.

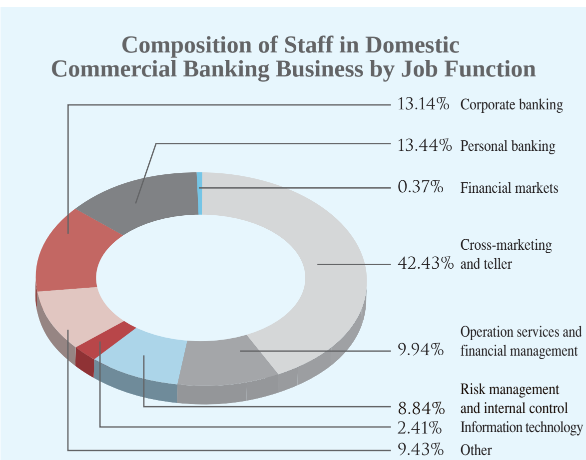
Human Resources Development and Management

As at the end of 2015, the Bank had 310,042 employees. There were 285,059 employees in Chinese mainland, of which 277,657 worked in the Bank's domestic commercial banking business. The Bank had 24,983 employees in Hong Kong, Macau, Taiwan and other countries. As at the end of 2015, the Bank bore costs for a total of 6,009 retirees.

In 2015, in line with the Group's development strategy and annual priorities, the Bank further improved the organisational structure of the Group, increased the allocation efficiency in resources of personnel and personnel expenses, and strengthened the incentive and restraint mechanism. The Bank vigorously enhanced personnel selection, allocation, cultivation and retaining, providing solid support for the Group's strategy implementation and operational development.







By focusing on the sequence of professional career development, the Bank accelerated the construction of various skilled personnel teams, formulated a sound overall plan for sequenced professional growth and carved out clear career paths for professionals. It further improved personnel allocation, tapped into staff potential and strengthened personnel retention by creating a favourable atmosphere in which personnel are respected and cherished and their strengths are fully employed. The Bank further emphasised grassroots outlet experience and encouraged outstanding employees to practice and develop in grassroots institutions and challenging areas. Moreover, the Bank enhanced its remuneration and performance management schemes, promoted the "broad-band" remuneration system and upgraded personnel expense allocation, in a bid to improve the input-output efficiency of personnel expenses. To tackle challenges in performance evaluation management, the Bank developed and applied an employee performance assessment system (EPS), innovating the mode of employee performance evaluation management.

The Bank stepped up efforts in cultivating the international and diversified experience of its personnel, and reinforced the construction of a talent pool fluent in minority languages. It conducted key training programmes regarding the "Belt and Road" initiative, FTZs, RMB internationalisation, financial services for Chinese enterprises' "Going Global" efforts and the Nation's plan on the development of key regions. It also held a "Belt and Road" international financial communication and cooperation seminar with Cambodia, thus building a high-level training brand. In addition, the Bank vigorously boosted the building of an education and training system and allocated greater training resources to grassroots institutions, thereby enhancing the capabilities and competency of grassroots staff. In 2015, the domestic commercial banking institutions of the Bank held a variety of training courses totalled 111,904 with 2,741,209 participants.

Management Discussion and Analysis — Outlook

In 2016, both the Chinese and global economy will undergo profound adjustments in an uncertain financial environment. The global economy will experience weak and divergent growth, and major financial markets will see greater fluctuation. China's economy will face great downward pressures, including pressures on asset quality, as the country enters into a critical period of shifting growth speed, adjusting economic structure and switching growth impetus. Nevertheless, commercial banks will embrace the significant development opportunities arising from the full-scale implementation of the 13th Five-year Plan, stronger supply-side reforms and the unchanged long-term direction of China's economic upturn. The Bank will continue to implement national macroeconomic policies, uphold the strategic goal of "Serving Society, Delivering Excellence" and develop its business steadily and solidly by focusing on "innovation, transformation, mitigation, management and control".

Persist in innovation to drive future development. The Bank will actively implement the national "Internet Plus" initiative and enhance technology and business innovation with a view to improving customer experience, sharpening its competitive edge in the mobile internet era and fostering new advantages in business development and competition. It will push forward the development of internet finance by strengthening its online capacities in terms of products, customers, risk controls and channels, and by building a new and co-ordinated offline and online model for attracting new customers based on scenario and essence of financial services. The Bank will accelerate the construction of smart outlets and optimise business, service and sales processes so as to enhance their competitiveness. It will improve IT capability, further optimise its global information system framework and stay ahead of its competitors in terms of globally integrated development. The Bank will also accelerate process innovation and increase operational service capacity.

Deepen business transformation to improve operating performance. The Bank will accelerate business transformation in line with the implementation of national major strategies and make new breakthroughs in structural adjustment. It will optimise the allocation of domestic and overseas assets, continue to lead the market in RMB internationalisation business and advance the construction of the financial artery of the "Belt and Road". The Bank will place equal emphasis on cross-border collaborative business and overseas local business, accelerate the expansion of institutions worldwide, push forward the leading advantages of BOCHK and increase the contribution of its overseas operations. In order to cultivate the Group's income sources, the Bank will step up development in key regions, harness the role of Shanghai in driving innovation, give full play to the development potential of the Pearl River Delta and optimise business distribution in the Bohai Rim. It will step up personal banking development and strengthen the development in the four business fields of people's livelihood financial services, wealth finance, consumer finance and cross-border finance. It will increase its emphasis on personal banking business by developing its personal loan business and bank card business, so as to increase the proportion of personal banking business. It will deepen the transformation of its corporate banking business by improving integrated customer services, actively exploring high-quality credit business and enhancing the quality and efficiency of services for the real economy. It will accelerate the development of its financial markets business and asset management business, deepen the construction of its globally integrated trading platform, reinforce its overseas trading centres and achieve capital-efficient development. The Bank's domestic RMB-denominated loan portfolio is expected to grow by approximately 12% in 2016.

Strive to mitigate risks and improve its risk control system. The Bank will improve its risk management system to better reflect the economic "new normal" and ensure that it continues to meet regulatory requirements. It will enhance the "three lines of defence", improve its product control mechanism and customer management system and optimise its authorisation management system and process. It will improve risk control technique and comprehensive risk management efficiency. It will find improved solutions for NPAs, disposing of NPAs by maximising policy utilisation, activating resources and revitalising existing NPAs using market-oriented, diversified and comprehensive approaches. It will implement unified management of credit extension to customers, strengthen risk management over key fields, strictly prevent potential credit risks and maintain a stable asset quality. It will strengthen governance of non-compliant cases and enhance overseas compliance and AML efforts to ensure operational compliance. The Bank will closely monitor changes in the economic and financial situation, improve coordinated planning for domestic and overseas markets, enhance liquidity risk protection and ensure proactive management of exchange rate risk and interest rate risk.

Strengthen Group management and control to enhance development synergy. Focusing on key business fields and intra-Group links, the Bank will continue to improve its management systems and mechanisms and increase its refined management capacity. To improve the Group's management mechanisms, the Bank will introduce a flat management structure, intensify economic capital constraints and optimise the Group's internal fund transfer mechanism, thereby improving internal management efficiency. It will actively respond to interest rate liberalisation, strengthen proactive liability management, properly manage the relationship between the volume growth, structural adjustment and cost control, and further reduce deposit cost. The Bank will enhance its diversified and coordinated development mechanism, harness the professional advantages of its subsidiaries and deepen the linkages between its diversified platforms and commercial banking business, so as to improve overall operating performance.

Corporate Social Responsibilities

Bank of China (Malaysia) Berhad participated in a local running activity for charity cause

Guilin Branch provided high quality financial services to the China-ASEAN Expo Tourism Exhibition

Upholding the development strategy of "Serving Society, Delivering Excellence", the Bank comprehensively fulfilled its responsibilities as a large state-owned bank and a global corporate citizen. In order to serve, contribute and repay to society, the Bank integrated its own development path into the overall economic construction and social advancement of the country. It played an active part in promoting the public interest, making important contributions to post-disaster assistance, poverty alleviation, the development of education, science, culture and art, and protection of ecological environment.

Responsibility to the country

The Bank proactively served the nation's strategy. To push forward the construction of the financial artery of the "Belt and Road" initiative, it newly set up 3 institutions, reaching a total of 18 institutions along the "Belt and Road", thus extending its service network and opening up its financial channels. The Bank also leveraged its competitive advantages to push forward the process of RMB internationalisation. It successfully obtained RMB clearing bank qualifications in Kuala Lumpur, Hungary, South Africa and Zambia, thus continuing to lead its peers in number of clearing banks and establishing an RMB clearing network that covers the globe. It took proactive steps to embrace the "new normal" in the financial and economic fields and fulfilled its responsibilities as a Global Systemically Important Bank. It continued to comprehensively strengthen its risk management, stepped up efforts to resolve non-performing assets and managed to control asset quality at a reasonable level.

Responsibility to shareholders

Attaching great importance to shareholders' rights, the Bank continuously innovated in and improved its corporate governance structure and strengthened its information disclosure compliance management and communication with capital markets. It also had its stock included in the SSE 50 Index again and managed to maintain a stable external rating, so as to deliver long-term value to shareholders.

Responsibility to customers

Relying on its global network and diversified financial platform, the Bank provided excellent and highly efficient globally integrated financial services to its customers through its innovative products and services. It accelerated the "smart" upgrading of its outlets and continued to improve its online finance service capacity. It also launched innovative financial products and services concerning people's livelihood and accelerated the construction of a people-benefit financial services system. It continually optimised regulations and procedures for customer data protection and complaint handling, with a view to establishing a sound internal supervision mechanism. Moreover, the Bank strengthened customers' awareness of financial security issues through a sustained public information campaign, with the aim of jointly building a sound financial ecology.

Responsibility to employees

Adhering to the principle of "people first", the Bank placed high importance on employee needs and proactively developed a human resources management model suited to its corporate culture and operational management. In addition to offering continuously enhanced training, the Bank encouraged employees to gain working experience in outlets and overseas, worked hard to develop inter-disciplinary professionals with international profiles and to provide employees with the space they need for further career development. To facilitate internal communication, staff representatives were invited to participate in the democratic management of the Bank by means of letters, visits and talks between senior leaders and employees. Over 90% of branches convened the employee delegates' meetings. The Bank has conducted employee satisfaction surveys for 13 consecutive years with satisfaction growing year on year.

Responsibility to the society

The Bank enthusiastically fulfilled its responsibilities as a global corporate citizen. It assisted relief and reconstruction efforts in the disaster-hit areas such as the earthquake-stricken regions of Tibet and the flood-affected regions of Myanmar through a variety of efforts such as donation and emergency assistance. It supported the poverty alleviation work in the Yongshou, Changwu, Chunhua and Xunyi counties of Xianyang, Shaanxi Province for the 13th consecutive year. The Bank completed over 100 poverty relief programmes, including people relocation projects, building primary and middle schools building and ensuring drinking water supply for people and livestock, among others. The Bank extended

Beijing Branch went to communities to promote financial knowledge to senior citizens

Xiamen Branch organised fun cycling activity for employees government-sponsored student loans for the 16th consecutive year and now accumulatively provided RMB21.2 billion for over 1.6 million financially underprivileged students. It sponsored the Tan Kah Kee Science Award and the Tan Kah Kee Young Scientist Award for the 12th consecutive year, in order to honour the excellent scientists who have made original scientific and technological achievements in China. For the seventh year, its strategic cooperation with the National Center for the Performing Arts facilitated artistic exchanges at home and abroad. The Bank sponsored the Rainbow Bridge programme for the fourth consecutive year, supporting more than 190 outstanding but financially disadvantaged Chinese and American students to take part in cross-border cultural and study exchanges. It continued to support the poverty alleviation programmes in the Xinjiang Autonomous Region by dispatching work teams to 17 villages across 12 prefectures. A special education fund was also established for impoverished college students. In addition, it also conducted more than 20 programmes related to infrastructure construction, featured agriculture, healthcare and other fields.

Responsibility to the environment

The Bank continually improved its credit policies in favour of environmental protection. It vigorously enhanced its low-carbon finance and green credit business, reinforced environmental and social risk assessment on its credit projects and put in place strict thresholds for credit extension and programme approval, as well as exercising the "one-vote veto" system with regard to environmental protection. It pushed forward innovation in green financial services and launched a series of green credit and carbon finance products. It also accelerated the construction of its electronic service platform so as to reduce its environmental footprint. Furthermore, the Bank carried out the electronic way to review the credit projects and encouraged staff to hold meetings by video and telephone in order to reduce resource consumption.

The Bank's fulfillment of its social responsibilities was widely recognised by the society. In 2015, it won four awards from the China Banking Association, including "Most Socially Responsible Financial Institution", "Social Responsibility — Best Charitable Contribution Award", "Best Practice Case Award in Social Responsibilities" and "Special Contribution Outlet Award in Social Responsibilities". It also received the "Outstanding Enterprise in Social Responsibilities" from Xinhuanet.com, "2015 Most Socially Responsible Enterprise" from China News Service, and "Top 100 Listed State-owned Enterprises by Corporate Social Responsibility" from *Southern Weekly*.

The full text of the Bank's 2015 Corporate Social Responsibility Report has been published on the websites of SSE, HKEx and the Bank.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Share Capital

Unit: Share

		As at 1 January 2015		Increase/decrease during the reporting period					As at 31 December 2015	
		Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Sub-total	Number of shares	Percentage
I.	**Shares subject to selling restrictions**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
II.	**Shares not subject to selling restrictions**	**288,731,148,000**	**100.00%**	**–**	**–**	**–**	**5,656,643,241**	**5,656,643,241**	**294,387,791,241**	**100.00%**
1.	RMB-denominated ordinary shares	205,108,871,605	71.04%	–	–	–	5,656,643,241	5,656,643,241	210,765,514,846	71.59%
2.	Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3.	Overseas listed foreign shares	83,622,276,395	28.96%	–	–	–	–	–	83,622,276,395	28.41%
4.	Others	–	–	–	–	–	–	–	–	–
III.	**Total Ordinary Shares**	**288,731,148,000**	**100.00%**	**–**	**–**	**–**	**5,656,643,241**	**5,656,643,241**	**294,387,791,241**	**100.00%**

Notes:

1 As at 31 December 2015, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2 As at 31 December 2015, none of the Bank's A Shares and H Shares were subject to selling restrictions.

3 During the reporting period, 5,656,643,241 ordinary shares were converted from the A-Share Convertible Bonds of the Bank.

Number of Ordinary Shareholders and Shareholdings

Number of ordinary shareholders as at 31 December 2015: 963,786 (including 761,073 A-Share Holders and 202,713 H-Share Holders)

Number of ordinary shareholders as at the end of the last month before the disclosure of this report: 992,136 (including 789,535 A-Share Holders and 202,601 H-Share Holders)

Top ten ordinary shareholders as at 31 December 2015:

Unit: Share

No.	Name of ordinary shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	(717,500,000)	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	135,064,583	81,805,031,953	27.79%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	7,418,756,636	7,440,607,204	2.53%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	1,810,024,500	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	Buttonwood Investment Platform Ltd.	1,060,059,360	1,060,059,360	0.36%	–	None	State-owned legal person	A
6	Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	841,994,500	841,994,500	0.29%	–	None	Other	A
7	The Bank of Tokyo-Mitsubishi UFJ Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
8	Anbang Life Insurance Co., Ltd — Conservative Investment Portfolio	477,023,612	477,023,612	0.16%	–	None	Other	A
9	Anbang Property & Casualty Insurance Co., Ltd — Traditional Product	208,018,959	208,018,959	0.07%	–	None	Other	A
10	Guotai Junan Securities Co., Ltd.	169,185,719	171,033,415	0.06%	–	None	State-owned legal person	A

The number of shares held by H-Share Holders was recorded in the register of members kept at the H-Share Registrar of the Bank.

HKSCC Nominees Limited acted as the nominee for all the institutional and individual investors that maintain an account with it as at 31 December 2015. The aggregate number of the Bank's H Shares held by HKSCC Nominees Limited included the number of shares held by the National Council for Social Security Fund.

Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.

Both Anbang Life Insurance Co.,Ltd and Anbang Property & Casualty Insurance Co.,Ltd are subsidiaries of Anbang Insurance Group Co., Ltd.

Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned ordinary shareholders.

Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 31 December 2015, the shareholders indicated in the following table were substantial shareholders having interests in shares of the Bank (as defined in the SFO):

Name of shareholder	Capacity (types of interest)	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A-Share capital	Percentage of total issued H-Share capital	Percentage of total issued ordinary share capital
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
National Council for Social Security Fund	Beneficial owner	7,518,157,041	H	–	8.99%	2.55%
BlackRock, Inc.	Interest of controlled corporations	5,846,941,761	H	–	6.99%	1.99%
		509,000(S)	H	–	0.00061%	0.00017%
JPMorgan Chase & Co.	Beneficial owner	1,641,783,188	H	–	1.96%	0.56%
		417,388,660(S)	H	–	0.50%	0.14%
	Investment manager	388,015,115	H	–	0.46%	0.13%
	Trustee	13,800	H	–	0.00002%	0.000005%
	Custodian corporation/ approved lending agent	3,810,970,114(P)	H	–	4.56%	1.29%
	Total	5,840,782,217	H	–	6.98%	1.98%
		417,388,660(S)	H	–	0.50%	0.14%
		3,810,970,114(P)	H	–	4.56%	1.29%

Notes:

1 The percentages listed above were determined based on the total A-Share capital, total H-Share capital and total ordinary share capital of the Bank as at 31 December 2015, respectively.

2 BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2 Inc., while BlackRock Holdco 2 Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. Thus BlackRock, Inc. and BlackRock Holdco 2 Inc. are deemed to have equal interests in shares of the Bank as BlackRock Financial Management, Inc. under the SFO. BlackRock, Inc. holds a long position of 5,846,941,761 H Shares and a short position of 509,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,846,941,761 H Shares, 12,658,000 H Shares are held through derivatives.

3 JPMorgan Chase & Co. holds the entire issued share capital of JPMorgan Chase Bank, N.A. Thus JPMorgan Chase & Co. is deemed to have equal interests in shares of the Bank as JPMorgan Chase Bank, N.A. under the SFO. JPMorgan Chase & Co. holds a long position of 5,840,782,217 H Shares and a short position of 417,388,660 H Shares of the Bank through JPMorgan Chase Bank, N.A. and other corporations controlled by it. In the long position of 5,840,782,217 H Shares, 3,810,970,114 H Shares are held in the lending pool and 349,510,304 H Shares are held through derivatives. All 417,388,660 H Shares in the short position are held through derivatives as well.

4 "S" denotes short position, "P" denotes lending pool.

Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 31 December 2015, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Controlling Shareholder of the Bank

Central Huijin Investment Ltd.

Central Huijin Investment Ltd. ("Huijin") is a state-owned investment company established under the Company Law on 16 December 2003, with Mr. DING Xuedong as its legal representative. Wholly owned by China Investment Corporation, Huijin makes equity investments in key state-owned financial institutions, as authorised by the State Council. To the extent of its capital contribution, Huijin exercises its rights and fulfils its obligations as an investor on behalf of the State, in accordance with applicable laws aimed at preserving and enhancing the value of state-owned financial assets. Huijin neither engages in other business activities nor intervenes in the daily operation of the key state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2015, the basic information of companies directly held by Huijin is as follows:

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

Note: ★ denotes A share listed company and ☆ denotes H share listed company.

For further details regarding China Investment Corporation, please refer to the information on its website (www.china-inv.cn). China Investment Corporation was established in 2007. Please refer to the *Announcement on Matters Related to the Incorporation of China Investment Corporation* published on 9 October 2007 by the Bank for relevant information.

As at 31 December 2015, no other legal-person shareholder held 10% or more voting shares of the Bank (excluding HKSCC Nominees Limited).

Preference Shares

Issuance and Listing of Preference Shares

With the approvals of CBRC (Yinjianfu [2014] No. 563) and CSRC (Zhengjianxuke [2014] No. 938), the Bank made a non-public issuance of RMB39.94 billion (approximately USD6.5 billion) Offshore Preference Shares on 23 October 2014 in the offshore market. Such Offshore Preference Shares have been listed on the Hong Kong Stock Exchange since 24 October 2014.

With the approvals of CBRC (Yinjianfu [2014] No. 562) and CSRC (Zhengjianxuke [2014] No. 990), the Bank made a non-public issuance of RMB32 billion Domestic Preference Shares (First Tranche) on 21 November 2014 in the domestic market. With the approval of SSE (Shangzhenghan [2014] No. 818), Domestic Preference Shares (First Tranche) have been traded on the Comprehensive Business Platform of SSE since 8 December 2014. The Bank made a non-public issuance of RMB28 billion Domestic Preference Shares (Second Tranche) on 13 March 2015 in the domestic market. With the approval of SSE (Shangzhenghan [2015] No. 377), Domestic Preference Shares (Second Tranche) have been traded on the Comprehensive Business Platform of SSE since 31 March 2015.

For the terms of issuance of the Offshore Preference Shares and Domestic Preference Shares, please refer to the Bank's announcements published on the websites of SSE, HKEx and the Bank.

Number of Preference Shareholders and Shareholdings

Number of preference shareholders as at 31 December 2015: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

Number of preference shareholders as at the end of the last month before the disclosure of this Report: 48 (including 47 domestic preference shareholders and 1 offshore preference shareholder)

Top ten preference shareholders as at 31 December 2015:

Unit: Share

No.	Name of preference shareholder	Changes during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bank of New York Mellon Corporation	–	399,400,000	39.96%	Unknown	Foreign legal person	Offshore Preference Shares
2	China Mobile Communications Corporation	180,000,000	180,000,000	18.01%	None	State-owned legal person	Domestic Preference Shares
3	China National Tobacco Corporation	–	50,000,000	5.00%	None	State-owned legal person	Domestic Preference Shares
4	Zhongwei Real Estate Co., Ltd.	–	30,000,000	3.00%	None	State-owned legal person	Domestic Preference Shares
5	Yunnan Branch of China National Tobacco Corporation	–	22,000,000	2.20%	None	State-owned legal person	Domestic Preference Shares
6	China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH	7,000,000	21,000,000	2.10%	None	Other	Domestic Preference Shares
7	China Shuangwei Investment Co., Ltd.	–	20,000,000	2.00%	None	State-owned legal person	Domestic Preference Shares
7	National Social Security Fund Portfolio 304	12,500,000	20,000,000	2.00%	None	Other	Domestic Preference Shares
7	Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	10,000,000	20,000,000	2.00%	None	Other	Domestic Preference Shares
10	Ping An Life Insurance Company of China, Ltd. — proprietary fund	4,000,000	19,000,000	1.90%	None	Domestic non-state-owned legal person	Domestic Preference Shares

The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintain an account with Euroclear and Clearstream as at 31 December 2015, held 399,400,000 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

Both Yunnan Branch of China National Tobacco Corporation and China Shuangwei Investment Co., Ltd. are wholly-owned subsidiaries of China National Tobacco Corporation. Zhongwei Real Estate Co., Ltd. is a subsidiary of China Shuangwei Investment Co., Ltd.

Save as disclosed above, the Bank is not aware of any connected relations or concerted action among the aforementioned preference shareholders, and among the aforementioned preference shareholders and the Bank's top ten ordinary shareholders.

Profit Distribution of the Preference Shares

For the profit distribution policy of the preference shares and the profit distribution arrangement during the reporting period, please refer to the section "Report of the Board of Directors".

Other Information regarding the Preference Shares

During the reporting period, there was no redemption, conversion into ordinary shares or voting rights recovery in respect of the preference shares of the Bank.

Preference shares issued by the Bank contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and preference shares issued are non-derivative instruments that will be settled in the entity's own equity instruments, but includes no contractual obligation for the entity to deliver a variable number of its own equity instruments. The Bank classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

The funds raised from the issuance of the Offshore Preference Shares and Domestic Preference Shares have been fully used to replenish the Bank's additional tier 1 capital and increase its capital adequacy ratio.

Convertible Bonds

Issuance and Changes to Convertible Bonds

With the approvals of CBRC (Yinjianfu [2010] No. 148) and CSRC (Zhengjianxuke [2010] No. 723), the Bank issued RMB40 billion A-Share Convertible Bonds on 2 June 2010. With the approval of SSE (Shangzhengfazi [2010] No. 17), such Convertible Bonds have been listed on SSE since 18 June 2010.

During the reporting period, the changes to the Bank's Convertible Bonds are as follows:

Unit: RMB

Name of Convertible Bonds	Before the change	Increase/decrease				After the change
		Conversion	Redemption	Back-sell	Others	
Bank of China A-Share Convertible Bonds	14,846,250,000	14,820,428,000	25,822,000	–	–	–

Accumulated Conversion of Convertible Bonds

Amount of conversion during the reporting period (RMB)	14,820,428,000
Number of converted shares during the reporting period (share)	5,656,643,241
Accumulated converted shares (share)	15,240,628,510
Proportion of accumulated converted shares to total issued shares before conversion	5.61%

Redemption of the Convertible Bonds

Upon satisfaction for the first time of conditional redemption provisions of the Convertible Bonds according to the *Prospectus of Bank of China Limited on Public Offering of A-Share Convertible Corporate Bonds*, and with the approval of CBRC, the Bank redeemed all of the Convertible Bonds registered after the close of the market on 6 March 2015 (the redemption record date). The Convertible Bonds redeemed amounted to RMB25,822,000, representing 0.06% of the total Convertible Bonds (RMB40 billion) issued by the Bank. Accumulatively 15,240,628,510 A Shares were converted from the Convertible Bonds, representing 5.61% of the total issued ordinary shares of the Bank (271,545,137,605 shares) before the commencement of conversion of the Convertible Bonds (1 December 2010). The Convertible Bonds were delisted from SSE as of 13 March 2015.

For details of the redemption of the Convertible Bonds, please refer to the Bank's announcements published on the websites of SSE, HKEx and the Bank.

Issuance of Other Securities

Please refer to Note V.29 to the Consolidated Financial Statements for details of the bonds issued by the Bank.

No shares of the Bank have been specifically issued to its employees.

Directors, Supervisors and Senior Management Members

Basic Information

Incumbent Directors, Supervisors and Senior Management Members

Name	Year of birth	Gender	Position	Term of office
TIAN Guoli	1960	Male	Chairman	From May 2013 to the date of the Annual General Meeting in 2016
CHEN Siqing	1960	Male	Vice Chairman and President	From April 2014 to the date of the Annual General Meeting in 2017
ZHU Hexin	1968	Male	Executive Director and Executive Vice President	From February 2016 to the date of the Annual General Meeting in 2018
ZHANG Xiangdong	1957	Male	Non-executive Director	From July 2011 to the date of the Annual General Meeting in 2017
ZHANG Qi	1972	Male	Non-executive Director	From July 2011 to the date of the Annual General Meeting in 2017
WANG Yong	1962	Male	Non-executive Director	From July 2013 to the date of the Annual General Meeting in 2016
WANG Wei	1957	Male	Non-executive Director	From September 2014 to the date of the Annual General Meeting in 2017
LIU Xianghui	1954	Male	Non-executive Director	From October 2014 to the date of the Annual General Meeting in 2017
LI Jucai	1964	Male	Non-executive Director	From September 2015 to the date of the Annual General Meeting in 2018
CHOW Man Yiu, Paul	1946	Male	Independent Director	From October 2010 to the date of the Annual General Meeting in 2016
Jackson TAI	1950	Male	Independent Director	From March 2011 to the date of the Annual General Meeting in 2017
Nout WELLINK	1943	Male	Independent Director	From October 2012 to the date of the Annual General Meeting in 2018
LU Zhengfei	1963	Male	Independent Director	From July 2013 to the date of the Annual General Meeting in 2016
LEUNG Cheuk Yan	1951	Male	Independent Director	From September 2013 to the date of the Annual General Meeting in 2016
LI Jun	1956	Male	Chairman of the Board of Supervisors	From March 2010 to the date of the Annual General Meeting in 2016
WANG Xueqiang	1957	Male	Shareholder Supervisor	From August 2004 to the date of the Annual General Meeting in 2016
LIU Wanming	1958	Male	Shareholder Supervisor	From August 2004 to the date of the Annual General Meeting in 2016
DENG Zhiying	1959	Male	Employee Supervisor	From August 2010 to the date of the 2016 Employee Delegates' Meeting
LIU Xiaozhong	1956	Male	Employee Supervisor	From August 2012 to the date of the 2015 Employee Delegates' Meeting
XIANG Xi	1971	Female	Employee Supervisor	From August 2012 to the date of the 2015 Employee Delegates' Meeting
CHEN Yuhua	1953	Male	External Supervisor	From June 2015 to the date of the Annual General Meeting in 2018
ZHANG Lin	1956	Female	Secretary of Party Discipline Committee	From August 2004
REN Deqi	1963	Male	Executive Vice President	From July 2014
GAO Yingxin	1962	Male	Executive Vice President	From May 2015
XU Luode	1962	Male	Executive Vice President	From June 2015
XIAO Wei	1960	Male	Chief Audit Officer	From November 2014
GENG Wei	1963	Male	Secretary to the Board of Directors and Company Secretary	Secretary to the Board of Directors from June 2015 and Company Secretary from October 2015

Notes:

1 During the reporting period, no director, supervisor or senior management member held any share or convertible bond of the Bank.

2 The employee supervisors will be re-elected at the 2016 Employee Delegates' Meeting.

Former Directors, Supervisors and Senior Management Members

Name	Year of birth	Gender	Position held before leaving the post	Term of office
LI Zaohang	1955	Male	Executive Director and Executive Vice President	From August 2004 to June 2015
SUN Zhijun	1955	Female	Non-executive Director	From October 2010 to May 2015
MEI Xingbao	1949	Male	External Supervisor	From May 2011 to November 2015
ZHU Shumin	1960	Male	Executive Vice President	From August 2010 to April 2015
YUE Yi	1956	Male	Executive Vice President	From August 2010 to March 2015
ZHANG Jinliang	1969	Male	Executive Vice President	From July 2014 to January 2016
CHIM Wai Kin	1960	Male	Chief Credit Officer	From March 2007 to March 2015
FAN Yaosheng	1968	Male	Secretary to the Board of Directors	From September 2012 to June 2015

Note: No former director, supervisor or senior management member held any share or convertible bond of the Bank during their terms of office.

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2015

In accordance with the government regulations, since 1 January 2015, the Bank remunerates Chairman of the Board of Directors, the President, Chairman of the Board of Supervisors, executive directors, Secretary of Party Discipline Committee and executive vice presidents pursuant to the rules on remuneration reform for central enterprises. The 2015 total remuneration for the Chairman of the Board of Directors, Chairman of the Board of Supervisors, executive directors and senior management members has not been finalised in accordance with the government regulations. The Bank will make announcement for further disclosure in due course.

Incumbent Directors, Supervisors and Senior Management Members

Unit: RMB ten thousand

Name	Fees	Remuneration paid	Contribution by the employer to compulsory insurances, housing allowances, etc.	Total remuneration before tax
TIAN Guoli	–	44.80	16.99	61.79
CHEN Siqing	–	44.80	16.53	61.33
ZHU Hexin	–	20.16	7.20	27.36
ZHANG Xiangdong	–	–	–	–
ZHANG Qi	–	–	–	–
WANG Yong	–	–	–	–
WANG Wei	–	–	–	–
LIU Xianghui	–	–	–	–
LI Jucai	–	–	–	–
CHOW Man Yiu, Paul	45.00	–	–	45.00
Jackson TAI	40.00	–	–	40.00
Nout WELLINK	50.00	–	–	50.00
LU Zhengfei	50.00	–	–	50.00
LEUNG Cheuk Yan	40.00	–	–	40.00
LI Jun	–	44.80	18.69	63.49
WANG Xueqiang	–	68.42	35.11	103.53
LIU Wanming	–	63.69	32.78	96.47
DENG Zhiying	5.00	–	–	5.00
LIU Xiaozhong	5.00	–	–	5.00
XIANG Xi	5.00	–	–	5.00
CHEN Yuhua	9.72	–	–	9.72
ZHANG Lin	–	40.32	18.51	58.83
REN Deqi	–	40.32	13.80	54.12
GAO Yingxin	–	26.88	9.81	36.69
XU Luode	–	20.16	7.20	27.36
XIAO Wei	–	93.66	41.52	135.18
GENG Wei	–	40.50	17.25	57.75

Former Directors, Supervisors and Senior Management Members

Unit: RMB ten thousand

Name	Fees	Remuneration paid	Contribution by the employer to compulsory insurances, housing allowances, etc.	Total remuneration before tax
LI Zaohang	–	20.16	10.28	30.44
SUN Zhijun	–	–	–	–
MEI Xingbao	15.04	–	–	15.04
ZHU Shumin	–	10.08	4.03	14.11
YUE Yi	–	6.72	2.81	9.53
ZHANG Jinliang	–	40.32	13.80	54.12
CHIM Wai Kin	–	130.72	17.12	147.84
FAN Yaosheng	–	33.34	15.94	49.28

The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, employer's contribution to compulsory insurances, housing allowances, and so on. Independent directors receive directors' fees and allowances. Other directors are not remunerated by the Bank. The Chairman of the Board of Directors, executive directors and senior management members do not receive any fees from the Bank's subsidiaries.

Notes:

1 Independent directors receive remuneration in accordance with the resolution of the 2007 Annual General Meeting. External supervisors receive remuneration in accordance with the resolution of the 2009 Annual General Meeting. Remuneration for shareholder supervisors is in accordance with the relevant remuneration scheme of the Bank and approved by the shareholders' meeting.

2 Non-executive Directors Mr. ZHANG Xiangdong, Mr. ZHANG Qi, Mr. WANG Yong, Mr. WANG Wei, Mr. LIU Xianghui, Mr. LI Jucai and Ms. SUN Zhijun were not remunerated by the Bank in 2015.

3 Some independent directors and external supervisors of the Bank worked as independent non-executive directors of other legal persons or organisations, which caused such legal persons or organisations nevertheless to be defined as connected parties of the Bank. Save as disclosed above, none of the directors, supervisors or senior management members of the Bank was remunerated by the connected parties of the Bank during the reporting period.

4 Mr. CHIM Wai Kin, recruited by the Bank in the market, was paid on the basis of the agreed remuneration.

5 The above persons' remuneration is calculated on the basis of their actual time working as the directors, supervisors or senior management members of the Bank in 2015. Employee supervisors' remuneration above is paid for their service as supervisors of the Bank in 2015.

6 The historical contribution of corporate pension made by the Bank for the benefit of relevant persons which totalled RMB71 thousand was not included in the above table.

The Bank incurred RMB13.5398 million in remuneration to its directors, supervisors and senior management members' services in 2015.

Positions held in Shareholding Companies by Directors, Supervisors and Senior Management Members

From 1 January 2015 to 31 December 2015, Non-executive Director Mr. ZHANG Xiangdong served as Director of the Bank of China Equity Investment Management Division of Banking Institutions Department I, Huijin. Save as disclosed above, in 2015, none of the Bank's directors, supervisors or senior management members held any position in the shareholding companies of the Bank.

Directors

1		
2	3	
4	5	6
7	8	9

1 TIAN Guoli

Chairman

Chairman of the Board of Directors since May 2013. Mr. TIAN joined the Bank in April 2013. From December 2010 to April 2013, Mr. TIAN served as Vice Chairman of the Board of Directors and General Manager of China CITIC Group. During this period, he also served as Chairman of the Board of Directors and Non-executive Director of China CITIC Bank. From April 1999 to December 2010, Mr. TIAN served successively as Vice President and President of China Cinda Asset Management Company, and Chairman of the Board of Directors of China Cinda Asset Management Co., Ltd. From July 1983 to April 1999, Mr. TIAN held various positions in China Construction Bank ("CCB"), including sub-branch general manager, deputy branch general manager, department general manager of the CCB Head Office, and Executive Assistant President of CCB. Mr. TIAN has been serving as Chairman of the Board of Directors and a Non-executive Director of BOC Hong Kong (Holdings) Limited since June 2013. Mr. TIAN received a Bachelor's Degree in Economics from Hubei Institute of Finance and Economics in 1983.

2 CHEN Siqing

Vice Chairman and President

Vice Chairman of the Board of Directors since April 2014 and President of the Bank since February 2014. Mr. CHEN joined the Bank in 1990 and served as Executive Vice President of the Bank from June 2008 to February 2014. Mr. CHEN held various positions in the Bank from June 2000 to May 2008, including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office and General Manager of the Guangdong Branch. Mr. CHEN previously worked in the Hunan Branch of the Bank before he was dispatched to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Since December 2011, Mr. CHEN has been serving as a Non-executive Director of BOC Hong Kong (Holdings) Limited and Chairman of the Board of Directors of BOC Aviation Pte. Ltd. Mr. CHEN has been serving as Vice Chairman of the Board of Directors of BOCHK (Holdings) since March 2014. Mr. CHEN graduated from Hubei Institute of Finance and Economics in 1982. He obtained an MBA from Murdoch University, Australia in 1999. He is a Certified Public Accountant.

3 ZHU Hexin

Executive Director and Executive Vice President

Executive Director of the Bank since February 2016 and Executive Vice President of the Bank since June 2015. Mr. ZHU joined the Bank in 2015. He worked and served in several positions in the Bank of Communications ("BOCOM") for many years. In BOCOM, Mr. ZHU worked as Vice President from April 2013 to March 2015, as Director of Corporate Development and also Vice President and President of the Beijing Administrative Department from February 2010 to December 2014, as General Manager of the Corporate Banking Department from July 2010 to October 2011, and also General Manager of Beijing Branch from November 2011 to December 2014. He obtained his Bachelor's Degree in Engineering from Shanghai University of Finance and Economics in 1991.

4 ZHANG Xiangdong

Non-executive Director

Non-executive Director of the Bank since July 2011. Mr. ZHANG served as a non-executive director of China Construction Bank Corporation from November 2004 to June 2010, and served as Chairman of the Risk Management Committee under its Board of Directors from April 2005 to June 2010. From August 2001 to November 2004, Mr. ZHANG worked as Vice President of PBOC's Haikou Central Sub-branch and concurrently served in the SAFE as Deputy Director General of Hainan Province Branch and Deputy Director General and Inspector of the General Affairs Department. Mr. ZHANG served as a member of the Stock Offering Approval Committee of CSRC from September 1999 to September 2001. He served as a member of China International Economic and Trade Arbitration Commission from January 2004 to December 2008. Mr. ZHANG graduated from Renmin University of China with a Bachelor's degree in law in 1986. He completed his post-graduate studies in international economic law at Renmin University of China in 1988, and was awarded a Master's degree in Law in 1990. Mr. ZHANG holds the professional title of senior economist and is qualified to practice law in China.

5 ZHANG Qi

Non-executive Director

Non-executive Director of the Bank since July 2011. Mr. ZHANG worked in Central Expenditure Division One, Comprehensive Division of the Budget Department, and Ministers' Office of the General Office of Ministry of Finance, as well as the Operation Department of China Investment Corporation, serving as Deputy Director, Director and Senior Manager from 2001 to 2011. Mr. ZHANG studied in the Investment Department and Finance Department of China Northeast University of Finance and Economics from 1991 to 2001, and obtained the Bachelor's degree, Master's degree and Doctorate in Economics respectively in 1995, 1998 and 2001.

6 WANG Yong

Non-executive Director

Non-executive Director of the Bank since July 2013. Mr. WANG served as a director of China Construction Bank Corporation from June 2007 to June 2013 and a director of China Export & Credit Insurance Corporation since December 2012. Mr. WANG was an inspector of the Balance of International Payments Department of the SAFE from August 2004 to March 2007, and served consecutively as Deputy Director General of the Foreign Investment Administration Department, Deputy Director General of the Capital Account Management Department and Director General of the Balance of International Payments Department of the SAFE from January 1997 to August 2004. He graduated from Jilin University with a Bachelor's degree in world economics in 1984 and a Master's degree in world economics in 1987. Mr. WANG has qualification of senior economist.

7 WANG Wei

Non-executive Director

Non-executive Director of the Bank since September 2014. Mr. WANG served as Director General of Tariff Department of the Ministry of Finance and concurrently as Director General of the Centre for Tariff Policy Research of the Ministry of Finance from November 2004 to August 2014. Mr. WANG served as the Deputy Director General of Tariff Department of the Ministry of Finance from January 2004 to November 2004. From November 1994 to January 2004, Mr. WANG successively served as Researcher as well as Deputy Director and Director of the Office of the Tariff Rules Commission of the State Council, Director of the Department for Tax System and Tax Rules of the Ministry of Finance and Deputy Director General of the Department for Tax Affairs of the Ministry of Finance. Mr. WANG graduated from Beijing Iron and Steel Institute and China Agricultural University in March 1982, August 1988, and June 2002, with the Bachelor's degree, Master's degree and Doctorate respectively.

8 LIU Xianghui

Non-executive Director

Non-executive Director of the Bank since October 2014. Mr. LIU served as the external supervisor of China Cinda Asset Management Co., Ltd. from June 2013 to June 2014. He served as the non-executive director of China Cinda Asset Management Company from June 2010 to June 2013, and non-executive director of China Construction Bank Corporation from September 2004 to June 2010. From September 1978 to May 1994, he held various positions at the State Economic Commission and the State Planning Commission and he worked for half a year at the United States Environmental Protection Agency in 1993. From May 1994 to September 2004, he worked consecutively as the division chief of the Industry and Transportation Group, assistant inspector (deputy director-general level) and inspector (director-general level) of the Economic and Trade Group under the Office of Central Leading Group on the Financial and Economic Affairs. Mr. LIU graduated from Liaoning University in August 1978, and studied the senior courses of national economic planning at the Central College of Planning and Statistics of Poland from October 1989 to February 1990. He also studied modern economic management at Beijing Economic Correspondence University from April 1985 to April 1986. Mr. LIU is a senior Economist.

9 LI Jucai

Non-executive Director

Non-executive Director of the Bank since September 2015. Mr. LI served as Party Committee Member and Secretary of Party Discipline Committee of the Information Network Center under the Ministry of Finance from December 2014 to September 2015. He acted as the specialised Deputy Secretary of Party Committee of the Information Network Center under the Ministry of Finance from April 2010 to December 2014. From November 1996 to April 2010, he had successively been the Deputy Head of the Science Division of the Culture, Education and Administration Department, Division Head of the Investment Evaluation Center, Director of Administration Office and Head of the Administrative Division of the Information Network Center under the Ministry of Finance. Mr. LI majored in Finance in China Northeast University of Finance and Economics and graduated with a Bachelor's degree in 1986. Mr. LI has qualification of senior economist.

Directors





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10 CHOW Man Yiu, Paul

Independent Director

Independent Director of the Bank since October 2010. Mr. CHOW was an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from May 2003 to January 2010. Hong Kong Exchanges and Clearing Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. CHOW currently serves as the Chairman of Hong Kong Cyberport Management Company Limited, an independent non-executive director of CITIC Limited, an independent non-executive director of China Mobile Limited and an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer Co. Ltd. Mr. CHOW also serves as a member of Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and a member of Asian Advisory Committee of AustralianSuper Pty. Ltd. Mr. CHOW served as the Chief Executive, Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003. From 1992 to 1997 and 2003 to January 2010, Mr. CHOW was a member of the Standing Committee on Company Law Reform of the HKSAR Government. Mr. CHOW also served as Director of the World Federation of Exchanges from 2003 to January 2010 and became Chairman of its Working Committee in 2007 and 2008 and then its Vice-chairman in 2009. From 2001 to 2007, he was a member of the Advisory Committee of the Hong Kong Securities and Futures Commission. Mr. CHOW graduated from the University of Hong Kong with a Bachelor's degree in Science (Engineering) in 1970. He obtained a Diploma in Management Studies and an MBA in 1979 and 1982, respectively, from the University of Hong Kong. He also obtained a Diploma in Finance (Distinction) from the Chinese University of Hong Kong in 1987, and was conferred the Doctor of Social Science, honoris causa by the Open University of Hong Kong in 2010. He was awarded the title of Justice of the Peace, the Silver Bauhinia Star and the Gold Bauhinia Star by the HKSAR Government in 2003, 2005 and 2010, respectively. Mr. CHOW is a Distinguished Fellow of the Hong Kong Computer Society, an Honorary University Fellow of the University of Hong Kong, an Honorary Fellow of the Hong Kong University of Science and Technology, a Fellow of the Hong Kong Institute of Chartered Secretaries, a Fellow of the Institute of Chartered Secretaries and Administrators, an Honorary Fellow of Hong Kong Securities and Investment Institute and a Certified General Accountant (Honorary) of the Canadian Certified General Accountants Association of Hong Kong.

11 Jackson TAI

Independent Director

Independent Director of the Bank since March 2011. Mr. TAI has over 40 years of experience in the banking industry. He held various key positions in DBS Group Holdings Limited ("DBS Group") and DBS Bank Limited ("DBS Bank") including Vice Chairman and Chief Executive Officer of DBS Group and DBS Bank from 2002 to 2007, President and Chief Operating Officer of DBS Group and DBS Bank from 2001 to 2002, and Chief Financial Officer of DBS Bank from 1999 to 2001. He was also Director of DBS Bank (China) Limited from 2007 to 2008. Prior to that, he was with J.P. Morgan & Co. Incorporated from 1974 to 1999. He was Managing Director in the Investment Banking Division and held senior management positions in New York, Tokyo and San Francisco. He currently serves as a director of a number of companies listed in New York, including Director of Eli Lilly and Company since 2013, Director of Royal Philips NV since 2011, and Director of MasterCard Incorporated since 2008. Mr. TAI is a director of privately held VaporStream since 2012, and is also a director of privately held Russell Reynolds Associates since 2013. Previously, Mr. TAI was a director of Singapore Airlines from 2011 to 2014, NYSE Euronext from 2010 to 2013, ING Group NV from 2008 to 2010, and CapitaLand from 2001 to 2010. Mr. TAI is also currently a member of the Asia-Pacific Advisory Board of Harvard Business School, trustee of Rensselaer Polytechnic Institute, director of the Metropolitan Opera in New York, and a member of the Committee of 100. Mr. TAI graduated from Rensselaer Polytechnic Institute with a Bachelor of Science degree in 1972, and from Harvard University with a Master of Business Administration degree in 1974.

12 Nout WELLINK

Independent Director

Independent Director of the Bank since October 2012. Mr. WELLINK served as a member of the Executive Board of the Dutch Central Bank ("DNB") for almost 30 years, the last 14 years as its President. He retired from DNB on 1 July 2011. DNB is since 1999 an integral part of the European System of Central Banks, but at the same time the national prudential supervisor of pension funds and insurance companies. Since the establishment of the European Monetary Union, Mr. WELLINK served as a member of the Governing Council of the European Central Bank. Starting from 1997, Mr. WELLINK served as a member of the Board of Directors of the Bank for International Settlements, which he chaired from 2002 to 2006. From 2006 to 2011, he also chaired the Basel Committee on Banking Supervision. From 1997 to 2011, Mr. WELLINK was a member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund. Prior to his appointment in 1982 as an executive director of DNB, Mr. WELLINK held several posts in the Dutch Ministry of Finance, including as the Treasurer General from 1977 to 1982. After studying Dutch law at Leyden University from 1961 to 1968 with a Master's degree obtained, Mr. WELLINK obtained a doctor's degree in economics at the Rotterdam Erasmus University in 1975. In 2008 he received an honorary doctorate from Tilburg University. From 1988 to 1998, Mr. WELLINK was an Extraordinary Professor at the Free University in Amsterdam. Mr. WELLINK is currently Chairman of the Supervisory Board of the Leyden University, the Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V., and Member of the Advisory Board of MNI Connect and Member of Advisory Board of Systemic Risk Council. Mr. WELLINK had many secondary functions in the past, including member of the supervisory board of a bank and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is since 2011 Commander of the Order of Orange-Nassau.

13 LU Zhengfei

Independent Director

Independent Director of the Bank since July 2013. Mr. LU currently serves as the distinguished professor of Cheung Kong Scholar of Guanghua School of Management, Peking University. He served as the head of the Accounting Department of the School of Business, Nanjing University between 1994 and 1999, and the head of the Accounting Department of Guanghua School of Management, Peking University between 2001 and 2007, and Associate Dean of Guanghua School of Management, Peking University between 2007 and 2014. Mr. LU also currently serves as a consulting expert of the China Accounting Standards Committee of the Ministry of Finance, an executive director of the Accounting Society of China and Deputy Director of Financial Management Committee, an editorial board member of *Accounting Research* and *Audit Research*, and a member of the Disciplinary Committee of the Chinese Institute of Certified Public Accountants. In 2001, he was elected as a member of "The Hundred People Project of Beijing New Century Social Science Theoretical Talent". In 2005, he was elected to the "New Century Excellent Talent Support Plan" of the Ministry of Education, PRC. In 2013, he was elected to the "Renowned Expert Training Project" (first batch) of the Ministry of Finance. In 2014, he was elected as distinguished professor of Cheung Kong Scholar of the Ministry of Education, PRC. He currently serves as an independent non-executive director or an independent supervisor of a number of companies listed on the Hong Kong Stock Exchange, including: Independent Non-executive Director of Sinotrans Ltd. since September 2004, Independent Non-executive Director of Sino Biopharmaceutical Ltd. since November 2005, Independent Non-executive Director of China National Materials Co., Ltd. since December 2009, and Independent Supervisor of PICC Property and Casualty Co., Ltd. ("PICC P&C") since January 2011. He was an independent non-executive director of PICC P&C from February 2004 to December 2010. Mr. LU graduated from Renmin University of China in 1988 with a Master's degree in Economics (Accounting), and received his Doctor's degree in Economics (Management) from Nanjing University in 1996.

14 LEUNG Cheuk Yan

Independent Director

Independent Director of the Bank since September 2013. He is a former partner of Baker & McKenzie, which he joined in July 1987 and from which he retired in June 2011. During 2009 and 2010, he served as a part-time member of the Central Policy Unit of The Hong Kong Special Administrative Region Government. Mr. LEUNG has been an independent non-executive director of MMG Limited, which is listed on The Stock Exchange of Hong Kong Limited, since July 2012. Mr. LEUNG graduated from The Chinese University of Hong Kong with a Bachelor of Social Science degree (First Class Honours) in 1976, obtained a Master of Philosophy degree from The University of Oxford in 1981 and completed his legal study at The College of Law in England in 1982. He was admitted to practice as a solicitor in Hong Kong in 1985, in England and Wales in 1988, in the Australian Capital Territory in 1989 and in Victoria, Australia in 1991. He is a Senior Associate Member of St. Antony's College, Oxford.

Supervisors

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1 LI Jun

Chairman of the Board of Supervisors

Chairman of the Board of Supervisors of the Bank since March 2010 and Vice Party Secretary of the Bank since December 2009. Mr. LI served in several positions in Bank of Communications, including Vice Chairman of the Board of Directors and President from September 2006 to December 2009, Executive Vice President from November 2000 to August 2006, Executive Director from June 2000 to December 2009, Controller General from April 1998 to April 2001, and Vice President and President of the Wuhan Branch of Bank of Communications from October 1990 to April 1998. Mr. LI has qualification of senior economist. He received a Master's degree in Economics from Huazhong University of Science and Technology in 1995.

2 WANG Xueqiang

Shareholder Supervisor

Shareholder Supervisor of the Bank since August 2004 and Head of the Office of Board of Supervisors since April 2005. Mr. WANG served as Deputy Director General Supervisor and Director General Supervisor of the Bank from July 2003 to August 2004 before the Bank's corporate restructuring. Mr. WANG served as Deputy Director General Supervisor at Agricultural Development Bank of China from October 2001 to July 2003, and worked with the Central Financial Working Commission from October 2000 to October 2001. From November 1996 to September 2000, Mr. WANG worked with Hong Kong Gang Ao International (Holdings) Co., Ltd. and Hong Kong Fujian Group Limited in succession. Prior to that, Mr. WANG worked with the Ministry of Finance from August 1985 to October 1996. Mr. WANG graduated from China Central University of Finance and Economics in 1985 and obtained his Doctorate in Economics from Public Finance Institute of the Ministry of Finance in 2008. Mr. WANG is a senior accountant and Certified Public Accountant qualified by the Chinese Institute of Certified Public Accountants.

3 LIU Wanming

Shareholder Supervisor

Shareholder Supervisor of the Bank since August 2004 and Deputy General Manager of the Office of Board of Supervisors since April 2005. Since January 2014, Mr. LIU serves as Deputy General Manager of the Audit Department of the Head Office of the Bank. From November 2001 to August 2004, Mr. LIU was designated by the State Council to serve as Director Supervisor and a Deputy Director General Supervisor at Bank of Communications and the Bank. From August 1984 to November 2001, he worked with the National Audit Office, Agricultural Development Bank of China and the Central Financial Working Commission. Mr. LIU received a Bachelor's degree in Economics from Jiangxi University of Finance and Economics in 1984.

4 DENG Zhiying

Employee Supervisor

Employee Supervisor of the Bank since August 2010. Mr. DENG currently serves as General Manager of the Supervisory Department in the Bank's Head Office. Mr. DENG has served as Deputy General Manager of the Supervisory Department in the Bank's Head Office from July 2008 to July 2010. From June 2007 to July 2008, Mr. DENG served as a member of the Party Committee and the secretary of the Party Discipline Committee in the Tianjin Branch of the Bank. From February 2008 to July 2008, Mr. DENG also served as the Director of the Labour Union of the branch. From June 1993 to June 2007, Mr. DENG worked in the Supervisory Office, the Inspection and Audit Department, the Supervisory Department of the Bank's Head Office. From August 1984 to June 1993, Mr. DENG worked in the Party Discipline Committee. Mr. DENG received a Bachelor's degree in History from Nankai University in 1984.

5 LIU Xiaozhong

Employee Supervisor

Employee Supervisor of the Bank since August 2012. Mr. LIU is currently full-time commissioner of the Credit Review Committee of the Bank's Head Office. He previously held various positions in the Bank, including Executive Deputy Director of the Labour Union Working Committee of the Bank from June 2011 to June 2014, General Manager (in charge of SME business) of the Corporate Banking Unit of the Head Office from July 2008 to May 2011, Deputy General Manager of the Credit Management Department of the Head Office, Deputy General Manager of the Risk Management Department of the Head Office, Deputy General Manager and General Manager of Shaanxi Branch from October 1998 to July 2008. From July 1983 to October 1998, he was cadre and Deputy Director of the Aerospace Industry Ministry, Deputy Director and Director of Aerospace Materials Supply and Marketing Corporation, Deputy Manager of the Fixed Assets Investment Department and Deputy Director General of the Capital Construction Bureau of Aerospace Industry Corporation. Mr. LIU graduated from the Glass Fiber Reinforced Plastics Department of Harbin Construction Engineering College in 1983.

6 XIANG Xi

Employee Supervisor

Employee Supervisor of the Bank since August 2012. Ms. XIANG is currently Deputy General Manager and Chief Financial Officer of Jiangsu Branch of the Bank. She previously held the following various positions in the Bank, including Deputy General Manager and Chief Financial Officer of Suzhou Branch of the Bank from March 2010 to June 2015, a member of the CPC Committee, Deputy General Manager and Chief Financial Officer of Suzhou Branch from July 2005 to March 2010, Assistant to General Manager of the Suzhou Branch from March 2003 to July 2005, Deputy General Manager and General Manager of High-tech Industrial Development Zone Sub-branch of the Suzhou Branch from October 2000 to July 2005, cadre, deputy group chief, section chief, Deputy Director and Deputy General Manager of the International Trade Settlement Division of the Suzhou Branch from July 1993 to October 2000. Ms. XIANG graduated from the Department of English of East China University of Science and Technology in 1993, and obtained an MBA Degree jointly conferred by Fudan University and University of Washington in December 2004.

7 CHEN Yuhua

External Supervisor

External Supervisor of the Bank since June 2015. Mr. CHEN served as Vice President of China Cinda Asset Management Co., Ltd. from December 2008 to August 2013. Mr. CHEN served as Chairman of China Cinda Investment Co., Ltd. from April 2004 to December 2008. Mr. CHEN served as Head of the Equity Department of China Cinda Asset Management Company and General Manager of China Cinda Investment Co., Ltd from March 2000 to April 2004. Mr. CHEN served as President of China Cinda Trust & Investment Company from December 1996 to March 2000. Mr. CHEN served as Deputy General Manager of the Personnel Department and Deputy General Manager of the Personnel & Training Department of China Construction Bank (CCB) Head Office from April 1994 to December 1996. Mr. CHEN served as Division Head of the Construction Economy Department of CCB Head Office and General Manager of CCB Real Estate Consulting Corporation from March 1992 to March 1994. Mr. CHEN served as Deputy Head of the Construction Economy Division, Deputy Head of the Real Estate Credit Department and Head of a direct sub-branch of CCB Sichuan Branch from August 1986 to March 1992. Mr. CHEN graduated from Zhongnan University of Finance and Economics in 1986 and received a Master's degree in Economics.

Senior Management Members

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Senior Management Members

1 CHEN Siqing

Vice Chairman and President

Please refer to the section "Directors".

2 ZHANG Lin

Secretary of Party Discipline Committee

Secretary of the Party Discipline Committee of the Bank since August 2004. Prior to joining the Bank, Ms. ZHANG held various positions in the Export and Import Bank of China, including Executive Assistant President from June 2002 to August 2004, Deputy Director General and Director General of the Personnel Education Department from August 1998 to July 2002. Majoring in Economics and Political Sciences, Ms. ZHANG graduated from the Party School of the Inner Mongolia Autonomous Region's Communist Party Committee in 1983.

3 ZHU Hexin

Executive Director and Executive Vice President

Please refer to the section "Directors".

4 REN Deqi

Executive Vice President

Executive Vice President of the Bank since July 2014. Mr. REN joined the Bank in 2014. He worked in China Construction Bank ("CCB") for many years and held various positions. From October 2013 to May 2014, Mr. REN served as General Manager of Risk Management Department of CCB. From August 2003 to October 2013, Mr. REN successively served as Deputy General Manager of Credit Approval Department, General Manager of Risk Control Department, General Manager of Credit Management Department, and General Manager of the Hubei Branch of CCB. Mr. REN has been serving as a Non-executive Director of BOC Hong Kong (Holdings) Limited since October 2015. He obtained a Master's Degree in Engineering from Tsinghua University in 1988.

5 GAO Yingxin

Executive Vice President

Executive Vice President of the Bank since May 2015. Mr. GAO joined the Bank in 1986. He served as Executive Director and Deputy Chief Executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from February 2005 to March 2015, as President and Chief Operating Officer of BOC International Holdings Limited from July 2004 to February 2005, and as Deputy General Manager of the Credit Business Department of the Head Office and Deputy General Manager and General Manager of the Corporate Banking Department of the Head Office from September 1996 to July 2004. Mr. GAO has been serving as a Non-executive Director of BOCHK (Holdings) since March 2015 and has been serving as Chairman of BOC International Holdings Limited, Bank of China (UK) Limited and Bank of China (Luxembourg) S.A. since August 2015. Currently, Mr. GAO also serves as Chairman of the Board of Directors of China Culture Industrial Investment Fund Co., Ltd. Mr. GAO graduated from East China University of Science and Technology in 1986 with a Master's Degree in Engineering.

6 XU Luode

Executive Vice President

Executive Vice President of the Bank since June 2015. Mr. XU joined the Bank in 2015. From August 2013 to April 2015, he served as President of Shanghai Gold Exchange. Mr. XU worked as Vice Chairman and President of China Unionpay from August 2007 to August 2013. He also worked in the People's Bank of China ("PBOC") for many years. The positions he held in PBOC included Director of the Payment and Settlement Department from October 2003 to August 2007 and Deputy Director of the General Executive Office from March 1999 to October 2003. Mr. XU has been serving as Chairman of Bank of China Consumer Finance Company Limited and Non-executive Director of BOC Hong Kong (Holdings) Limited since July 2015 and October 2015, respectively. Mr. XU graduated from Hunan University of Finance and Economics with a Bachelor's Degree in Economics in 1983. He has the qualification of Senior Accountant.

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7 XIAO Wei

Chief Audit Officer

Chief Audit Officer of the Bank since November 2014. Mr. XIAO joined the Bank in 1994, and served as General Manager of Financial Management Department of the Bank from November 2009 to November 2014. Mr. XIAO served as Deputy General Manager of the Beijing Branch of the Bank from May 2004 to November 2009, and also concurrently served as Chief Financial Officer of the Beijing Branch of the Bank from January 2007 to November 2009. He successively served as the Assistant General Manager and the Deputy General Manager of the Asset-and-Liability Management Department of the Bank from December 1999 to May 2004, and also served as temporary Deputy General Manager of the Beijing Branch of the Bank from November 2002 to May 2004. Mr. XIAO obtained a Doctorate's Degree in Economics from Renmin University of China in 1994. Mr. XIAO has qualification of Senior Accountant.

8 GENG Wei

Secretary to the Board of Directors and Company Secretary

Secretary to the Board of Directors of the Bank since June 2015 and Company Secretary of the Bank since October 2015. Mr. GENG joined the Bank in 2006. He had assumed various positions including the Chief Compliance Officer of the Legal and Compliance Department, Deputy General Manager and Chief Compliance Officer of the Risk Management Unit (Compliance Management), and Deputy General Manager (in charge of the department's work) and Chief Compliance Officer of the Legal and Compliance Department, General Manager of the Board Secretariat. Before joining the Bank, he served various positions of Industrial and Commercial Bank of China, including the Deputy Division Head, Division Head and Deputy General Manager of the Legal Affairs Department, and Deputy Director of the Joint Stock Reform Office. Mr. GENG obtained a Doctorate's degree in law from Peking University in 1995.

Changes in Directors, Supervisors and Senior Management Members

Changes in the Bank's directors were as follows:

Ms. SUN Zhijun ceased to serve as Non-executive Director, member of the Strategic Development Committee and the Audit Committee of the Bank as of 21 May 2015 due to change of job.

Mr. LI Zaohang ceased to serve as Executive Director and member of the Connected Transactions Control Committee of the Bank as of 11 June 2015 due to reason of age to retire from such positions.

Mr. LI Jucai began to serve as Non-executive Director, member of the Strategic Development Committee and the Audit Committee of the Bank as of 7 September 2015.

Mr. ZHU Hexin began to serve as Executive Director and member of the Connected Transactions Control Committee of the Bank as of 1 February 2016.

Changes in the Bank's supervisors were as follows:

Mr. CHEN Yuhua began to serve as External Supervisor of the Bank as of 17 June 2015.

Mr. MEI Xingbao ceased to serve as External Supervisor of the Bank as of 2 November 2015 due to the relevant government regulations.

Changes in the Bank's senior management members were as follows:

Mr. YUE Yi ceased to serve as Executive Vice President of the Bank as of 6 March 2015.

Mr. CHIM Wai Kin ceased to serve as Chief Credit Officer of the Bank as of 26 March 2015.

Mr. ZHU Shumin ceased to serve as Executive Vice President of the Bank as of 2 April 2015.

Mr. GAO Yingxin began to serve as Executive Vice President of the Bank as of 6 May 2015.

Mr. LI Zaohang ceased to serve as Executive Vice President of the Bank as of 11 June 2015.

Mr. ZHU Hexin began to serve as Executive Vice President of the Bank as of 11 June 2015.

Mr. XU Luode began to serve as Executive Vice President of the Bank as of 11 June 2015.

Mr. FAN Yaosheng ceased to serve as Secretary to the Board of Directors of the Bank as of 16 June 2015.

Mr. GENG Wei began to serve as Secretary to the Board of Directors of the Bank as of 16 June 2015 and also began to serve as Company Secretary of the Bank as of 29 October 2015.

Mr. ZHANG Jinliang ceased to serve as Executive Vice President of the Bank as of 14 January 2016.

The Board of Directors of the Bank considered and approved the appointment of Mr. PAN Yuehan as Chief Risk Officer of the Bank on 29 October 2015. The qualification of Mr. PAN Yuehan as Chief Risk Officer of the Bank is subject to the approval by relevant authority.

Corporate Governance

Overview of the Corporate Governance

The Bank takes excellent corporate governance as an important objective. Adhering to the rules and regulations governing capital markets and relevant industries, the Bank has made constant efforts to improve its corporate governance framework, which comprises the shareholders' meeting, the Board of Directors, the Board of Supervisors, and the senior management. This framework operates smoothly owing to a clear division of duties. All special committees of the Board of Directors and the Board of Supervisors have performed their duties and functioned effectively, thereby enhancing the Bank's corporate governance capabilities.

The Bank continually refines its corporate governance system. Its corporate governance normative documents are constantly revised to reflect regulatory requirements and the Bank's actual development. This includes the improvements on the authorisation to the Board of Directors granted by the shareholders' meeting and that to the President granted by the Board of Directors. In this way, the Bank has established a system of responsibilities based on a clear division of powers and effective checks and balances.

The Bank places great emphasis on improving its corporate governance mechanisms. It ensures that minority shareholders are properly informed and able to participate and make decisions. The annual shareholders' meetings are held in Beijing and Hong Kong by way of video conference, allowing shareholders from both the Chinese mainland and Hong Kong to attend in person. In addition, online voting for A-Share Holders is available to guarantee the rights of minority shareholders. By constantly improving the mechanisms for the smooth operations of the Board of Directors, information disclosure and stakeholder engagement, the Bank continuously enhances the effectiveness of the Board's work, supports the scientific and highly efficient decision-making of the Board and increases the corporate transparency, thus meeting its responsibilities to all of its stakeholders, including shareholders, customers, employees and society.

The Bank continuously explores the best practices in corporate governance. In terms of group-level governance, the Board of Directors pays close attention to the internal controls and risk management of the Group, constantly improves the Group's overall risk management capabilities and enhances the Group's compliance level. In addition, the Bank keeps abreast of the latest theory and practice in domestic and international corporate governance. Constantly pursuing higher standards, the Bank carries out its corporate governance with reference to the advanced practices of Global Systemically Important Banks.

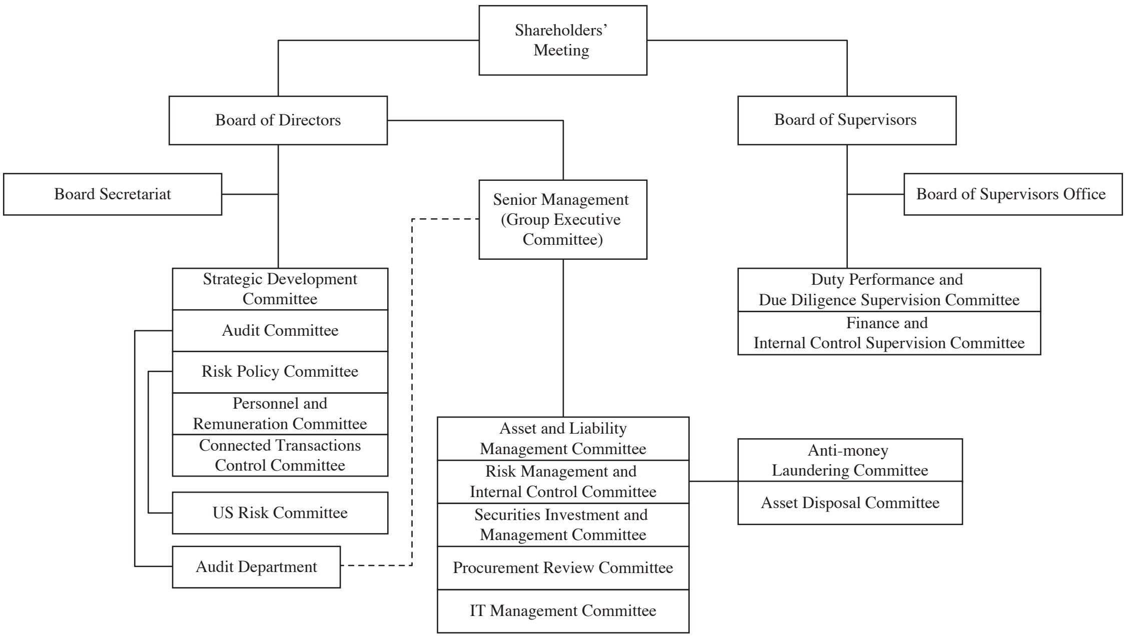
The Bank makes great efforts to promote Board diversity. The Bank has formulated the *Bank of China Limited Board Diversity Policy*. This policy lays out the stance of the Bank on the diversity of the Board of Directors and specifies the approaches to realise Board diversity on an on-going basis. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires, and taking into account from various aspects the Board diversity elements, including but not limited to regulatory requirements and gender, age, cultural and educational background, geographical location, professional experience, skills, knowledge, and length of service of directors, etc.

The Bank highly recognises the importance of the independence of the election of independent director. The work of election of independent director is led and promoted by the independent director who serves as the Chairman of the Personnel and Remuneration Committee of the Board of Directors. Candidates for independent directors are mainly recommended by incumbent independent directors and are proposed to the Board of Directors after discussion at the selection meetings attended by all independent directors. The selection and engagement procedures of independent directors are compliant and independent, which ensure the objective and fair duty performance of independent directors and safeguard the overall interests of shareholders especially the legitimate rights and interests of minority shareholders.

In 2015, the Bank's corporate governance performance continued to be recognised by the capital markets and the wider public. The Bank was granted the 11th Golden Prize of Round Table for Excellent Board of Directors of Chinese Listed Companies and the 2015 Best Board of Directors of the 5th China Starlight Board of Directors Media Award.

Corporate Governance Framework

The Bank's corporate governance framework is shown below:



Corporate Governance Compliance

During the reporting period, the actual performance of the Bank's corporate governance was fully in compliance with the Company Law and the requirements for the governance of listed companies set out in the normative documents of CSRC.

During the reporting period, the Bank strictly observed the *Corporate Governance Code* (the "*Code*") as set out in Appendix 14 to the Hong Kong Listing Rules. Save as disclosed in this annual report, during the reporting period, the Bank has complied with all provisions of the *Code* and has substantially complied with most of the recommended best practices set out in the *Code*.

Amendments to the Articles of Association

The Bank didn't amend the Articles of Association in 2015.

Shareholders and Shareholders' Rights

The Bank highly values the protection of its shareholders' interests and has established and maintained an effective and multi-channel shareholder communication platform. This includes holding shareholders' meetings and maintaining an investor hotline to ensure that all shareholders are treated equally, properly informed and able to participate in and exercise their voting and other rights regarding the major issues of the Bank. The Bank is independent and completely autonomous in all of its business operations. It operates independently and separately from its controlling shareholder, Huijin, in respect of its business, personnel, asset, institutional and financial matters.

Shareholders' Right to Convene an Extraordinary Shareholders' Meeting and a Meeting of Shareholders of Different Categories

According to the Articles of Association, shareholders individually or in aggregate holding a total of 10% or more voting shares of the Bank have the right to make a written request to the Board of Directors to convene an extraordinary shareholders' meeting. Two or more shareholders holding a total of 10% or more voting shares carrying voting rights of the Bank may sign one or more written requests of identical form and substance requesting the Board of Directors to convene a meeting of shareholders of different categories and stating the subject of the meeting. If the Board of Directors fails to issue a notice of such a meeting within 30 days after receipt of a written request for convening an extraordinary shareholders' meeting or a meeting of shareholders of different categories submitted by the proposing shareholders, the proposing shareholders may themselves convene the meeting within four months after the Board of Directors received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' meetings are convened by the Board of Directors. Where the proposing shareholders convene and hold a meeting because the Board of Directors failed to convene such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Bank and shall be deducted from the sums owed by the Bank to the negligent directors.

Shareholders' Right to Propose Resolutions at Shareholders' Meetings

According to the Articles of Association, any shareholder who holds, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose a resolution in a shareholders' meeting. Any shareholder who holds, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose and submit in writing to the Board of Directors interim proposals 10 days prior to the convening of a shareholders' meeting. When the Board of Directors decides not to include such proposals in the meeting's agenda, it shall explain and clarify the reasons in the shareholders' meeting. When the proposing shareholders dissent with the Board of Directors' decision to exclude such proposals, they may request to call for an extraordinary shareholders' meeting by themselves based on the relevant procedures stipulated in the Articles of Association.

Shareholders' Right to Present Enquiries

According to the Articles of Association, any shareholder who holds severally or jointly with others 5% or more voting shares of the Bank shall have the right to present enquiries to the shareholders' meeting. The Board of Directors, the Board of Supervisors, or other relevant senior management personnel shall attend the shareholders' meeting, accept enquiries, and answer or explain accordingly.

Please refer to the Articles of Association for details of the rights entitled to shareholders. If shareholders need to contact the Board of Directors regarding the aforementioned items or for other enquiries to the Board of Directors, please refer to the section "Reference for Shareholders — Investor Enquiry" for contact details.

Shareholders' Meeting

Functions and Powers of Shareholders' Meeting

The shareholders' meeting is the body of authority of the Bank. The shareholders' meeting is responsible for making decisions on important issues of the Bank, including considering and approving the Bank's profit distribution plan, annual financial budget and financial statements, changes in the Bank's registered capital, adopting resolutions on matters such as the issue of bonds and other securities, merger and division, amending the Articles of Association of the Bank, electing directors, electing shareholder's representative supervisors and external supervisors and deciding the remunerations of directors and supervisors.

Convening of Shareholders' Meeting

On 17 June 2015, the Bank held its 2014 Annual General Meeting in Beijing and Hong Kong by way of video conference. Online voting for A-Share Holders was available. This meeting considered and approved 11 proposals including the 2014 work report of the Board of Directors, the 2014 work report of the Board of Supervisors, the 2014 annual financial statements, the 2014 profit distribution plan, the 2015 annual budget for fixed assets investment, the appointment of Ernst & Young Hua Ming as the Bank's external auditor for 2015, the re-election of Mr. Nout WELLINK as independent non-executive director of the Bank, the election of Mr. LI Jucai as non-executive director of the Bank, the election of Mr. CHEN Yuhua as external supervisor of the Bank, the scheme on the authorisation to the Board of Directors granted by the Shareholders' Meeting and the proposal regarding the issuance of bonds. The meeting also heard the 2014 report on connected transactions and the 2014 duty report of independent directors. The proposal regarding the issuance of bonds was a special resolution.

On 4 December 2015, the Bank held its 2015 First Extraordinary General Meeting, 2015 First A Shareholders Class Meeting and 2015 First H Shareholders Class Meeting in Beijing. Online voting for A-Share Holders was available. The 2015 First Extraordinary General Meeting considered and approved 9 proposals including the election of Mr. ZHU Hexin as executive director of the Bank, the election of Mr. ZHANG Jinliang as executive director of the Bank, the remuneration distribution plan for the Chairman of the Board of Directors, executive directors, the Chairman of the Board of Supervisors and the shareholder's representative supervisors in 2014, the proposal in relation to the plan of the overseas listing of BOC Aviation Pte. Ltd., the proposal in relation to the authorisation to the Board and its authorised persons to deal with the overseas listing matters of BOC Aviation Pte. Ltd., the proposal in relation to the description of the sustainable profitability and prospects of the Bank, the proposal in relation to the undertaking of the Bank to maintain its independent listing status, the proposal in relation to the compliance of the overseas listing of BOC Aviation Pte. Ltd. with the *Circular on Issues in relation to Regulating Overseas Listing of Subsidiaries of Domestic Listed Companies*, the proposal regarding the provision of assured entitlement to H-share Shareholders only for the spin-off of BOC Aviation Pte. Ltd. The proposal regarding the provision of assured entitlement to H-share Shareholders only for the spin-off of BOC Aviation Pte. Ltd. was also submitted respectively to the 2015 First A Shareholders Class Meeting and 2015 First H Shareholders Class Meeting for voting. Among those above-mentioned proposals of the 2015 First Extraordinary General Meeting, 2015 First A Shareholders Class Meeting and 2015 First H Shareholders Class Meeting, the proposal regarding the provision of assured entitlement to H-share Shareholders only for the spin-off of BOC Aviation Pte. Ltd. was a special resolution.

All of the aforementioned meetings were convened and held in strict compliance with the relevant laws and regulations as well as the listing rules of the Chinese mainland and Hong Kong. The Bank's directors, supervisors and senior management members attended the meetings and communicated with shareholders on issues of their concern.

The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders' meetings on 17 June 2015 and 4 December 2015 respectively, pursuant to regulatory requirements. Please refer to the websites of SSE, HKEx and the Bank.

Implementation of the Resolutions Passed at the Shareholders' Meeting by the Board of Directors

During the reporting period, the Board of Directors has fully implemented the resolutions and scheme on the authorisation to the Board of Directors granted by the Shareholders' Meeting passed at the shareholders' meetings, and earnestly carried out the proposals regarding the 2014 profit distribution plan, the 2015 annual budget for fixed assets investment, the issuance of bonds, the overseas listing of BOC Aviation Pte. Ltd., the appointment of directors, supervisors and 2015 external auditor and so on.

Board of Directors

Functions and Powers of the Board of Directors

The Board of Directors, which is responsible to the shareholders' meeting, is the Bank's decision-making body. The Board of Directors exercises the following functions and powers as specified by the Bank's Articles of Association: convening shareholders' meetings and implementing the resolutions of shareholders' meetings; deciding on the Bank's strategic policies, business plans and material investment plans (except for those material investment plans that are subject to shareholders' meeting approval as specified in the Articles of Association); formulating the annual financial budgets, final accounts and plans for profit distribution and loss making-up of the Bank; appointing or dismissing members of special committees and the senior management of the Bank; reviewing and deciding on the establishment of the Bank's basic administrative system, internal management framework and important sub-entities; developing and reviewing corporate governance policies of the Bank; taking charge of performance evaluation and matters of material reward and punishment for senior management members, and hearing the reports of the senior management and examining their work, among others. The Board of Directors continuously reviews and updates the Articles of Association and the Bank's corporate governance policies and systems in accordance with the applicable laws and regulations, relevant regulatory requirements and listing rules, and ensures compliance with such policies and systems.

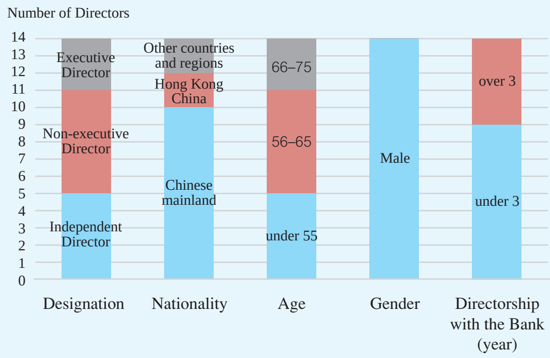
Composition of the Board of Directors

The Board of Directors has set up the Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and the Connected Transactions Control Committee to assist the Board in performing different aspects of its functions. In March 2015, the Board of Directors established the US Risk Committee under its Risk Policy Committee to supervise risk management of the US operations of the Bank.

The Board of Directors of the Bank is rationally structured and diversified. Currently, the Board of Directors comprises fourteen members. Besides the Chairman, there are two executive directors, six non-executive directors and five independent directors. The proportion of independent directors exceeds one-third of the total number of directors. The Bank's directors are elected at the shareholders' meeting, with a term of office of three years starting from the date when the Bank receives approval of the appointment from CBRC. A director may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations and supervisory requirements. The positions of Chairman and President of the Bank are assumed by two persons.

For detailed background and an explanation of recent changes of the Board members, please refer to the section "Directors, Supervisors and Senior Management Members".

Board Composition



Convening of Board Meetings

In 2015, the Bank convened nine on-site meetings of the Board of Directors on 11 March, 25 March, 29 April, 21 May, 17 June, 28 August, 16 October, 29 October and 17 December, respectively. At these meetings, the Board of Directors reviewed and approved 67 proposals related to the Bank's regular reports, the disposal of all the issued shares of Nanyang Commercial Bank, Limited by BOC Hong Kong (Holdings) Limited, the Sale of Shares of Huaneng International Power Development Corporation, the overseas listing of BOC Aviation Pte. Ltd., the establishment of the US Risk Committee under the Risk Policy Committee of the Board of Directors, the issuance of bonds, and the dividend distribution plan for ordinary shares, Offshore Preference Shares and Domestic Preference Shares (First Tranche), the establishment of branches and subsidiaries in Turkey, Mauritius, Angola and Chile, risk management regulations and policies such as Measures for Consolidated Management, the General Principles of Risk Management, the Liquidity Risk Management Policy, Market Risk Management Policy, the Valuation Policy of Financial Instrument Fair Values, among others. It also heard seven reports related to the 2014 report on internal control and the management letter issued by the Bank's external auditors, and other matters.

In 2015, the Bank convened nine meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors mainly reviewed and approved the proposal on the *Regulations on Internal Capital Adequacy Assessment Process of Bank of China Limited (2015 Version)* and adjustments to the membership of several special committees of the Board of Directors, among others.

Guidance over Internal Control by the Board of Directors and the Audit Committee

The Board of Directors attached great importance to the Group's far-reaching internal control system and continued to promote its construction. It regularly heard and reviewed senior management reports concerning operational management, risk management, fraud case management and internal control system construction and assessment thus earnestly assuming its responsibility to improve and fulfill a sound and effective internal control function.

The Audit Committee of the Board of Directors closely monitored the changing economic and financial environment at home and abroad, as well as the overall conditions of the Group's internal control function, including the establishment and operation of its internal control systems for both financial reporting and non-financial reporting. In addition, the committee heard and reviewed, on a regular and ad hoc basis, internal audit reports and assessment opinions on internal control, the progress in internal control improvements and remediation suggested by external auditors, as well as the overall situation regarding the prevention, control and redress of fraud cases and risk events. The committee guided and urged the senior management to improve the "three lines of defence" system of internal control and conducted special research into audit independence.

During the reporting period, the Bank performed self-assessment on internal control in line with the *Basic Standard for Enterprise Internal Control* and its supporting guidelines. No material deficiencies were identified in the internal control systems for both the financial reporting and non-financial reporting of the Bank. Ernst & Young Hua Ming LLP, as the Bank's external auditor for internal control, audited the effectiveness of the Bank's internal controls over financial reporting and issued a standard unqualified opinion. The *2015 Internal Control Assessment Report of Bank of China Limited* and the *Auditor's Report on Internal Control* issued by Ernst & Young Hua Ming LLP have been published on the websites of SSE, HKEx and the Bank.

Duty Performance of Directors

Directors' Attendance of Shareholders' Meetings, Meetings of the Board of Directors and Special Committees

During the reporting period, the attendance rate of each director of the shareholders' meetings, meetings of the Board of Directors and special committees is given below:

Number of meetings attended in person/Number of meetings convened during term of office

Directors	Shareholders' Meetings	Meetings of the Board of Directors	Meetings of the Special Committees of the Board of Directors				
			Strategic Development Committee	Audit Committee	Risk Policy Committee	Personnel and Remuneration Committee	Connected Transactions Control Committee
Incumbent Directors							
TIAN Guoli	1/2	15/18	8/8	–	–	–	–
CHEN Siqing	2/2	15/18	8/8	–	–	–	–
ZHANG Xiangdong	2/2	18/18	8/8	–	–	9/9	–
ZHANG Qi	2/2	18/18	8/8	–	–	9/9	–
WANG Yong	2/2	18/18	8/8	5/5	–	–	–
WANG Wei	2/2	18/18	8/8	–	5/5	–	–
LIU Xianghui	2/2	18/18	8/8	–	5/5	–	–
LI Jucai	1/1	5/5	4/4	2/2	–	–	–
CHOW Man Yiu, Paul	2/2	18/18	–	5/5	5/5	9/9	3/3
Jackson TAI	2/2	18/18	8/8	5/5	5/5	–	2/3
Nout WELLINK	2/2	18/18	8/8	5/5	5/5	–	–
LU Zhengfei	2/2	18/18	–	5/5	–	9/9	3/3
LEUNG Cheuk Yan	2/2	18/18	–	5/5	–	9/9	3/3
Former Directors							
LI Zaohang	0/0	4/8	–	–	–	–	0/1
SUN Zhijun	0/0	6/6	2/2	2/2	–	–	–

Notes:

1 Please refer to the section "Directors, Supervisors and Senior Management Members — Changes in Directors, Supervisors and Senior Management Members" for changes in directors.

2 Mr. TIAN Guoli was not able to attend the 2014 Annual General Meeting of the Bank in person on 17 June 2015 and the meetings of the Board of Directors in person on 17 June, 16 October and 29 October 2015 due to other important business engagements. He authorised another director to attend and vote at the meetings of the Board of Directors as his proxy.

3 Mr. CHEN Siqing was not able to attend the meetings of the Board of Directors in person on 21 May, 16 October and 29 October 2015 due to other important business engagements. He authorised another director to attend and vote at the meetings as his proxy.

4 Mr. LI Zaohang was not able to attend the meetings of the Board of Directors on 25 March, 29 April, 21 May and 9 June 2015, and the meeting of the Connected Transactions Control Committee on 24 March 2015 in person due to other important business engagements. He authorised another director to attend and vote at the meeting of the Board of Directors on 25 March 2015 as his proxy.

5 Mr. Jackson TAI was not able to attend the meeting of the Connected Transactions Control Committee in person on 15 December 2015 due to other important business engagements. He authorised another director to attend and vote at the meeting as his proxy.

Training and Expertise Enhancement of Directors

In 2015, the Board of Directors paid significant attention to enhancing directors' expertise, with a special focus on arranging relevant training. All directors of the Bank fully observed Rule A.6.5 of the *Code* as well as PRC regulatory requirements, actively participating in specialised training including sessions on "Made in China 2025", International Accounting Standard No. 9, internet finance and an introduction to best practice in corporate governance. The Bank also gave special presentations and training to the newly appointed director in 2015 regarding its business operations and directors' responsibilities. The Bank's directors also took it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles, attending forums and seminars and giving public lectures, meeting with regulators and conducting on-site research exercises at the Bank's domestic and overseas branches as well as at other advanced international banks.

Independence and Duty Performance of Independent Directors

There are currently five independent directors on the Board of Directors. This exceeds one-third of the total number of directors and is in compliance with the quorum requirement specified in the Articles of Association and relevant regulatory requirements. For the professional backgrounds and other details of the independent directors, please refer to the section "Directors, Supervisors and Senior Management Members". The independent directors individually serve as the Chairman of the Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee. As stipulated in the relevant domestic regulatory requirements and Rule 3.13 of the Hong Kong Listing Rules, the Bank has received the annual confirmation in writing from each independent director with regard to their independence. Based on these confirmations and relevant information in possession of the Board of Directors, the Bank confirms their independent status.

In 2015, the Bank's independent directors attended meetings of the Board of Directors, reviewed proposals, participated in discussions and offered their professional opinions independently, objectively and diligently, in accordance with the Articles of Association, the *Procedural Rules for Board of Directors of Bank of China Limited* and the *Work Rules of Independent Directors of Bank of China Limited*. The attendance rate of the independent directors for Shareholders' Meetings and Meetings of the Board of Directors reached 100% while the average attendance rate of the independent directors for meetings of Special Committees reached 99%. Please refer to the section "Directors' Attendance of the Shareholders' Meeting, Meetings of the Board of Directors and Special Committees" for the attendance of independent directors at meetings.

In 2015, independent directors put forward constructive recommendations on the Bank's group risk management, anti-money laundering, internet finance and IT development, among others. These recommendations were adopted and diligently implemented by the Bank.

In 2015, the independent directors did not raise any objection to the resolutions of the Board of Directors or its special committees.

Specific Explanation and Independent Opinions of Independent Directors on the Guarantee Business of the Bank

Pursuant to the provisions and requirements set forth in the circular (ZhengJianFa [2003] No. 56) issued by CSRC, and according to the principles of justice, fairness and objectivity, the Independent Directors of the Bank, Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. Nout WELLINK, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan have provided the following information regarding the Bank's guarantee business:

The guarantee business is one of the Bank's ordinary business activities approved by PBOC and CBRC and does not fall within the scope of guarantees as defined in the *Circular on Regulating Guarantee Businesses of Listed Companies*. The Bank has formulated specific management measures, operational processes and approval procedures in light of the risks of the guarantee business and carried out this business accordingly. The Bank's guarantee business principally comprises letters of guarantee. As at 31 December 2015, the outstanding amount of letters of guarantee issued by the Bank was RMB1,077.070 billion.

Responsibility Statement of Directors on Financial Reports

The following statement, which sets out the responsibilities of the directors regarding financial statements, should be read in conjunction with, but understood separately from, the auditor's statement of their responsibilities as set out in the Independent Auditor's Report contained in this annual report.

The directors acknowledge that they are responsible for preparing financial statements of the Bank that truly represent the operating results of the Bank for each financial year. To the best knowledge of the directors, there was no material event or condition during the reporting period that might have a material adverse effect on the continuing operation of the Bank.

Special Committees of the Board of Directors

Strategic Development Committee

The Strategic Development Committee comprises ten members, including Chairman Mr. TIAN Guoli, Vice Chairman and President Mr. CHEN Siqing, Non-executive Directors Mr. ZHANG Xiangdong, Mr. ZHANG Qi, Mr. WANG Yong, Mr. WANG Wei, Mr. LIU Xianghui, Mr. LI Jucai and Independent Directors Mr. Jackson TAI and Mr. Nout WELLINK. Chairman Mr. TIAN Guoli serves as Chairman of the committee.

The committee is mainly responsible for reviewing the strategic development plans presented by the senior management, assessing the factors that may affect the strategies of the Bank and their implementation, and advising the Board with regard to strategy adjustments; reviewing the annual budget, strategic capital allocation (policies on capital structure, capital adequacy ratio and risk-reward trade-off), objectives of asset-liability management, IT development and other special strategic development plans of the Bank, and advising the Board accordingly; coordinating strategies on the overall development of various financial businesses and the development of domestic and overseas institutions, and deciding on the setup, cancellation and increase or decrease of capital of domestic and overseas institutions within its scope of authorisation; designing and formulating key investment and financing plans and merger and acquisition plans of the Bank; and reviewing the substantial internal reorganisation and adjustment plans of the Bank, and advising the Board accordingly.

The Strategic Development Committee held six on-site meetings and two meetings via written resolutions in 2015. At these meetings, it mainly approved the proposal on profit distribution for 2014, the dividend distribution plan for Preference Shares and the proposal in relation to the plan of the overseas listing of BOC Aviation Pte. Ltd., and so on. In response to changes in economic and financial conditions at home and abroad, the Strategic Development Committee stepped up its analysis of the operating environment, paid constant attention to opportunities and challenges arising from interest and exchange rate liberalisation and other major policies on the Bank, and put forward many important suggestions and recommendations for implementing the Bank's strategic development plans and improving its capital management thus providing strong support to the scientific decision-making of the Board of Directors.

Audit Committee

The Audit Committee comprises seven members, including Non-executive Directors Mr. WANG Yong, Mr. LI Jucai and Independent Directors Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. Nout WELLINK, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. LU Zhengfei serves as Chairman of the committee.

The committee is mainly responsible for reviewing financial reports and other significant accounting policies and regulations formulated by the senior management; reviewing the external auditors' audit opinion, annual audit plan and recommendations for management; approving the annual internal audit plan and budget; appraising the duty performance and work quality of the external auditors and internal audit and monitoring their independence; recommending the engagement, reappointment, replacement and audit fee of the external auditors; recommending the appointment and dismissal and appraising the performance of the Chief Audit Officer; overseeing the Bank's internal control function, reviewing material deficiencies in internal control design and execution by the senior management and investigating fraud cases; reviewing the employee reporting system and urging the Bank to conduct fair investigations and take appropriate measures regarding matters reported by the employees.

The Audit Committee held five meetings in 2015. It mainly reviewed the Bank's quarterly, interim and annual financial reports, the annual internal control assessment report and the proposal on the appointment and audit fee of the external auditors for 2016. The committee reviewed and approved the 2015 work plan and financial budget for internal audit and the *Identification Standard of Bank of China Limited for Internal Control Deficiencies (Trial)*. In addition, it heard the senior management response to the external auditor's management proposal for 2014, the overseas supervision information, reports on internal audit in 2014 and the first half of 2015, report on internal control progress in 2015, the prevention and control of external infringement cases in 2015, report on the internal control audit progress and independence compliance of the external auditor for 2015 and report on the audit plan of the external auditors for 2016.

Moreover, in response to changes in domestic and overseas economic trends, the Audit Committee paid close attention to the Bank's achievements in improving business performance and cost-effectiveness control and put forward many important opinions and suggestions regarding the improvement of the Bank's corporate governance mechanism and internal control measures.

According to the *Procedure Rules on the Preparation of Annual Report of the Board Audit Committee of Bank of China Limited*, prior to the start of audit field work by the auditors, the Audit Committee confirmed with the auditors the details of the 2015 audit plan, including areas of focus for auditing the 2015 Annual Report, risk assessment and identification methods, the application of accounting standards, tests of internal control and fraud related procedures, and the allocation of human resources. In particular, the committee reminded the auditors to report any difference of judgment between the auditors and the senior management during the audit, as well as the process and results of reconciling such differences.

The Audit Committee heard and reviewed reports from the senior management concerning the Bank's business performance and major financial data. It also requested that the senior management submit the annual financial statements to the auditors in a timely manner, so as to ensure sufficient time for the annual audit. During the audit, the committee maintained independent communications with the auditors and arranged independent communications between the auditors and the independent directors. At its first meeting of 2016, the Audit Committee reviewed and approved the Bank's 2015 financial statements and submitted them to the Board of Directors for approval.

In accordance with the *Policies of Selection, Rotation and Dismissal for External Auditors of Bank of China Limited*, the external auditors made a summary audit report and submitted a report on their independence compliance to the committee. The Bank's senior management appraised the external auditors' work. Based on this appraisal, the Audit Committee conducted its own assessment on the auditors' performance, effectiveness and independence compliance in 2015. It discussed re-engagement matters, and decided to reappoint Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control auditor for 2016, and to reappoint Ernst & Young as the Bank's international auditor for 2016. Such proposals have been submitted to the Board of Directors for approval.

Risk Policy Committee

The Risk Policy Committee of the Bank comprises five members, including Non-executive Directors Mr. WANG Wei, Mr. LIU Xianghui, Independent Directors Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI and Mr. Nout WELLINK. Independent Director Mr. Nout WELLINK serves as the Chairman of the committee.

The committee is mainly responsible for reviewing the Bank's risk management strategies, major risk management policies, procedures and systems, and providing suggestions to the Board of Directors; reviewing the Bank's major risk activities, and exercising its veto power in a reasonable manner over any transaction that will or may lead to debts to the Bank and/or expose the Bank to market risk in excess of the single transaction risk limit or the accumulated transaction risk limit approved by the Risk Policy Committee or the Board of Directors; monitoring the implementation of the Bank's risk management strategies, policies and procedures, and providing suggestions to the Board of Directors; reviewing the Bank's risk management situation, regularly assessing the duty performance of risk management and internal control by the senior management, departments and institutions of the Bank, including regularly hearing reports and requesting improvements.

The Risk Policy Committee held five meetings in 2015, at which it mainly reviewed and approved the general principles of risk management, market risk management policy, liquidity risk management policy, securities investment policy, measures for consolidated management, country risk limits and market risk limits. The committee also regularly reviewed the Group risk reports and so on.

In addition, the committee paid close attention to critical risk issues, in response to changes in overseas and domestic economic and financial conditions, adjustments of the government's macro policies and overall overseas and domestic regulations. The committee members offered important opinions and recommendations regarding the improvement of the Bank's risk governance mechanism and the effective prevention and control of risks, including credit risk, market risk, operational risk, legal and compliance risk, liquidity risk and so on.

In line with the *Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations* (EPS) issued by the Federal Reserve Board, the Bank established the US Risk Committee under the Risk Policy Committee of the Board of Directors on 25 March 2015 with the approval of the Board of Directors. The US Risk Committee comprises three members, including Non-executive Director Mr. WANG Wei, and Independent Directors Mr. Jackson TAI and Mr. Nout WELLINK. Independent Director Mr. Nout WELLINK serves as Chairman of the committee.

In 2015, the US Risk Committee reviewed the Bank's compliance progress with EPS and the risk and compliance management status of the Bank's US operations, and so on. The committee members put forward important opinions and recommendations regarding the effective prevention and control of risks and compliance based on US regulatory status, market changes and the business strategies of US operations.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee comprises five members, including Non-executive Directors Mr. ZHANG Xiangdong, Mr. ZHANG Qi and Independent Directors Mr. CHOW Man Yiu, Paul, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. CHOW Man Yiu, Paul serves as Chairman of the committee.

The committee is mainly responsible for assisting the Board of Directors in reviewing the Bank's human resources and remuneration strategies and overseeing their implementation; reviewing the structure, size and composition of the Board of Directors on an annual basis, and making suggestions to the Board regarding the scale and composition of the Board of Directors; studying and reviewing the standards and procedures for selecting, nominating and appointing directors, members of the Board committees and senior management, and making recommendations to the Board of Directors; identifying individuals suitably qualified to become directors and making recommendations to the Board of Directors on the selection of individuals nominated for directorships; performing preliminary review of the candidates for the members of the senior management and the chairmanship of Board committees, selecting and nominating candidates for different Board committees, and reporting to the Board of Directors for approval; reviewing and monitoring the remuneration and incentive policies of the Bank; considering and examining the remuneration plan of directors, supervisors and senior management members, and making recommendations to the Board of Directors; and setting the performance appraisal standards for the senior management of the Bank, evaluating the performance of the directors, and members of the senior management, and making recommendations to the Board of Directors.

The Personnel and Remuneration Committee held seven on-site meetings and two meetings by written resolutions in 2015. At these meetings, the committee mainly approved proposals on the performance evaluation and remuneration distribution plan for the Chairman, executive directors and senior management members for 2014, and the implementation plan for performance evaluation of the Chairman, the President, the Chairman of the Board of Supervisors and other senior management members in 2015. It reviewed and approved proposals for the nomination of Mr. GAO Yingxin, Mr. ZHU Hexin and Mr. XU Luode as executive vice presidents of the Bank, the proposal on nomination of Mr. GENG Wei as Secretary to the Board of Directors of the Bank, proposals for nominating Mr. ZHU Hexin and Mr. ZHANG Jinliang as candidates for executive directors of the Bank, the proposal on nominating Mr. LI Jucai as candidate for non-executive director of the Bank, the proposal on nominating Mr. Nout WELLINK as candidate for independent director of the Bank, proposals for the appointment of the Chief Risk Officer and Company Secretary of the Bank and the proposal on adjustments to the membership of the Board committees. The committee also reviewed the remuneration distribution plan for the Chairman of the Board of Supervisors and shareholder supervisors in 2014. The committee put forward important opinions and recommendations on further improving the Bank's performance evaluation management in line with regulatory requirements.

According to Articles of Association of the Bank, any shareholder who holds by himself or jointly with others 5% or more of the total number of voting shares of the Bank may, by submitting a written proposal to the shareholders' meeting, recommend candidates for directors, provided the number of candidates nominated shall be in accordance with the provisions of the Articles of Association (between 5 and 17) and not exceed the number to be elected. List of candidates for directors may be recommended by the Board of Directors within the number of candidates stipulated in the Articles of Association and according to the number to be elected. The Personnel and Remuneration Committee shall preliminarily review the qualifications and conditions of candidates for directors, and refer those qualified candidates to the Board of Directors for further examination. After the Board of Directors' approval by resolutions, the candidates shall be referred to shareholders' meeting in written proposals. When directors need to be added or filled temporarily, the Board of Directors shall raise the proposal and suggest the shareholders' meeting to elect or replace. During the reporting period, the Bank appointed directors in strict compliance with the Articles of Association.

Connected Transactions Control Committee

The Connected Transactions Control Committee comprises five members, including Executive Director Mr. Zhu Hexin, Independent Directors Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. LEUNG Cheuk Yan serves as the Chairman of the committee.

The committee is mainly responsible for administering the connected transactions of the Bank in accordance with relevant laws, regulations and normative documents, and formulating administrative regulations with regard to connected transactions; confirming the Bank's connected parties according to laws, regulations and normative documents, and reporting the relevant confirmation to the Board of Directors and the Board of Supervisors; defining the connected transactions of the Bank in accordance with laws, regulations and normative documents; examining the connected transactions of the Bank pursuant to relevant laws, regulations and normative documents, as well as the business principles of justice and fairness; and examining information disclosure matters related to significant connected transactions of the Bank.

The Connected Transactions Control Committee held three meetings in 2015, at which it mainly reviewed and approved the report on connected transactions in 2014 and the report on the changes to the connected party list, among others. It also reviewed the special report on funds occupied by controlling shareholder and other related parties in 2014 and the statement of connected transactions of the Bank in 2014, among others. During the reporting period, the Connected Transactions Control Committee paid constant attention to the development of the Bank's connected transaction monitoring system and the transmission of its connected transaction policy. Committee members put forward constructive suggestions regarding information disclosure and the construction of the connected transactions system.

Board of Supervisors

Functions and Powers of the Board of Supervisors

The Board of Supervisors is the Bank's supervisory organ and is responsible to the shareholders' meeting. As stipulated in the Company Law and the Articles of Association of the Bank, the Board of Supervisors is accountable for overseeing the Bank's financial activities, internal control, risk management and the legality and compliance of the Board of Directors, the senior management and its members in performing their duties.

Composition of the Board of Supervisors

The Board of Supervisors currently comprises seven members. There are three shareholder supervisors (including the Chairman of the Board of Supervisors), three employee supervisors and one external supervisor. According to the Articles of Association, a supervisor has a term of office of three years and may serve consecutive terms by re-election and re-appointment. Shareholder supervisors and external supervisors are elected or replaced by the shareholders' meeting.

The Board of Supervisors has set up the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee to assist in performing its authorised duties. The special committees mentioned above are responsible to the Board of Supervisors, members of which are supervisors, and each committee shall have at least three members.

Duty Performance of the Board of Supervisors

In 2015, the Board of Supervisors and its special committees earnestly performed their supervisory responsibilities and reviewed relevant proposals through detailed discussion. The Board of Supervisors held four meetings and made relevant resolutions. The Duty Performance and Due Diligence Supervision Committee held one meeting, while the Finance and Internal Control Supervision Committee held four meetings. For the performance of, and supervisory opinions from the Board of Supervisors during the reporting period, please refer to the section "Report of the Board of Supervisors".

Senior Management

Functions and Powers of the Senior Management

The senior management is the executive organ of the Bank. It is headed by the President, with executive vice presidents and other senior management members assisting the President's work. The main responsibilities of the President include presiding over the Bank's daily administrative, business and financial management; organising the implementation of the business plan and investment schemes; drafting basic management regulations and specific rules; nominating candidates for other senior management members; and reviewing employees' remuneration, benefit, reward and punishment measures.

Duty Performance of the Senior Management

In 2015, the senior management of the Bank managed the Bank's operations in accordance with the powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors, and carried out the Bank's strategy based on the annual performance objectives approved by the Board of Directors. Following the strategic goal of "Serving Society, Delivering Excellence", the senior management stabilised growth, promoted transformation, resolved non-performing loans, controlled risks, solidified foundation, boosted efficiency and strengthened Party building and staff development, thus realising the stable and rapid development of various businesses and continuously enhancing the Bank's performance.

During the reporting period, the senior management of the Bank held 26 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, asset and liability management, risk management, IT system development, product innovation, human resources and performance management. It also convened 162 special meetings to arrange for matters relating to internet finance, corporate banking, personal banking, financial markets, process improvement, risk management and internal control, overseas development and integrated operations.

In March 2015, in response to business development needs, the senior management established the IT Management Committee, which is responsible for formulating the IT development strategy and the long and medium-term IT development plans and for deliberating and determining major IT issues. Following an restructuring in October 2015, the Securities Investment and Management Committee is now under direct management of the Group Executive Committee and also manages the asset management business in addition to its original duties. The senior management of the Bank currently presides over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-Money Laundering Committee and the Asset Disposal Committee), the Securities Investment and Management Committee, the Procurement Review Committee and the IT Management Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Group Executive Committee, and strived to push forward the sound development of the Bank's various operations.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix 10 to the Hong Kong Listing Rules (the "*Model Code*"). All directors and supervisors confirmed that they have complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Appointment of External Auditors

Upon approval by the 2014 Annual General Meeting, Ernst & Young Hua Ming LLP was reappointed as the Bank's domestic auditor and internal control auditor for 2015 and Ernst & Young was reappointed as the Bank's international auditor for 2015.

Fees paid to Ernst & Young and its member firms for financial statements audit of the Group, including those of the Bank's overseas subsidiaries and branches, were RMB214 million for the year ended 31 December 2015, of which the fees for internal control audit paid to Ernst & Young Hua Ming LLP totalled RMB15.75 million.

Ernst & Young and its member firms were not engaged in other significant non-auditing services with the Bank in 2015. The Bank paid RMB23.4771 million for non-auditing services to Ernst & Young and its member firms in the year.

Ernst & Young Hua Ming LLP and Ernst & Young have provided audit services to the Bank for three consecutive years. Mr. ZHANG Xiaodong and Mr. YANG Bo are the certificated public accountants who signed the auditor's report on the Bank's financial statements prepared in accordance with CAS for the year ended 31 December 2015.

At the forthcoming 2015 Annual General Meeting, the Board of Directors will tender a resolution for review and approval regarding the proposal on engaging Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control auditor for 2016, providing audit services on its financial statements and internal control pursuant to CAS; and engaging Ernst & Young as the Bank's international auditor for 2016, providing financial statements audit services pursuant to IFRS.

Investor Relations and Information Disclosure

In 2015, the Bank increased its market communication and promotional efforts and continued to promote its differentiated competitive advantages in such areas as the "Belt and Road" initiatives, RMB internationalisation and its diversified business platform. It received positive recognition from capital markets, with its market value ranking rising among global listed banks. The Bank successfully arranged presentations for its 2014 annual results and 2015 interim results, as well as road shows in which the senior management actively explained the Bank's development strategies and operating performance to investors from the Chinese mainland, Hong Kong, Europe and North America. The senior management also listened earnestly to market concerns and feedback. Such activities were warmly welcomed by investors. Through active participation in influential investment forums, the Bank increased the frequency of its market communication with the markets and expanded its investor coverage base. During the reporting period, the Bank's senior management and representatives of major departments held and attended approximately 200 meetings with domestic and overseas institutional investors and analysts, thus enhancing the investment community's understanding of the Bank's investment value. At the same time, the

Bank completed the early redemption of its A-Share Convertible Bonds in March 2015. The increase in the number of the Bank's free-floating A Shares, and the strong performance of the Bank's A Share price over this period led to the Bank's A Shares again being included in the SSE 50 Index in June 2015. The Bank continued to explore new communication channels, upgrading its investor relations webpage of the Bank's website and providing more timely and comprehensive responses to investors' questions via the investor hotline, email, and e-interaction online platform run by SSE, as well as other channels. The Bank also attempted to deliver information over new media channels such as WeChat so as to enrich the investor communication. In 2015, the Bank answered nearly 850 enquiries via its investor relations hotline, and replied to 136 questions from investors received through its investor relations inbox and the e-interaction online platform run by SSE.

The Bank continued to enhance management of its external credit rating affairs and to improve its effectiveness, timeliness and professionalism in related communications related to its risk management, liquidity management, operating performance and development strategy. In this challenging economic and financial environment, the Bank's credit ratings were reaffirmed by major rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings.

In 2015, the Bank prepared and disclosed its regular and provisional reports in strict adherence to the principles of truthfulness, accuracy, completeness, timeliness and fairness. It continuously enhanced the pertinence, effectiveness and transparency of information disclosure in order to guarantee investors' access to relevant information. The Bank actively explored voluntary information disclosure to provide more comprehensive information to investors. The Bank pioneered numerous market-leading best practices, ensuring that the investors in the Chinese mainland and Hong Kong are provided with equal opportunity to access relevant information.

The Bank has established a comprehensive information disclosure system, including the information disclosure policy, management measures and operational manuals. It has also developed complete information disclosure working mechanisms. In 2015, the Bank closely tracked changes in regulatory rules and timely reviewed and revised its work system and procedures accordingly, thus further improving the completeness of its regulatory system and the standardisation of its information disclosure management work. The Bank completed the registration of the insiders and the filing of memoranda on the progresses of significant events in strict compliance with relevant regulatory requirements and the rules of the Bank. The Bank reinforced the principal responsibility system and information correspondent mechanism at the Group level, organised information disclosure training and conducted guidance on information disclosure obligations, so as to promote the building of a strong compliance culture of information disclosure and to improve the initiative and long-term perspective of its information disclosure management work.

In 2015, the Bank once again received wide recognition for its investor relations and information disclosure performance. The Bank won the award for "Best Investor Relations Company" in the 5th Asian Excellence Awards presented by *Corporate Governance Asia*. The Bank was also placed among the top five Chinese companies for "Best Investor Relations" in the *FinanceAsia* annual "Best Companies" vote. The Bank's annual report won a Gold Award in financial data and Honors in written text of the Annual Report Competition (ARC). It also won a Silver Award in the overall category of the annual report competition of the League of American Communications Professionals (LACP).

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited Consolidated Financial Statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2015.

Principal Activities

The Bank provides a range of banking and related financial services, including commercial banking, investment banking, insurance, direct investment and investment management, fund management and aircraft leasing business.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the interest income and other operating income of the Group.

Results and Profit Distribution

The Group's annual results for 2015 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2015 of RMB0.175 per share (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 7 June 2016. If approved, the 2015 final dividend on the Bank's ordinary shares will be denominated and declared in RMB and paid in RMB or equivalent Hong Kong dollars. The actual amount distributed in Hong Kong dollars will be calculated according to the average of the exchange rates announced by PBOC in the week before 7 June 2016 (inclusive), being the date of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 24 June 2016 and the H-Share dividend distribution date is expected to be 20 July 2016 in accordance with relevant regulatory requirements and business rules. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

At the 2014 Annual General Meeting held on 17 June 2015, a final dividend on ordinary shares for 2014 of RMB0.19 per share (before tax) was approved for payment. The A-Share and H-Share dividends were distributed to the shareholders separately in July 2015 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed amount was RMB55.934 billion (before tax). No interim dividend was paid for the period ended on 30 June 2015 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2015.

At the Board meeting held on 28 August 2015, the dividend distribution plans for the Bank's Offshore Preference Shares and Domestic Preference Shares (First Tranche) were approved. The Bank distributed dividends on the Offshore Preference Shares on 23 October 2015. According to the issuance terms of the Offshore Preference Shares, dividends on Offshore Preference Shares were denominated in RMB and paid in US dollars converted at a fixed exchange rate, with an annual dividend rate of 6.75% (after tax). The Bank distributed dividends on the Domestic Preference Shares (First Tranche) on 23 November 2015, with an annual dividend rate of 6.00% (before tax). The dividend distribution plans have been accomplished.

At the Board meeting held on 19 January 2016, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Domestic Preference Shares (Second Tranche) on 14 March 2016, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

Cash Dividend Payout for Ordinary Shares and Capitalisation of the Capital Reserve to Share Capital for the Past Three Years

Year of dividend distribution	Dividend per share (before tax) (Unit: RMB)	Total dividend (before tax) (Unit: RMB million)	Profit attributable to equity holders of the Bank (Unit: RMB million)	Payout ratio	Capitalisation of the capital reserve to share capital
2014	0.190	55,934	169,595	33%	Nil
2013	0.196	54,755	156,911	35%	Nil
2012	0.175	48,851	139,656	35%	Nil

Dividend Distribution for Preference Shares

Types of preference shares	Dividend payment date	Total dividend	Dividend rate
Offshore Preference Shares	23 October 2015	439 (USD million, after tax)	6.75% (after tax)
Domestic Preference Shares (First Tranche)	23 November 2015	1,920 (RMB million, before tax)	6.00% (before tax)
Domestic Preference Shares (Second Tranche)	14 March 2016	1,540 (RMB million, before tax)	5.50% (before tax)

Formulation and Implementation of Cash Dividend Policy

Ordinary Shares

In 2009, the Bank amended the Articles of Association to state that the Bank should maintain the continuity and stability of its profit distribution policy.

In 2013, the Bank amended the Articles of Association related to the cash dividend. This amendment clarified the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The amendment states that the Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The amendment also states that the Bank shall offer online voting to shareholders when considering amendments to profit distribution policy and profit distribution plan.

In 2014, the Bank formulated the *Shareholder Return Plan for 2014 to 2016* to specify the basic principles, shareholder return plan and decision-making and supervisory mechanisms regarding the formulation, implementation and amendment of the shareholder return of the Bank.

The procedure to formulate the aforementioned dividend distribution policy was compliant, transparent and complete. The criterion and ratio of the dividend are explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. The procedure was in line with the provisions of the Articles of Association and other rules and regulations.

The dividend distribution plan for ordinary shares of the Bank has been approved by the shareholders' meeting. In 2015, the Bank distributed dividends on ordinary shares for 2014 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute dividends on ordinary shares before all the dividends on preference shares have been paid.

Dividends on the Bank's preference shares will be distributed on an annual basis. The first dividend period begins on the date of issuance of the preference shares. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend of the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent from the Bank's credit rating, nor do they vary with the credit rating.

Closure of H-Share Register of Members

The H-Share register of members of the Bank will be closed from Monday, 20 June to Thursday, 23 June 2016 (both days inclusive), for the purpose of determining the list of shareholders entitled to the proposed final dividends on ordinary shares. In order to qualify for the proposed final dividends, the H-Share Holders of the Bank who have not registered the relevant transfer documents are required to lodge them, together with the relevant share certificates, with the H-Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 June 2016. The ex-dividend date of the Bank's H Shares will be on Thursday, 16 June 2016.

Donations

Charitable and other donations made by the Group during the reporting period amounted to approximately RMB58.8591 million.

Share Capital

As at the latest practicable date prior to the issue of this annual report, the Bank had sufficient public float based on publicly available information, in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange at the time of the Bank's listing.

Distributable Reserves

Please refer to Note V.38 to the Consolidated Financial Statements for details of distributable reserves of the Bank.

Fixed Assets

Please refer to Note V.20 to the Consolidated Financial Statements for details of the fixed assets of the Bank.

Financial Summary

Please refer to the section "Financial Highlights" for the summary of the annual results, assets and liabilities of the Bank for the last five years.

Connected Transactions

Under the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2015, the Bank has engaged in a number of connected transactions with its connected persons in the ordinary and usual course of its business. Such transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements according to the Hong Kong Listing Rules.

Directors' Interests in Competing Businesses of the Bank

None of the directors has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

Remuneration of Directors, Supervisors and Senior Management Members

Please refer to the section "Directors, Supervisors and Senior Management Members" for details of the remuneration of directors, supervisors and senior management members.

Directors' and Supervisors' Service Contracts

None of the directors or supervisors of the Bank has a service contract with the Bank or its subsidiaries that is not determinable within one year or is not determinable without payment of compensation other than normal statutory compensation.

Directors' and Supervisors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance, in relation to the Bank's business to which the Bank, its holding companies, or its subsidiaries or fellow subsidiaries was a party and in which a director or a supervisor or any entity connected with them was materially interested, directly or indirectly, subsisted during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement that would enable the Bank's directors and supervisors, or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other body corporate.

Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 31 December 2015, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Hong Kong Listing Rules.

Financial, Business and Family Relations among Directors

Directors of the Bank are not related to one another with respect to finance, business and family, or other material relations.

Substantial Shareholder Interests

Please refer to the section "Changes in Share Capital and Shareholdings of Shareholders" for the details of the Bank's substantial shareholder interests.

Management Contracts

No contract concerning the management or administration of the whole or any substantial part of the business of the Bank was entered into or existed during the reporting period.

Share Appreciation Rights Plan and Share Option Scheme

Please refer to Note V.33 to the Consolidated Financial Statements for details of the share appreciation rights plan and share option scheme of the Group.

Purchase, Sale or Redemption of the Bank's Securities

As at 31 December 2015, approximately 29.69 million shares of the Bank were held as treasury shares.

Please refer to the Notes to the Consolidated Financial Statements for details of purchase, sale or redemption of the Bank's securities by the Bank and its subsidiaries.

Pre-emptive Rights

There are no compulsory provisions for pre-emptive rights requiring the Bank to offer new shares to existing shareholders in proportion to their existing shareholdings under the Articles of Association. The Articles of Association provide that the Bank may increase its capital by public offering, private placing, issuing rights of new shares to existing shareholders or allotting new shares to existing shareholders, transferring its capital reserve, issuing convertible bonds, or through other means as permitted by laws, administrative regulations and relevant regulatory authorities.

Permitted Indemnity Provision

As stipulated in the Articles of Association, within the scope permitted under applicable laws, administrative regulations and the Articles of Association, the Bank may purchase and maintain any liabilities insurance for the Bank's former and incumbent directors. The Bank will indemnify every former and incumbent director out of its own assets against any liability incurred when he/she served as director of the Bank to the maximum extent permitted by law and administrative regulations or alternatively to the extent that it is not prohibited by law and administrative regulations unless it is established that the director has not acted honestly or in good faith in performing his duties.

During the reporting period, the Bank renewed its directors' liability insurance to provide protection against claims arising from the lawful discharge of duties by the directors, thus encouraging the directors to fully perform their duties.

Equity-linked Agreement

The Bank has not been engaged in any equity-linked agreement during the reporting period.

Business Review

For disclosures of the Bank in respect of business review under paragraph 28 of Appendix 16 to the Hong Kong Listing Rules, please refer to sections "Management Discussion and Analysis" and "Corporate Social Responsibilities".

Use of Raised Funds

All proceeds raised from initial public offerings, issuance of subordinated bonds, the rights issue, issuances of tier 2 capital bonds and preference shares have been used to replenish the Bank's capital and increase the level of capital adequacy.

For details, please refer to the related announcements on the websites of SSE, HKEx and the Bank and the Notes to the Consolidated Financial Statements.

Tax and Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2015.

A-Share Holders

In accordance with the provisions of the *Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2012] No. 85) and the *Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2015] No. 101) issued jointly by MOF, State Administration of Taxation of PRC and CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses shall not be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. The individual income tax levied on dividends and bonuses obtained by equity investment funds from listed companies is also calculated in accordance with the aforementioned rules.

In accordance with the provisions of Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the *Implementation Rules of Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China* mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H-Share Holders

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign investment enterprises in Hong Kong are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between the Chinese mainland and Hong Kong and Macau. Accordingly, the Bank generally withholds 10% of the dividends to be distributed to the individual H-Share Holders as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

In accordance with the provisions of the *Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders who are Overseas Non-resident Enterprises* (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC, when Chinese resident enterprises distribute annual dividends for 2008 onwards to H-share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends on H Shares paid by the Bank.

The tax and tax relief of Shanghai-Hong Kong Stock Connect shall comply with the *Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong* issued jointly by MOF, State Administration of Taxation of PRC, and CSRC.

Domestic Preference Share Holders

The individual income tax levied on dividends obtained by individuals from non-public issuance of domestic preference shares is calculated in accordance with the relevant Chinese tax laws and regulations.

In accordance with the provisions of the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income from domestic preference shares distributed between qualified resident enterprises are non-taxable, and dividend income from domestic preference shares obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

Offshore Preference Share Holders

In accordance with Chinese tax laws and regulations, when distributing dividends to overseas non-resident enterprises on offshore preference shares, the Bank shall withhold enterprise income tax at a rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of the dividends on offshore preference shares paid by the Bank.

Auditors

Please refer to the section "Corporate Governance — Appointment of External Auditors" for details of the Bank's external auditors.

Members of the Board of Directors

Executive Directors: TIAN Guoli, CHEN Siqing, ZHU Hexin

Non-executive Directors: ZHANG Xiangdong, ZHANG Qi, WANG Yong, WANG Wei, LIU Xianghui, LI Jucai

Independent Directors: CHOW Man Yiu, Paul, Jackson TAI, Nout WELLINK, LU Zhengfei, LEUNG Cheuk Yan

On behalf of the Board of Directors
TIAN Guoli
Chairman
30 March 2016

Report of the Board of Supervisors

Meetings of the Board of Supervisors

In 2015, the Bank convened four on-site meetings of the Board of Supervisors on 25 March, 29 April, 28 August and 29 October. At these meetings, the Board of Supervisors reviewed and approved 17 proposals on the Bank's regular reports, 2014 profit distribution plan, 2014 internal control assessment report, 2014 work report of the Board of Supervisors, 2015 work plan of the Board of Supervisors, evaluation opinions on the duty performance of directors and senior management members for 2014, and the nomination of candidates for external supervisors of the Bank, among others.

In 2015, the attendance rate of each supervisor of the meetings of the Board of Supervisors is given below:

Supervisors	Number of meetings attended in person/Number of meetings convened during term of office
Incumbent Supervisors	
LI Jun	4/4
WANG Xueqiang	4/4
LIU Wanming	3/4
DENG Zhiying	4/4
LIU Xiaozhong	4/4
XIANG Xi	4/4
CHEN Yuhua	2/2
Former Supervisor	
MEI Xingbao	4/4

Notes:

1 Mr. LIU Wanming was not able to attend the meeting of the Board of Supervisors in person on 29 April 2015 due to other important business engagements. He authorised another supervisor to attend and vote at the meeting as his proxy.

2 Please refer to the section "Directors, Supervisors and Senior Management Members – Changes in Directors, Supervisors and Senior Management Members" for changes in supervisors.

In 2015, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held one meeting, at which it reviewed and approved the proposal on evaluation opinions on the duty performance of directors and senior management members for 2014, as well as other proposals. The Finance and Internal Control Supervision Committee of the Board of Supervisors held four meetings, at which it reviewed and approved the Bank's regular reports, 2014 profit distribution plan, 2014 internal control assessment report and other proposals.

Performance of Supervision and Inspection by the Board of Supervisors

In 2015, the Board of Supervisors focused on the Bank's overall working arrangements. Adhering to the issues-focused approach and selecting the right starting points, it assumed its responsibilities proactively and resolutely, earnestly performed its supervision duties regarding duty performance, finances, internal control and risk management, enhanced the pertinence and effectiveness of its supervision, and played an active role in the Bank's sound and healthy development, in accordance with relevant laws, regulations, regulatory requirements and the Articles of Association of the Bank.

Steadily carried out the supervision and evaluation of the duty performance of directors and senior management members. In line with the Bank's progress in key strategic work of the Bank, the Board of Supervisors collected and analysed the speeches, approvals, minutes, work briefings, regulatory circulars and internal and external audit reports relating to the duty performance of directors and senior management members by attending the shareholders' meetings and the meetings of the Board of Directors, special committees and the senior management. It streamlined and followed up on the key work progress of the Bank and the duty performance of directors and senior management members, and comprehensively analysed and assessed the due diligence of the senior management and key work progress on a monthly basis. In addition, it provided guidance on matters relevant to the Bank's business development, operations and management and risk management and internal control which should draw particular attention, and enhanced the supervision of the day-to-day duty performance of the Board of Directors, the Senior Management and their members. The Board of Supervisors studied and formulated the annual performance assessment plan, collected and read reports on the annual duty performance of directors and senior management members and organised annual duty performance interviews with them. These interviews involved in-depth discussion of hot topics and difficult problems, and allowed the Board of Supervisors to provide guidance on such matters as intensifying strategic implementation, advancing business and product decentralisation, streamlining operation and management procedures, strengthening the prevention and control of major risks, demonstrating the role of the "three lines of defence" and sharpening the Bank's market competitive edge as well as pushing forward the improvement of related work. Based on this day-to-day supervision, reporting and interviews on duty performance, the Board of Supervisors objectively and fairly assessed the duty performance of the Board of Directors, the Senior Management and their members, expressed opinions on annual performance assessment and motivated directors and senior management members to work diligently.

Continuously enhanced the pertinence and effectiveness of finance, internal control and risk supervision. First, the Board of Supervisors enhanced the supervision of strategy implementation and financial and accounting affairs. The Board of Supervisors followed up and learned about the progress towards implementing its strategic plan and fulfilling the 2015 business plan and financial budget that had been reviewed and approved by the Board of Directors, and strengthened the comparative analysis of financial and operating data of the Bank's peers; intensified the tracking and supervision of such matters as capital replenishment and allocation, institution setup, disposal and write-off of major assets as well as connected party transactions; streamlined and analysed the Bank's financial and accounting data and operation and management achievements on a monthly basis, pertinently reported on problems and raised suggestions and provided guidance on relevant matters. Second, the Board of Supervisors strengthened the supervision of internal control over material risks and key risks. It continuously tracked and comprehended the risks in the fields including overcapacity industries, bulk commodities, cooperation between domestic and overseas operations, medium, small and micro business, heard and reviewed reports regarding risk management and control, heard and reviewed reports regarding the internal control status and internal control assessment and audit, with the focus on the supervision of anti-money laundering and case prevention and control. With respect to existing problems, it raised risk issues by various means to ensure the Bank to defend the risk bottom line. Third, the Board of Supervisors established a supervision rectification mechanism. With respect to the significant issues related to risk management and internal control identified by the Board of Supervisors in special inspections over past years, it carried out review and reassessment on rectifications and submitted the assessment reports and guidance letters on rectification of credit collateral management, physical precious metals and BGL account management to the Senior Management, so as to ensure related work be arranged, checked and implemented. Fourth, the Board of Supervisors earnestly reviewed regular financial reports. It regularly communicated on special topics with the Accounting and Information Department, the Financial Management Department, the Credit Management Department, the Audit Department, related business departments and external auditors. It heard the reports on financial report preparation and audit for four times and raised timely suggestions regarding enhancing the capability of the internal control case prevention and risk management of grass-root institutions, strengthening overseas institution management and active liability management, preventing and controlling cross-border RMB business risks and mitigating anti-money laundering compliance risk of overseas institutions. Relevant departments actively responded and constantly improved.

Significantly advancing issues-focused special inspections and surveys. In line with the Bank's priorities and serving the overall interest, the Board of Supervisors took an issues-focused approach to closely track the Bank's overall issues with respect to strategy implementation, operation and management and risk control, and conducted three special surveys on anti-money laundering, prevention of internal control cases and small and micro credit business. The survey team had in-depth engagement with relevant Head Office departments and a large number of institutions of the Bank. It heard relevant reports, comprehended the conditions on the ground, collected and sorted cases, studied countermeasures and raised suggestions. It also grasped relevant information while giving feedback and supervising rectification measures, as well as submitting special survey reports to the Senior Management. Relevant departments earnestly studied and actively responded to the supervisory opinions of the Board of Supervisors, incorporated relevant work into the rectification agenda, put forward rectification measures and included them in the related work plan. In its day-to-day supervision, the Board of Supervisors followed up and urged relevant institutions and departments to strengthen the rectification of problems identified in surveys, so as to promote the effective conversion of special inspection and survey achievements into improvements in relevant areas.

Achieved new breakthroughs in self-improvement. The Board of Supervisors completed the procedures related to the selection, appointment and resignation of relevant external supervisors. According to regulatory requirements and the measures for assessment of duty performance of supervisors of the Bank, the Board of Supervisors continued to conduct self-assessments of its duty performance and annual assessment of the duty performance of supervisors, urging each supervisor to consciously perform their supervisory duties as defined in relevant laws, regulations and the Articles of Association. With respect to the macroeconomic situation and hot topics, the Board of Supervisors organised the duty performance seminars and training courses for supervisors so as to enhance their duty performance capability, and provide inspiration and reference for carrying out supervisory duties in the new environment. It further improved its work mechanisms, helped supervisors to understand the Bank's major decisions and work progress, created conditions for each supervisor to review proposals and express opinions, organised special communication, inspection and survey activities for supervisors and supported and guaranteed the duty performance of supervisors in accordance with relevant laws. All supervisors performed their duties faithfully and diligently, attended related meetings to learn about information in a timely manner and widely collected and studied relevant information. They actively participated in the study, examination and voting of proposals, brought their strengths into play, and expressed opinions and made suggestions regarding the Bank's sound and healthy development. The two special committees earnestly studied, reviewed and drafted relevant proposals in line with the priorities of the Board of Supervisors, making contributions to improve the work quality.

The Board of Directors and the Senior Management attached great importance to the supervision and guidance of the Board of Supervisors, checked and implemented relevant rectifications, subdivided operation and management measures, effectively mitigated potential risks and improved operation and management.

During the reporting period, the Board of Supervisors held no objection to such matters under its supervision regarding the Bank's operational and legal compliance, financial position, use of raised funds, purchase and sale of assets, connected transactions, internal control and corporate information disclosure.

Significant Events

Material Litigation and Arbitration

The Bank was involved in certain litigation and arbitration cases in its regular course of business. In addition, because of the scope and scale of the Bank's international operations, the Bank is from time to time subject to a variety of claims under the laws of various jurisdictions in which the Bank operates, including sensitive allegations such as anti-money laundering. After consulting legal professionals, the senior management holds that none of the litigation and arbitration cases will have a significant impact on the financial position or operating results of the Bank at the current stage.

Material Purchase and Sale of Assets, and Merger and Acquisition

In accordance with the relevant regulations of the *Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises* (No. 54 Decree of the MOF), and by way of a bidding process, BOCHK, a direct wholly-owned subsidiary of BOCHK (Holdings), entered into a sale and purchase agreement with Cinda Financial Holdings Co., Limited (as buyer) and China Cinda (HK) Holdings Company Limited (as buyer's guarantor) in relation to the disposal of all the issued shares of Nanyang Commercial Bank, Limited on 18 December 2015. The total consideration for such disposal is HKD68 billion. For details, please refer to the Bank's announcements on 14 July 2015 and 18 December 2015 published on the websites of SSE, HKEx and the Bank.

The completion of the abovementioned disposal is subject to the satisfaction of the conditions precedent stated in the sale and purchase agreement. The Bank will make further announcement(s) with regard to the disposal in compliance with the relevant laws and regulations as well as the listing rules of the Bank's listing exchanges as and when appropriate or required.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board Meeting and the extraordinary shareholders' meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note V.42 of the Consolidated Financial Statements.

Major Contracts and the Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take any significant custody of, sub-contract or lease any material business assets from other companies, or allow its material business assets to be subject to such arrangements that are required to be disclosed.

Material Guarantee Business

As approved by PBOC and CBRC, the Bank's guarantee business is an off-balance-sheet item in the ordinary course of its business. The Bank operates its guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in accordance with the risks of the guarantee business and carries out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into any material guarantee business that is required to be disclosed.

Other Major Contracts

During the reporting period, the Bank had no other major contract that was required to be disclosed.

Misappropriation of Funds by Controlling Shareholder and Other Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

Undertakings

Huijin made a "non-competing commitment" when the Bank launched its IPO to the effect that, so long as Huijin continues to hold any of the Bank's shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder in accordance with the laws or listing rules of PRC, or of the place where the Bank's shares are listed, it will not engage or participate in any competing commercial banking activities, including but not limited to extending loans, taking deposits and providing settlement, or providing fund custodian, bank card and currency exchange services. However, Huijin may, through its investments in other commercial banks, undertake or participate in certain competing businesses. To that regard, Huijin has undertaken that it will: (i) treat its investment in commercial banks on an equal footing and not take advantage of its status as a holder of the Bank's shares or take advantage of the information obtained by virtue of such status to make decisions or judgments against the Bank and in favour of other commercial banks; and (ii) exercise its shareholder's rights in the Bank's best interests. During the reporting period, there was no breach of material undertakings by Huijin.

On 8 July 2015, Huijin undertook not to reduce its shareholding in the Bank during the abnormal fluctuations in the securities market. Huijin has strictly observed such undertaking.

Disciplinary Actions Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Controlling Shareholder

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to any investigation, compulsory measures or criminal responsibilities by relevant authorities or any investigation, administrative punishment or regulatory measures by CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

Integrity of the Bank and its Controlling Shareholder

During the reporting period, neither the Bank nor its controlling shareholder failed to perform effective judgment of the court or pay off any due debt in large amount.

Independent Auditors' Report

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

To the shareholders of Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Bank of China Limited (the "Bank") and its subsidiaries set out on pages 136 to 297, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement 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 IASB 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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 International Standards on Auditing. 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 its subsidiaries as at 31 December 2015, and of their 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.

Ernst & Young

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2016

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Consolidated Income Statement

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

	Note	Year ended 31 December 2015	2014
Interest income	V.1	**615,056**	602,680
Interest expense	V.1	**(286,406)**	(281,578)
Net interest income		**328,650**	321,102
Fee and commission income	V.2	**100,905**	98,538
Fee and commission expense	V.2	**(8,495)**	(7,298)
Net fee and commission income		**92,410**	91,240
Net trading gains	V.3	**9,460**	11,099
Net gains on financial investments		**5,765**	1,795
Other operating income	V.4	**37,627**	31,092
Operating income		**473,912**	456,328
Operating expenses	V.5	**(185,401)**	(177,788)
Impairment losses on assets	V.8	**(59,274)**	(48,381)
Operating profit		**229,237**	230,159
Share of results of associates and joint ventures	V.19	**2,334**	1,319
Profit before income tax		**231,571**	231,478
Income tax expense	V.9	**(52,154)**	(54,280)
Profit for the year		**179,417**	177,198
Attributable to:			
Equity holders of the Bank		**170,845**	169,595
Non-controlling interests		**8,572**	7,603
		179,417	177,198
Earnings per share			
(Expressed in RMB per ordinary share)	V.10		
— Basic		**0.56**	0.61
— Diluted		**0.56**	0.58

For details of the dividends paid or proposed, please refer to Note V.38.3.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Note	Year ended 31 December	
		2015	2014
Profit for the year		**179,417**	177,198
Other comprehensive income:	V.11		
Items that will not be reclassified to profit or loss			
— Actuarial losses on defined benefit plans		**(161)**	(233)
— Other		**14**	5
Subtotal		**(147)**	(228)
Items that may be reclassified subsequently to profit or loss			
— Net fair value gains on available for sale financial assets		**6,573**	8,430
— Share of other comprehensive income of associates and joint ventures accounted for using the equity method		**(361)**	256
— Exchange differences from the translation of foreign operations		**6,896**	(2,759)
— Other		**336**	471
Subtotal		**13,444**	6,398
Other comprehensive income for the year, net of tax		**13,297**	6,170
Total comprehensive income for the year		**192,714**	183,368
Total comprehensive income attributable to:			
Equity holders of the Bank		**182,171**	175,165
Non-controlling interests		**10,543**	8,203
		192,714	183,368

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015 (Amount in millions of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	**2015**	2014
ASSETS			
Cash and due from banks and other financial institutions	V.12	**654,378**	813,054
Balances with central banks	V.13	**2,196,063**	2,306,088
Placements with and loans to banks and other financial institutions	V.14	**426,848**	402,280
Government certificates of indebtedness for bank notes issued	V.26	**91,191**	76,517
Precious metals		**176,753**	194,531
Financial assets at fair value through profit or loss	V.15	**119,062**	104,528
Derivative financial assets	V.16	**82,236**	47,967
Loans and advances to customers, net	V.17	**8,935,195**	8,294,744
Financial investments	V.18	**3,476,033**	2,605,847
— available for sale		**1,078,533**	750,685
— held to maturity		**1,790,790**	1,424,463
— loans and receivables		**606,710**	430,699
Investment in associates and joint ventures	V.19	**10,843**	14,379
Property and equipment	V.20	**182,031**	172,197
Investment properties	V.21	**23,281**	18,653
Deferred income tax assets	V.34	**22,246**	25,043
Assets held for sale	V.35	**237,937**	–
Other assets	V.22	**181,500**	175,554
Total assets		**16,815,597**	15,251,382

The accompanying notes form an integral part of these consolidated financial statements.

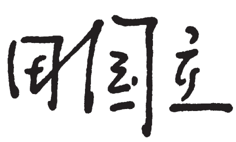
Consolidated Statement of Financial Position (Continued)

As at 31 December 2015 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2015	2014
LIABILITIES			
Due to banks and other financial institutions	V.24	**1,764,320**	1,780,247
Due to central banks	V.25	**415,709**	348,271
Bank notes in circulation	V.26	**91,331**	76,607
Placements from banks and other financial institutions	V.27	**447,944**	225,330
Derivative financial liabilities	V.16	**69,160**	40,734
Due to customers	V.28	**11,729,171**	10,885,223
— at amortised cost		**11,389,260**	10,567,736
— at fair value		**339,911**	317,487
Bonds issued	V.29	**282,929**	278,045
Other borrowings	V.30	**30,281**	30,447
Current tax liabilities	V.31	**37,982**	41,636
Retirement benefit obligations	V.32	**4,255**	4,566
Deferred income tax liabilities	V.34	**4,291**	4,287
Liabilities classified as held for sale	V.35	**196,850**	–
Other liabilities	V.36	**383,769**	352,561
Total liabilities		**15,457,992**	14,067,954
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital	V.37.1	**294,388**	288,731
Other equity instruments	V.37.4	**99,714**	71,745
Capital reserve	V.37.2	**140,098**	130,797
Treasury shares	V.37.3	**(86)**	(25)
Other comprehensive income	V.11	**(2,345)**	(13,671)
Statutory reserves	V.38.1	**111,511**	96,105
General and regulatory reserves	V.38.2	**179,485**	159,341
Undistributed profits	V.38	**482,181**	407,836
		1,304,946	1,140,859
Non-controlling interests	V.39	**52,659**	42,569
Total equity		**1,357,605**	1,183,428
Total equity and liabilities		**16,815,597**	15,251,382

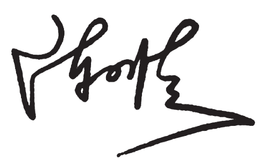
Approved and authorised for issue by the Board of Directors on 30 March 2016.

The accompanying notes form an integral part of these consolidated financial statements.



TIAN Guoli

Director



CHEN Siqing

Director

Consolidated Statement of Changes in Equity

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

		Attributable to equity holders of the Bank									
	Note	Share capital	Other equity Instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2015		288,731	71,745	130,797	(13,671)	96,105	159,341	407,836	(25)	42,569	1,183,428
Total comprehensive income	V.11	–	–	–	11,326	–	–	170,845	–	10,543	192,714
Conversion of convertible bonds and capital reserve	V.37.1	5,657	–	10,973	–	–	–	–	–	–	16,630
Capital injection by other equity instruments holders	V.37.4	–	27,969	–	–	–	–	–	–	–	27,969
Appropriation to statutory reserves	V.38.1	–	–	–	–	15,686	–	(15,686)	–	–	–
Appropriation to general and regulatory reserves	V.38.2	–	–	–	–	–	20,144	(20,144)	–	–	–
Dividends	V.38.3	–	–	–	–	–	–	(60,946)	–	(3,497)	(64,443)
Net change in treasury shares	V.37.3	–	–	–	–	–	–	–	(61)	–	(61)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	3,077	3,077
Equity component of convertible bonds		–	–	(1,545)	–	–	–	–	–	–	(1,545)
Other		–	–	(127)	–	(280)	–	276	–	(33)	(164)
As at 31 December 2015		294,388	99,714	140,098	(2,345)	111,511	179,485	482,181	(86)	52,659	1,357,605

		Attributable to equity holders of the Bank									
	Note	Share Capital	Other equity Instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2014		279,365	–	115,369	(19,241)	80,225	144,450	323,776	(28)	37,561	961,477
Total comprehensive income	V.11	–	–	–	5,570	–	–	169,595	–	8,203	183,368
Conversion of convertible bonds and capital reserve	V.37.1	9,366	–	17,974	–	–	–	–	–	–	27,340
Capital injection by other equity instruments holders	V.37.4	–	71,745	–	–	–	–	–	–	–	71,745
Appropriation to statutory reserves	V.38.1	–	–	–	–	15,888	–	(15,888)	–	–	–
Appropriation to general and regulatory reserves	V.38.2	–	–	–	–	–	14,897	(14,897)	–	–	–
Dividends	V.38.3	–	–	–	–	–	–	(54,755)	–	(3,234)	(57,989)
Net change in treasury shares	V.37.3	–	–	–	–	–	–	–	3	–	3
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	39	39
Equity component of convertible bonds		–	–	(2,546)	–	–	–	–	–	–	(2,546)
Other		–	–	–	–	(8)	(6)	5	–	–	(9)
As at 31 December 2014		288,731	71,745	130,797	(13,671)	96,105	159,341	407,836	(25)	42,569	1,183,428

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

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

		Year ended 31 December	
	Note	2015	2014
Cash flows from operating activities			
Profit before income tax		**231,571**	231,478
Adjustments:			
Impairment losses on assets		**59,274**	48,381
Depreciation of property and equipment		**12,850**	12,775
Amortisation of intangible assets and other assets		**2,758**	2,788
Net gains on disposal of property and equipment, intangible assets and other long-term assets		**(788)**	(199)
Net gains on disposal of investment in subsidiaries, associates and joint ventures		**(2,026)**	(684)
Share of results of associates and joint ventures		**(2,334)**	(1,319)
Interest income arising from financial investments		**(105,279)**	(83,847)
Dividends arising from investment securities		**(483)**	(458)
Net gains on de-recognition of financial investments		**(5,765)**	(1,795)
Interest expense arising from bonds issued		**10,909**	10,125
Accreted interest on impaired loans		**(1,329)**	(879)
Net changes in operating assets and liabilities:			
Net decrease/(increase) in balances with central banks		**126,827**	(121,015)
Net increase in due from and placements with and loans to banks and other financial institutions		**(31,746)**	(77,077)
Net decrease/(increase) in precious metals		**17,484**	(1,814)
Net increase in financial assets at fair value through profit or loss		**(27,772)**	(22,668)
Net increase in loans and advances to customers		**(833,615)**	(901,980)
Net increase in other assets		**(122,913)**	(9,102)
Net (decrease)/increase in due to banks and other financial institutions		**(12,809)**	228,623
Net increase in due to central banks		**67,444**	147,332
Net increase/(decrease) in placements from banks and other financial institutions		**225,136**	(113,935)
Net increase in due to customers		**1,028,905**	787,437
Net (decrease)/increase in other borrowings		**(166)**	877
Net increase in other liabilities		**91,644**	51,070
Cash inflow from operating activities		**727,777**	184,114
Income tax paid		**(55,683)**	(57,196)
Net cash inflow from operating activities		**672,094**	126,918

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (Continued)

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

	Note	Year ended 31 December 2015	2014
Cash flows from investing activities			
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**12,580**	9,624
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		**7,416**	1,078
Dividends received		**663**	851
Interest income received from financial investments		**94,085**	78,472
Proceeds from disposal/maturity of financial investments		**1,276,488**	910,115
Increase in investment in subsidiaries, associates and joint ventures		**(3,390)**	(260)
Purchase of property and equipment, intangible assets and other long-term assets		**(36,942)**	(35,108)
Purchase of financial investments		**(2,108,179)**	(1,165,371)
Net cash outflow from investing activities		**(757,279)**	(200,599)
Cash flows from financing activities			
Proceeds from issuance of bonds		**109,991**	173,256
Proceeds from issuance of preference shares of the Bank		**27,969**	71,745
Proceeds from non-controlling shareholders investment in subsidiaries		**3,077**	39
Repayments of debts issued		**(93,643)**	(94,603)
Cash payments for interest on bonds issued		**(11,445)**	(8,896)
Dividend payments to equity holders of the Bank		**(60,946)**	(54,755)
Dividend payments to non-controlling shareholders		**(3,497)**	(3,234)
Other net cash flows from financing activities		**(221)**	3
Net cash (outflow)/inflow from financing activities		**(28,715)**	83,555
Effect of exchange rate changes on cash and cash equivalents		**17,827**	(12,289)
Net decrease in cash and cash equivalents		**(96,073)**	(2,415)
Cash and cash equivalents at beginning of year		**1,148,151**	1,150,566
Cash and cash equivalents at end of year	V.41	**1,052,078**	1,148,151

The accompanying notes form an integral part of these consolidated financial statements.

I GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Bank of China Limited (the "Bank"), formerly known as Bank of China, a State-owned joint stock commercial bank, was founded on 5 February 1912. From its formation until 1949, the Bank performed various functions of a central bank, foreign exchange bank and commercial bank specialising in trade finance. Following the founding of the People's Republic of China (the "PRC") in 1949, the Bank was designated as a specialised foreign exchange bank. Since 1994, the Bank has evolved into a State-owned commercial bank. In this regard, in accordance with the Master Implementation Plan for the Joint Stock Reform approved by the State Council of the PRC, the Bank was converted into a joint stock commercial bank on 26 August 2004 and its name was changed from Bank of China to Bank of China Limited. In 2006, the Bank listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Bank is licensed as a financial institution by the China Banking Regulatory Commission (the "CBRC") No. B0003H111000001 and is registered as a business enterprise with the State Administration of Industry and Commerce of the PRC No. 100000000001349, the registered address is No. 1, Fuxingmen Nei Dajie, Beijing, China.

The Bank and its subsidiaries (together the "Group") provide a full range of corporate banking, personal banking, treasury operations, investment banking, insurance and other services to its customers in the Chinese mainland, Hong Kong, Macau, Taiwan and other major international financial centres.

The Bank's principal regulator is the CBRC. The operations in Hong Kong, Macau, Taiwan and other countries and regions of the Group are subject to the supervision of local regulators.

The parent company is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), which owned 64.02% of the ordinary shares of the Bank as at 31 December 2015 (31 December 2014: 65.52%).

These consolidated financial statements have been approved by the Board of Directors on 30 March 2016.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets available for sale, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and investment properties are measured at their fair values in the consolidated financial statement. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

1.1 Standards, amendments and interpretations effective in 2015

On 1 January 2015, the Group adopted the following new standards, amendments and interpretations.

IAS 19 Amendments	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010–2012 cycle and 2011–2013 cycle (issued in December 2013)	

The Group adopted the IAS 19 Amendments — *Defined Benefit Plans: Employee Contributions* in 2015. IAS 19 Amendments require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual Improvements to IFRSs 2010–2012 cycle and 2011–2013 cycle (issued in December 2013):

IFRS 2 — Share-Based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 — Business Combinations

The amendments are applied prospectively and clarify that: (1) all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable); and (2) IFRS 3 does not apply to the accounting for the formation of any joint arrangement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards, amendments and interpretations effective in 2015 (Continued)

IFRS 8 — Operating Segments

The amendments are applied retrospectively and clarify that: (1) an entity must disclose the judgements made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are "similar"; and (2) the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 24 — Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IFRS 13 — Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 — Investment Property

The amendment is applied prospectively and clarifies that the guidance in IFRS 3 is used to determine if the purchase of investment property is the purchase of an asset or a business combination.

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

In addition, the Group has adopted the amendments to the disclosure requirements in Hong Kong Companies Ordinance (Cap. 622) in current financial year, as a result, there are changes to presentation and disclosure of certain information in the financial statements.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2015

		Effective for annual periods beginning on or after
IFRS 9	*Financial Instruments*	1 January 2018
IAS 27 Amendments	*Equity Method in Separate Financial Statements*	1 January 2016
IFRS 10, IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRS 10, IFRS 12 and IAS 28 Amendments	*Investment Entities: Applying the Consolidation Exception*	1 January 2016
IAS 1 Amendments	*Disclosure Initiative*	1 January 2016
IFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
IAS 16 and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
IFRS 16	*Leases*	1 January 2019
IAS 7 Amendments	*Statement of Cash Flow*	1 January 2017
Annual Improvements to IFRSs 2012–2014 cycle (issued in September 2014)		1 January 2016

In July 2014, the IASB issued the final version of IFRS 9 — *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 — *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IAS 27 Amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2015 (Continued)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

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

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

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

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

IFRS 16 — *Leases* requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 — *Leases*. The scope of the new standard includes leases of all assets, with certain exceptions.

The amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group is in the process of assessing the impact of these new standards and amendments on the consolidated and separate financial statements of the Group and the Bank respectively.

Annual Improvements to IFRSs 2012–2014 cycle was issued in September 2014. The annual improvements process was established to make non-urgent but necessary amendments to IFRSs. The amendments are effective from annual period beginning on or after 1 January 2016. No amendment was early adopted by the Group and no material changes to accounting policies were made in 2015.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation

2.1 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates and joint ventures, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in the definition of control involved in the changes of relevant elements, the Group will re-evaluate whether subsidiaries are controlled.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries. The Group assesses at each financial reporting date whether there is objective evidence that investment in subsidiaries is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment in subsidiaries' fair value less costs to sell and value in use.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

2.2 Associates and joint ventures

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates and joint ventures are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investment in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed its recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

2.3 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to the income statement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

3 Foreign currency translation

3.1 Functional and presentation currency

The functional currency of the operations in the Chinese mainland is the Renminbi ("RMB"). Items included in the financial statements of each of the Group's operations in Hong Kong, Macau, Taiwan and other countries and regions are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on all other monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as available for sale are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as "Net trading gains" in the income statement.

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction; and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of deposit taken and other currency instruments designated as hedges of such investments are taken to other comprehensive income. When a foreign entity is disposed, these exchange differences are recognised in the income statement. The effect of exchange rate changes on cash and cash equivalents is presented individually in the statement of cash flows.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments

4.1 Classification

The Group classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held to maturity investments, loans and receivables and available for sale investments.

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

The Group determines the classification of its financial assets and financial liabilities at initial recognition.

(1) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss have two sub-categories: financial assets and financial liabilities held for trading, and those designated as at fair value through profit or loss at inception.

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making. Derivatives are also categorised as held for trading unless they are financial guarantee contracts or designated and effective as hedging instruments.

A financial asset or financial liability is classified at fair value through profit or loss at inception if it meets either of the following criteria and is designated as such by management on initial recognition:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases; or

- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to key management personnel; or

- the financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.1 Classification (Continued)

(2) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and that do not meet the definition of loans and receivables nor are designated as at fair value through profit or loss or as available for sale.

The Group shall not classify any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than restricted circumstances such as sales or reclassifications due to a significant deterioration in the issuer's creditworthiness or industry's regulatory requirements.

(3) 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:

- those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group upon initial recognition designates as available for sale; or
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

(4) Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

(5) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified or designated as financial liabilities at fair value through profit or loss.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Initial recognition

A financial asset or financial liability is recognised on trade-date, the date when the Group becomes a party to the contractual provisions of the instrument.

For all financial assets and financial liabilities not carried at fair value through profit or loss, financial assets are initially recognised at fair value together with transaction costs and financial liabilities are initially recognised at fair value net of transaction costs. Financial assets and financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

4.3 Subsequent measurement

Financial assets available for sale and financial assets and financial liabilities at fair value through profit or loss are subsequently carried at fair value. Financial assets classified as loans and receivables and held to maturity and other financial liabilities are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets and financial liabilities at fair value through profit or loss category are included in the income statement in the period in which they arise. Dividends on equity instruments of this category are also recognised in the income statement when the Group's right to receive payments is established.

Gains and losses arising from changes in the fair value of available for sale assets are recognised in "Other comprehensive income", until the financial asset is de-recognised or impaired. At this time the cumulative gain or loss previously recognised in "Other comprehensive income" is reclassified from equity to the income statement. Interest on available for sale debt instruments calculated using the effective interest method as well as dividends on equity instruments of this category when the Group's right to receive such payments is established are recognised in the income statement.

4.4 Determination of fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.5 De-recognition of financial instruments

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired, or when the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in equity through other comprehensive income is recognised in the income statement.

Financial liabilities are de-recognised when they are extinguished — that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability de-recognised and the consideration paid is recognised in the income statement.

4.6 Impairment of financial assets

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets excluding those fair valued through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;
- the disappearance of an active market for that financial asset because of 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 price for the mortgages in the relevant area or national or local economic conditions that correlate with defaults on the assets in the group;

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment of financial assets (Continued)

- any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered;

- a significant or prolonged decline in the fair value of an equity instrument is an indicator of impairment in such investments where a decline in the fair value of equity instrument below its initial cost by 50% or more; or fair value below cost for one year or longer. An impairment is also indicated by a decline in fair value of 20% or more below initial cost for six consecutive months or longer or where fair value is below initial cost by 30% or more over a short period of time (i.e., one month); or

- other objective evidence indicating impairment of the financial asset.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence of impairment, the impairment loss is recognised in the income statement. The Group performs a collective assessment for all other financial assets that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

(1) Assets carried at amortised cost

Impairment loss for financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The original effective interest rate is computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment of financial assets (Continued)

(1) Assets carried at amortised cost (Continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

When a financial asset is uncollectible, it is written off against the related allowance for impairment after all the necessary procedures have been completed. Subsequent recoveries of amounts previously written off are recognised in the income statement.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account and recognised in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

(2) Assets classified as available for sale

If objective evidence of impairment exists for available for sale financial assets, the cumulative loss recognised in "Other comprehensive income" is reclassified from equity to the income statement and is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the previously recognised impairment loss is reversed through the income statement.

With respect to equity instruments, impairment losses recognised in the income statement are not subsequently reversed through the income statement. If there is objective evidence that an impairment loss has been incurred on an unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the impairment loss is not reversed.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.7 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. Credit risk valuation adjustments are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group respectively. They are dependent on expected future values of exposures for each counterparty and default probabilities, etc. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit or loss on the date of transaction.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies 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 intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in the income statement.

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.

(1) 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 income statement.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in fair value of the hedged item attributable to the hedged risk. The net result is included as ineffectiveness in the income statement.

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 the income statement over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the income statement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.7 Derivative financial instruments and hedge accounting (Continued)

(2) 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 income statement.

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". The ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the same periods when the hedged item affects the income statement.

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 income statement 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 income statement.

(3) Net investment hedge

Net investment hedge is a hedge of a net investment in a foreign operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.8 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative.

The Group separates embedded derivatives from the host contract and accounts for these as derivatives, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

4.9 Convertible bonds

Convertible bonds comprise of the liability and equity components. The liability component, representing the obligation to make fixed payments of principal and interest, is classified as liability and initially recognised at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. The equity component, representing an embedded option to convert the liability into ordinary shares, is initially recognised in "Equity" as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to Share capital is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to Share capital is recognised in capital surplus under "Capital reserve".

4.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

5 Precious metals and precious metals swaps

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group as precious metals deposits, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metals market making and trading activities are initially measured at acquisition cost and subsequently measured at lower of cost and net realisable value. Precious metals that are related to the Group's market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "Net trading gains" are recognised in the income statement.

Consistent with the substance of the transaction, if the precious metals swaps are for financing purpose, they are accounted for as precious metals subject to collateral agreements. Precious metals collateralised are not de-recognised and the related counterparty liability is recorded in "Placements from banks and other financial institutions". If precious metal swaps are for trading purpose, they are accounted for as derivatives transactions.

6 Repurchase agreements, agreements to re-sell and securities lending

Securities and bills sold subject to repurchase agreements ("Repos") continue to be recognised, and are recorded as "Financial investments". The corresponding obligation is included in "Placements from banks and other financial institutions" and "Due to central banks". Securities and bills purchased under agreements to re-sell ("Reverse repos") are not recognised. The receivables are recorded as "Placements with and loans to banks and other financial institutions" or "Balances with central banks", as appropriate.

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the income statement over the life of the agreements using the effective interest method.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

7 Property and equipment

The Group's fixed assets mainly comprise buildings, equipment and motor vehicles, aircraft and construction in progress. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of properties and buildings and recorded in "Property and equipment".

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

7 Property and equipment (Continued)

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Property and equipment are reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the income statement.

7.1 Buildings, equipment and motor vehicles

Buildings comprise primarily branch and office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, equipment and motor vehicles are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	15–50 years	3%	1.9%–6.5%
Equipment	3–15 years	3%	6.4%–32.4%
Motor vehicles	4–6 years	3%	16.1%–24.3%

7.2 Aircraft

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase to an estimated residual value rate varying from 0% to 15%.

7.3 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases

8.1 Lease classification

Leases of assets where substantially all the risks and rewards of ownership have been transferred are classified as finance leases. Title may or may not eventually be transferred. All leases other than finance leases are classified as operating leases.

8.2 Finance leases

When the Group is a lessee under finance leases, the leased assets are capitalised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in "Other liabilities". Finance charges are charged over the term of the lease using an interest rate which reflects a constant rate of return.

The Group adopts the same depreciation policy for the finance leased assets as those for which it has title rights. If the Group can reasonably determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets are depreciated over their useful life. If there is no reasonable certainty that the Group can determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets are depreciated over the shorter of the lease term and useful life.

When the Group is a lessor under finance leases, the present value of the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs is recognised as a receivable. The difference between the receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using an interest rate which reflects a constant rate of return.

8.3 Operating leases

When the Group is the lessee under an operating lease, rental expenses are charged to "Operating expenses" in the income statement on a straight-line basis over the period of the lease.

When the Group is the lessor under operating leases, the assets subject to the operating lease are accounted for as the Group's assets. Rental income is recognised as "Other operating income" in the income statement on a straight-line basis over the lease term net of any incentives given to lessees.

9 Investment properties

Investment properties, principally consisting of office buildings, are held to generate rental income or earn capital gains or both and is not occupied by the Group. Investment properties are carried at fair value and changes in fair value are recorded in the income statement, representing the open market value and other related information determined periodically by independent appraisers.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the income statement.

The value of intangible assets is reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The recoverable amount of an intangible asset is the higher of the asset's fair value less costs to sell and value in use.

11 Repossessed assets

Repossessed assets are initially recognised at fair value plus related costs when they are obtained as the compensation for the loans' principal and interest. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is written down immediately to its recoverable amount.

12 Employee benefits

12.1 Defined contribution plans and Defined benefit plans

In accordance with the policies of relevant state and local governments, employees in Chinese mainland participate in various defined contribution retirement schemes administered by local Labour and Social Security Bureaus. Operations in Chinese mainland contribute to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates stipulated in the relevant local regulations. Upon retirement, the local Labour and Social Security Bureaus are responsible for the payment of the basic retirement benefits to the retired employees. In addition to these basic staff pension schemes, employees in Chinese mainland who retire after 1 January 2004 can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan"). The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries.

All eligible employees in operations in Hong Kong, Macau, Taiwan and other countries and regions participate in local defined contribution schemes or defined benefit plans.

Contributions made by the Group to the retirement schemes described above are recognised as "Operating expenses" in the income statement as incurred. Forfeited contributions by those employees who leave the schemes prior to the full vesting of their contributions are used to reduce the existing level of contributions or retained in the retirement schemes in accordance with the requirements of the respective defined contribution plans.

The obligations related to the defined benefit plans are calculated by independent actuaries using the projected unit credit method at each financial reporting date. The actuarial gains or losses are recognised in "Other comprehensive income" immediately when they occur, the gains or losses arising from amendments to pension plans are charged or credited to the income statement immediately as "Operating expenses" when they occur.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

12 Employee benefits (Continued)

12.2 Retirement benefit obligations

The Group pays supplemental retirement benefits to employees in Chinese mainland who retired prior to 31 December 2003 and early retirement benefits to those employees who accepted an early retirement arrangement.

Supplemental retirement benefits include supplemental pension payments and medical expense coverage.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The liability related to the above supplemental retirement benefit obligations and early retirement obligations existing at each financial reporting date is calculated by independent actuaries using the projected unit credit method and is recorded as a liability under "Retirement benefit obligations" in the statement of financial position. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of supplemental retirement benefit are recognised in "Other comprehensive income" immediately when they occur. The actuarial gains or losses of early retirement benefit obligations and the gains or losses arising from amendments to retirement benefit obligations are charged or credited to the income statement immediately as "Operating expenses" when they occur.

12.3 Housing funds

Pursuant to local government regulations, all employees in Chinese mainland participate in various local housing funds administered by local governments. Operations in Chinese mainland contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. These payments are recognised as "Operating expenses" in the income statement as incurred.

12.4 Cash-settled share-based compensation

The related cost of services received from the employees and the liability to pay for such services are measured at fair value and recognised over the vesting period as the employees render services. Fair value is established at the grant date, re-measured at each financial reporting date with any changes in fair value recognised as "Operating expenses" in the income statement for the period and de-recognised when the liability is settled.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights granted, excluding the impact of any non-market vesting conditions. Non-market conditions are included in the assumptions about the number of rights that are expected to vest. At each financial reporting date, the Group revises its estimates of the number of rights that are expected to vest. It recognises the impact of the revision to original estimates, if any, as "Operating expenses" in the income statement, with a corresponding adjustment to liability.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

12 Employee benefits (Continued)

12.5 Bonus plans

The Group recognises a liability and an expense for bonuses, taking into consideration its business performance and profit attributable to the Bank's equity holders. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

13 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

14 Insurance contracts

14.1 Insurance contracts classification

The Group's insurance subsidiaries issue insurance contracts that transfer significant insurance risk. The Group performs a significant insurance risk test at the contract initial recognition date. Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. The Group issues non-life insurance contracts, which cover casualty and property insurance risk, and life insurance contracts, which insure events associated with human life (for example death, or survival) over a long duration.

The Group does not separately measure embedded derivatives that itself meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

14.2 Insurance contracts recognition and measurement

(1) Non-life insurance contracts

Premiums on non-life insurance contracts are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the financial reporting date is reported as the unearned premium liability in "Other liabilities". Claims and loss adjustment expenses are charged to the income statement as "Operating expenses" when incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the financial reporting date even if they have not yet been reported to the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

14 Insurance contracts (Continued)

14.2 Insurance contracts recognition and measurement (Continued)

(2) *Life insurance contracts*

Premiums on life insurance contracts are recognised as revenue when they become payable by the contract holders. Benefits and claims are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. For certain long-term insurance contracts (investment-linked long-term insurance contracts) with embedded derivatives linking payments on the contract to units of an investment fund set up by the Group with the consideration received from the contract holders, the liability is adjusted for all changes in the fair value of the underlying assets, and includes a liability for contractual benefits that are expected to be incurred in the future which is recorded when the premiums are recognised.

14.3 Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities (including unearned premium in the case of non-life insurance contracts). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and reported as "Operating expenses", with a provision established for losses arising from the liability adequacy test.

15 Assets and liabilities held for sale

The Group classifies non-current assets or an asset group as held for sale if their carrying amounts are recovered principally through disposal rather than through continuing use. Assets and liabilities classified as held for sale are presented separately on the balance sheet. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

16 Treasury shares and preference shares

Where the Bank or other members of the Group purchase the Bank's ordinary shares, "Treasury shares" are recorded at the amount of consideration paid and deducted from total equity holders' equity until they are cancelled, sold or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in capital and reserves attributable to equity holders of the Bank.

Preference shares issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and preference shares issued are non-derivative instruments that will be settled in the Group's own equity instruments, but includes no contractual obligation for the Group to deliver a variable number of its own equity instruments. The Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

17 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the best estimate of the expenditure required to settle any financial obligation arising at the financial reporting date, any increase in the liability relating to guarantees is taken to the income statement. These estimates are determined based on experience of similar transactions, historical losses and by the judgement of management.

19 Fiduciary activities

The Group acts as a custodian, trustee or in other fiduciary capacities, that result in its holding or placing of assets on behalf of individuals, securities investment funds, social security funds, insurance companies, qualified foreign institutional investors, annuity schemes and other customers. These assets are not included in the statement of financial position of the Group, as they are not assets of the Group.

The Group also administers entrusted loans on behalf of third-party lenders. In this regard, the Group grants loans to borrowers, as an intermediary, at the direction of third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedule. The Group charges a commission related to its activities in connection with the entrusted loans, but the risk of loss is borne by the third-party lenders. Entrusted loans are not recognised in the statement of financial position of the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

20 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except derivatives, are recognised within "Interest income" and "Interest expense" in the income statement using the effective interest method. Interest income and expense for derivatives is recognised in "Net trading gains" in the income statement.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

21 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued over that period. For other services, fee and commission income are recognised when the transactions are completed.

22 Income taxes

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items directly recognised in Equity. In these cases, tax is also directly recognised in Equity.

22.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

22.2 Deferred income tax

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation of property and equipment, provisions for pension, retirement benefits and salary payable.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

22 Income taxes (Continued)

22.2 Deferred income tax (Continued)

"Deferred income tax assets" are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

For deductible temporary differences associated with investment in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax liabilities on taxable temporary differences arising from investment in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

23 Segment reporting

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

24 Comparative figures

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has taken into consideration the impact of the economic environment on the industries and territories in which the Group operates when determining critical accounting estimates and judgements in applying accounting policies.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1 Impairment allowances on loans and advances

The Group reviews its loans and advances to assess impairment on a periodic basis, unless known circumstances indicate that impairment may have occurred as of an interim date.

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements and assumptions when calculating loan impairment allowances related to loans and advances. These allowances, which reflect the difference between the carrying amount of a loan, or a portfolio of similar loans, and the present value of estimated future cash flows, are assessed individually, for significant loans, and collectively, all other loans that are not individually significant or for which impairment has not yet been identified by including the loan in a group of loans with similar credit risk characteristics.

The estimate of future cash flows is most significantly related to impaired loans for which the impairment loss is assessed individually. Factors affecting this estimate include, among other things, the granularity of financial information related to specific borrowers, the availability of meaningful information related to industry competitors and the relevance of sector trends to the future performance of individual borrowers. China continues to experience economic growth and these facts are not as well established as those in more developed markets. The effect of these factors requires significant judgement to be applied in the estimation of future cash flows. This is especially true in emerging sectors.

Significant judgement is also applied to the calculation of collectively assessed impairment allowances. The Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and advances before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The Group has considered the impact of the changes and uncertainty in the macro-economic environments in which the Group operates when assessing the methodology and assumptions used for loss estimates and made adjustments where appropriate.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

2 Fair value of derivatives and other financial instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

With respect to the PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

3 Impairment of available for sale investment securities and held to maturity investment securities

The Group follows the guidance of IAS 39 to determine when an available for sale or held to maturity investment security is impaired and when impairment on a debt security is reversed. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the extent to which changes in fair value relate to credit events, and the financial health of and near-term business outlook for the investee/underlying portfolio, including factors such as industry and sector performance, technological innovations, credit ratings, delinquency rates, loss coverage ratios and counterparty risk.

4 Held to maturity securities

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity date as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

5 Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

6 Employee retirement benefit obligations

As described in Note II.12.2 and Note V.32, the Bank has established liabilities in connection with benefits payable to certain retired and early retired employees. These liabilities are calculated using actuarial assumptions such as 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 other comprehensive income, expenses and employee retirement benefit obligations.

7 Taxes

The Group is subject to income and business taxes in numerous jurisdictions, principally in Chinese mainland and Hong Kong. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and past practice, in particular, the treatment of supplementary PRC tax applied to results of overseas operations.

Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and business tax in the period during which such a determination is made.

8 Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

When estimating the value in use of aircraft held by subsidiaries, the Group estimates expected future cash flows from the aircraft and uses a suitable discount rate to calculate present value. The Group obtains valuations of aircraft from independent appraisers for which the principal assumptions underlying aircraft value are based on current market transactions for similar aircraft in the same location and condition. The Group also uses the fair value of aircraft obtained from independent appraisers in its assessment of the recoverable amount of intangible assets and the goodwill arising from the purchase of the Group's aircraft leasing subsidiary.

9 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes consideration of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

(Amount in millions of Renminbi, unless otherwise stated)

IV TAXATION

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
Chinese mainland		
Corporate income tax	Taxable income	25%
Business tax	Business income	5%
City construction and maintenance tax	Turnover tax paid	1%–7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%
Hong Kong		
Hong Kong profits tax	Assessable profits	16.5%

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Year ended 31 December	
	2015	2014
Interest income		
Loans and advances to customers	**435,062**	428,572
Financial investments and financial assets at fair value through profit or loss[(1)]	**108,651**	86,210
Due from central banks	**29,543**	32,779
Due from and placements with and loans to banks and other financial institutions	**41,800**	55,119
Subtotal	**615,056**	602,680
Interest expense		
Due to customers	**(221,288)**	(215,019)
Due to and placements from banks and other financial institutions	**(53,050)**	(55,428)
Bonds issued and other	**(12,068)**	(11,131)
Subtotal	**(286,406)**	(281,578)
Net interest income[(2)]	**328,650**	321,102
Interest income accrued on impaired financial assets (included within interest income)	**1,387**	947

(1) Interest income on "Financial investments and financial assets at fair value through profit or loss" is principally derived from debt securities listed on China Domestic Interbank Bond Market and unlisted debt securities in Hong Kong, Macau, Taiwan and other countries and regions.

(2) Included within "Interest income" and "Interest expense" are RMB611,519 million (2014: RMB600,190 million) and RMB273,306 million (2014: RMB272,684 million) for financial assets and financial liabilities that are not at fair value through profit or loss, respectively.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Net fee and commission income

	Year ended 31 December	
	2015	2014
Agency commissions	**24,481**	19,973
Bank card fees	**24,215**	21,567
Credit commitment fees	**16,541**	16,112
Settlement and clearing fees	**11,888**	14,815
Spread income from foreign exchange business	**7,388**	7,610
Consultancy and advisory fees	**5,757**	8,835
Custodian and other fiduciary service fees	**3,677**	3,426
Other	**6,958**	6,200
Fee and commission income	**100,905**	98,538
Fee and commission expense	**(8,495)**	(7,298)
Net fee and commission income	**92,410**	91,240

3 Net trading gains

	Year ended 31 December	
	2015	2014
Net gains from foreign exchange and foreign exchange products	**10,057**	9,853
Net (losses)/gains from interest rate products	**(1,884)**	631
Net gains from equity products	**841**	119
Net gains from commodity products	**446**	496
Total[1]	**9,460**	11,099

(1) Included in "Net trading gains" above for the year ended 31 December 2015 are losses of RMB3,985 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (2014: losses of RMB4,386 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Other operating income

	Year ended 31 December	
	2015	2014
Insurance premiums[1]	**16,166**	12,256
Revenue from sale of precious metals products	**6,130**	5,852
Aircraft leasing income	**6,088**	5,757
Gains on disposal of subsidiaries, associates and joint ventures	**2,026**	684
Gains on disposal of property and equipment, intangible assets and other assets	**857**	521
Dividend income	**765**	696
Changes in fair value of investment properties (Note V.21)	**620**	546
Other	**4,975**	4,780
Total	**37,627**	31,092

(1) Details of insurance premium income are as follows:

	Year ended 31 December	
	2015	2014
Life insurance contracts		
Gross earned premiums	**19,204**	13,836
Less: gross written premiums ceded to reinsurers	**(8,215)**	(7,199)
Net insurance premium income	**10,989**	6,637
Non-life insurance contracts		
Gross earned premiums	**5,884**	6,351
Less: gross written premiums ceded to reinsurers	**(707)**	(732)
Net insurance premium income	**5,177**	5,619
Total	**16,166**	12,256

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Operating expenses

	Year ended 31 December	
	2015	2014
Staff costs (Note V.6)	**80,324**	77,889
General operating and administrative expenses[1]	**40,671**	39,284
Business tax and surcharges	**26,734**	26,224
Depreciation and amortisation	**13,218**	13,214
Insurance benefits and claims		
— Life insurance contracts	**10,531**	7,265
— Non-life insurance contracts	**3,592**	3,635
Cost of sales of precious metals products	**5,723**	5,455
Other	**4,608**	4,822
Total	**185,401**	177,788

(1) Included in the "General operating and administrative expenses" are principal auditors' remuneration of RMB214 million for the year ended 31 December 2015 (2014: RMB199 million), of which RMB47 million was for Hong Kong, Macau, Taiwan and other countries and regions of the Group (2014: RMB46 million).

Included in the "General operating and administrative expenses" are operating lease expenses of RMB7,104 million and premises and equipment related expenses (mainly comprised of property management and building maintenance expenses) of RMB11,770 million (2014: RMB6,596 million and RMB11,453 million, respectively).

6 Staff costs

	Year ended 31 December	
	2015	2014
Salary, bonus and subsidy	**54,462**	53,857
Staff welfare	**2,919**	2,443
Retirement benefits	**202**	288
Social insurance, including:		
Medical	**3,280**	2,984
Pension	**6,587**	6,272
Annuity	**2,060**	1,862
Unemployment	**413**	447
Injury at work	**163**	157
Maternity insurance	**223**	201
Housing funds	**5,428**	4,978
Labour union fee and staff education fee	**1,911**	1,925
Reimbursement for cancellation of labour contract	**7**	20
Other	**2,669**	2,455
Total	**80,324**	77,889

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Directors', supervisors' and senior management's emoluments

Details of the directors' and supervisors' emoluments are as follows:

For the year ended 31 December 2015

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
TIAN Guoli[4]	–[2]	448	112	58	618
CHEN Siqing[4]	–[2]	448	107	58	613
LI Zaohang[4] [5]	–[2]	202	75	27	304
Non-executive directors					
ZHANG Xiangdong[1]	–	–	–	–	–
ZHANG Qi[1]	–	–	–	–	–
WANG Yong[1]	–	–	–	–	–
WANG Wei[1]	–	–	–	–	–
LIU Xianghui[1]	–	–	–	–	–
LI Jucai[1] [6]	–	–	–	–	–
SUN Zhijun[1] [5]	–	–	–	–	–
Independent directors					
CHOW Man Yiu, Paul	450	–	–	–	450
Jackson TAI	400	–	–	–	400
Nout WELLINK	500	–	–	–	500
LU Zhengfei	500	–	–	–	500
LEUNG Cheuk Yan	400	–	–	–	400
Supervisors					
LI Jun[4]	–	448	129	58	635
WANG Xueqiang[4]	–	684	113	238	1,035
LIU Wanming[4]	–	637	100	228	965
DENG Zhiying	50[3]	–	–	–	50
LIU Xiaozhong	50[3]	–	–	–	50
XIANG Xi	50[3]	–	–	–	50
CHEN Yuhua[6]	97	–	–	–	97
MEI Xingbao[5]	150	–	–	–	150
	2,647	2,867	636	667	6,817

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Directors', supervisors' and senior management's emoluments (Continued)

For the year ended 31 December 2014

	Fees	Basic salaries	Contributions to pension schemes	Benefits in kind	Discretionary bonuses[4] Paid	Discretionary bonuses[4] Deferred	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
TIAN Guoli[4]	–[2]	525	74	264	613	615	2,091
LI Lihui[4]	–[2]	39	16	20	46	46	167
CHEN Siqing[4]	–[2]	468	99	233	546	548	1,894
LI Zaohang[4]	–[2]	454	124	237	531	532	1,878
WANG Yongli[4]	–[2]	151	28	76	177	177	609
Non-executive directors							
SUN Zhijun[1]	–	–	–	–	–	–	–
ZHANG Xiangdong[1]	–	–	–	–	–	–	–
ZHANG Qi[1]	–	–	–	–	–	–	–
WANG Yong[1]	–	–	–	–	–	–	–
WANG Wei[1]	–	–	–	–	–	–	–
LIU Xianghui[1]	–	–	–	–	–	–	–
LIU Lina[1]	–	–	–	–	–	–	–
Independent directors							
CHOW Man Yiu, Paul	450	–	–	–	–	–	450
Jackson TAI	400	–	–	–	–	–	400
Nout WELLINK	500	–	–	–	–	–	500
LU Zhengfei	500	–	–	–	–	–	500
LEUNG Cheuk Yan	400	–	–	–	–	–	400
Supervisors							
LI Jun[4]	–	459	120	239	536	539	1,893
WANG Xueqiang[4]	–	409	105	227	473	475	1,689
LIU Wanming[4]	–	383	101	216	442	444	1,586
DENG Zhiying	50[3]	–	–	–	–	–	50
LIU Xiaozhong	50[3]	–	–	–	–	–	50
XIANG Xi	50[3]	–	–	–	–	–	50
MEI Xingbao	180	–	–	–	–	–	180
BAO Guoming	259	–	–	–	–	–	259
	2,839	2,888	667	1,512	3,364	3,376	14,646

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Directors', supervisors' and senior management's emoluments (Continued)

(1) For the years ended 31 December 2015 and 2014, these non-executive directors of the Bank were not remunerated by the Bank.

(2) For the years ended 31 December 2015 and 2014, these executive directors of the Bank did not receive any fees.

(3) Employee supervisors' above compensation is paid for serving as the supervisors of the Bank.

(4) The total compensation packages for executive directors and supervisors for the year ended 31 December 2015 including discretionary bonus have not yet been finalised in accordance with relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2015 financial statements. The final compensation for the year ended 31 December 2015 will be disclosed in a separate announcement when determined.

The compensation amounts for these directors and supervisors for the year ended 31 December 2014 were restated based on the finalised amounts as disclosed in the Bank's announcement dated 28 August 2015.

A portion of the discretionary bonus payments for executive directors and the chairman of the board of supervisors are deferred for a minimum of 3 years contingent upon the future performance in accordance with relevant regulations of the PRC authorities.

(5) LI Zaohang ceased to serve as Executive Director and Executive Vice President of the Bank as of 11 June 2015. SUN Zhijun ceased to serve as Non-executive Director of the Bank as of 21 May 2015. MEI Xingbao ceased to serve as External Supervisor of the Bank as of 2 November 2015.

(6) LI Jucai began to serve as Non-executive Director of the Bank as of 7 September 2015. CHEN Yuhua began to serve as External Supervisor of the Bank as of 17 June 2015.

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2015 and 2014 respectively are as follows:

	Year ended 31 December	
	2015	2014
Basic salaries and allowances	**16**	14
Discretionary bonuses	**83**	70
Contributions to pension schemes and other	**2**	5
	101	89

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Directors', supervisors' and senior management's emoluments (Continued)

Five highest paid individuals (Continued)

Emoluments of the individuals were within the following bands:

	Year ended 31 December	
Amounts in RMB	**2015**	2014
13,000,001–14,000,000	**1**	2
14,000,001–15,000,000	**1**	–
15,000,001–16,000,000	**–**	1
16,000,001–20,000,000	**2**	1
30,000,001–40,000,000	**1**	1

The above five highest paid individuals' emoluments are based on best estimates of discretionary bonuses. Discretionary bonuses include portions of payments that are deferred to future periods.

During the years ended 31 December 2015 and 2014, the Group has not paid any emoluments to the directors, supervisors, or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

8 Impairment losses on assets

	Year ended 31 December	
	2015	2014
Loans and advances		
— Individually assessed	**30,064**	23,321
— Collectively assessed	**25,808**	23,285
Subtotal	**55,872**	46,606
Financial investments		
Available for sale		
— Debt securities	**(66)**	(183)
— Other available for sale financial assets	**65**	760
	(1)	577
Held to maturity	**(35)**	(29)
Loans and receivables	**1,690**	–
Subtotal	**1,654**	548
Other	**1,748**	1,227
Total(1)	**59,274**	48,381

(1) Details of new allowances and reversal of impairment losses on loans and advances and financial investments are disclosed in Notes V.17 and V.23, respectively.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Income tax expense

	Year ended 31 December	
	2015	2014
Current income tax		
— Chinese mainland income tax	**44,376**	48,126
— Hong Kong profits tax	**4,210**	3,576
— Macau, Taiwan and other countries and regions taxation	**3,218**	4,285
Adjustments in respect of current income tax of prior years	**273**	2,872
Subtotal	**52,077**	58,859
Deferred income tax (Note V.34)	**77**	(4,579)
Total	**52,154**	54,280

The principal tax rates applicable to the Group are set out in Note IV.

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in the Chinese mainland, and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations, as well as income tax withheld by the domestic entities in relation to the taxable income originating from Chinese mainland obtained by the overseas entities (Note III.7).

Taxation on profits of Hong Kong, Macau, Taiwan and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

The tax rate on the Group's profit before tax differs from the theoretical amount that would arise using the basic Chinese mainland tax rate of the Bank as follows:

	Year ended 31 December	
	2015	2014
Profit before income tax	**231,571**	231,478
Tax calculated at the applicable statutory tax rate	**57,893**	57,870
Effect of different tax rates on Hong Kong, Macau, Taiwan and other countries and regions	**(4,010)**	(3,561)
Supplementary PRC tax on overseas income	**3,696**	2,619
Income not subject to tax[(1)]	**(10,865)**	(7,973)
Items not deductible for tax purposes[(2)]	**6,569**	3,704
Other	**(1,129)**	1,621
Income tax expense	**52,154**	54,280

(1) Income not subject to tax mainly comprises interest income from PRC treasury bonds and local government bonds.

(2) Non-deductible items primarily include losses resulting from write-off of certain non-performing loans, and marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Earnings per share (basic and diluted)

Basic earnings per share

Basic earnings per share was computed by dividing the profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	Year ended 31 December	
	2015	2014
Profit attributable to equity holders of the Bank	**170,845**	169,595
Less: dividends on preference shares declared	**(5,012)**	–
Profit attributable to ordinary shareholders of the Bank	**165,833**	169,595
Weighted average number of ordinary shares in issue (in million shares)	**293,722**	280,009
Basic earnings per share (in RMB per share)	**0.56**	0.61

Weighted average number of ordinary shares in issue (in million shares)

	Year ended 31 December	
	2015	2014
Issued ordinary shares as at 1 January	**288,731**	279,365
Add: weighted average number of shares from conversion of convertible bonds	**5,018**	655
Less: weighted average number of treasury shares	**(27)**	(11)
Weighted average number of ordinary shares in issue	**293,722**	280,009

Diluted earnings per share

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The Bank had convertible bonds as dilutive potential ordinary shares.

	Year ended 31 December	
	2015	2014
Profit attributable to ordinary shareholders of the Bank	**165,833**	169,595
Add: interest expense on convertible bonds, net of tax	**47**	1,120
Profit used to determine diluted earnings per share	**165,880**	170,715
Weighted average number of ordinary shares in issue (in million shares)	**293,722**	280,009
Add: weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	**640**	13,861
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	**294,362**	293,870
Diluted earnings per share (in RMB per share)	**0.56**	0.58

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Other comprehensive income

Accrual amount of other comprehensive income:

	Year ended 31 December	
	2015	2014
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans	**(161)**	(234)
Less: related income tax impact	**–**	1
	(161)	(233)
Other	**14**	5
Subtotal	**(147)**	(228)
Items that may be reclassified subsequently to profit or loss		
Fair value gains on available for sale financial assets	**14,096**	12,334
Less: related income tax impact	**(3,674)**	(3,532)
Amount transferred to the income statement	**(4,972)**	(426)
Less: related income tax impact	**1,123**	54
	6,573	8,430
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	**1,498**	276
Less: related income tax impact	**5**	(20)
Amount transferred to the income statement	**(1,864)**	–
	(361)	256
Exchange differences on translation of foreign operations	**6,765**	(2,583)
Less: net amount transferred to the income statement from other comprehensive income	**131**	(176)
	6,896	(2,759)
Other	**336**	471
Subtotal	**13,444**	6,398
Total	**13,297**	6,170

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Other comprehensive income (Continued)

Other comprehensive income attributable to equity holders of the Bank in the consolidated statement of financial position:

	Fair value gains on available for sale financial assets	Exchange differences on translation of foreign operations	Other	Total
As at 1 January 2014	1,652	(21,542)	649	(19,241)
Changes in amount for the previous year	8,050	(2,851)	371	5,570
As at 1 January 2015	9,702	(24,393)	1,020	(13,671)
Changes in amount for the year	7,278	4,345	(297)	11,326
As at 31 December 2015	16,980	(20,048)	723	(2,345)

12 Cash and due from banks and other financial institutions

	As at 31 December	
	2015	2014
Cash	**73,371**	85,123
Due from banks in Chinese mainland	**538,501**	697,158
Due from other financial institutions in Chinese mainland	**1,377**	505
Due from banks in Hong Kong, Macau, Taiwan and other countries and regions	**41,063**	29,863
Due from other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	**66**	405
Total	**654,378**	813,054

13 Balances with central banks

	As at 31 December	
	2015	2014
Mandatory reserves(1)	**1,580,456**	1,727,805
Surplus reserves(2)	**132,833**	158,224
Other(3)	**482,774**	420,059
Total	**2,196,063**	2,306,088

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong, Macau, Taiwan and other countries and regions where it has operations. As at 31 December 2015, mandatory reserve funds placed with the PBOC were calculated at 17.0% (31 December 2014: 20.0%) and 5.0% (31 December 2014: 5.0%) of qualified RMB deposits and foreign currency deposits from customers of branches in Chinese mainland of the Bank respectively. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group is determined by the PBOC. The amount of mandatory reserve funds placed with the central banks of other jurisdictions is determined by local regulations.

(2) This mainly represented the surplus reserve funds placed with the PBOC by branches in Chinese mainland of the Group.

(3) This mainly represented balances, other than mandatory reserves and surplus reserves, placed with central banks by operations in Hong Kong, Macau, Taiwan and other countries and regions.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Placements with and loans to banks and other financial institutions

	As at 31 December	
	2015	2014
Placements with and loans to:		
Banks in Chinese mainland	**118,664**	130,015
Other financial institutions in Chinese mainland	**214,495**	182,046
Banks in Hong Kong, Macau, Taiwan and other countries and regions	**93,881**	90,414
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	**–**	12
Subtotal(1)	**427,040**	402,487
Allowance for impairment losses	**(192)**	(207)
Total	**426,848**	402,280
Impaired placements	**158**	173
Percentage of impaired placements to total placements with and loans to banks and other financial institutions	**0.04%**	0.04%

(1) "Placements with and loans to banks and other financial institutions" include balances arising from reverse repo agreements and collateralised financing agreements. These are presented by collateral type as follows:

	As at 31 December	
	2015	2014
Debt securities		
— Governments	**33,500**	30,932
— Policy banks	**41,452**	50,935
— Financial institutions	**151**	1,300
Subtotal	**75,103**	83,167
Bills	**1,527**	20,002
Total	**76,630**	103,169

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Financial assets at fair value through profit or loss

	As at 31 December	
	2015	2014
Trading financial assets		
Debt securities		
Issuers in Chinese mainland		
— Government	**5,151**	2,104
— Policy banks	**6,301**	9,036
— Financial institutions	**19,122**	12,130
— Corporate	**4,694**	5,946
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**12,646**	13,260
— Public sectors and quasi-governments	**506**	365
— Financial institutions	**2,138**	2,868
— Corporate	**3,446**	3,636
	54,004	49,345
Other		
Fund investments and other	**3,547**	1,457
Equity securities	**7,471**	14,168
Subtotal	**65,022**	64,970
Financial assets designated as at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	**390**	356
— Policy banks	**102**	1,444
— Financial institutions	**2,291**	2,295
— Corporate	**4,216**	7,345
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**2,305**	61
— Financial institutions	**25,016**	17,711
— Corporate	**11,540**	3,728
	45,860	32,940
Other		
Fund investments	**2,095**	754
Loans(1)	**4,218**	4,144
Equity securities	**1,867**	1,720
Subtotal	**54,040**	39,558
Total(2) (3)	**119,062**	104,528

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Financial assets at fair value through profit or loss (Continued)

	As at 31 December	
	2015	2014
Analysed as follows:		
Listed in Hong Kong	**31,921**	24,120
Listed outside Hong Kong[4]	**53,690**	50,365
Unlisted	**33,451**	30,043
Total	**119,062**	104,528

(1) There was no significant change during the years ended 31 December 2015 and 2014 and cumulatively, in the fair value of the loans that was attributable to changes in the credit risk of the loans.

(2) As at 31 December 2015, the Group held bonds issued by the Ministry of Finance of the PRC (the "MOF") and bills issued by the PBOC included in "Financial assets at fair value through profit or loss" with the carrying value and the related coupon rate range on such bonds and bills as follows:

	As at 31 December	
	2015	2014
Carrying value	**5,541**	2,459
Coupon rate range	**0.00%–4.26%**	1.95%–4.54%

(3) As at 31 December 2015, included in the Group's "Financial assets at fair value through profit or loss" were certificates of deposit held of RMB17,200 million (31 December 2014: RMB6,615 million).

(4) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

16 Derivative financial instruments and hedge accounting

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity related derivative financial instruments for trading, hedging, asset and liability management and on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with the fair values of instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, credit spreads, or equity/commodity prices relative to their terms. The aggregate fair values of Derivative financial assets and liabilities can fluctuate significantly from time to time.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.1 Derivative financial instruments

	As at 31 December 2015			As at 31 December 2014		
	Contractual/ notional amount	Fair value Assets	Fair value Liabilities	Contractual/ notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps[1]	4,516,512	67,447	(55,366)	2,784,008	32,106	(29,101)
Currency options	225,919	1,727	(1,710)	215,372	4,526	(849)
Subtotal	4,742,431	69,174	(57,076)	2,999,380	36,632	(29,950)
Interest rate derivatives						
Interest rate swaps	1,051,031	5,235	(5,802)	666,049	4,521	(4,730)
Interest rate options	–	–	–	31	–	–
Interest rate futures	2,512	4	(1)	3,503	3	(3)
Subtotal	1,053,543	5,239	(5,803)	669,583	4,524	(4,733)
Equity derivatives	9,855	441	(279)	14,573	627	(680)
Commodity derivatives and other	189,905	7,382	(6,002)	176,856	6,184	(5,371)
Total	5,995,734	82,236	(69,160)	3,860,392	47,967	(40,734)

(1) These exchange rate derivatives primarily include foreign exchange transactions with customers; foreign exchange transactions to manage foreign currency exchange risks arising from customers; and foreign currency exchange transactions entered into as part of the asset and liability management and funding requirements.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting

Included in the derivative financial instruments above are those designated as hedging instruments by the Group as follows:

	As at 31 December 2015			As at 31 December 2014		
	Contractual/ notional amount	Fair value Assets	Fair value Liabilities	Contractual/ notional amount	Fair value Assets	Fair value Liabilities
Derivatives designated as hedging instruments in fair value hedges						
Cross-currency interest rate swaps	**7,225**	**–**	**(993)**	5,968	–	(466)
Interest rate swaps	**73,721**	**1,461**	**(1,014)**	60,534	1,800	(890)
Subtotal(1)	**80,946**	**1,461**	**(2,007)**	66,502	1,800	(1,356)
Derivatives designated as hedging instruments in cash flow hedges						
Cross-currency interest rate swaps	**1,017**	**42**	**(80)**	1,467	8	(30)
Subtotal(2)	**1,017**	**42**	**(80)**	1,467	8	(30)
Total	**81,963**	**1,503**	**(2,087)**	67,969	1,808	(1,386)

(1) Fair value hedges

The Group uses cross-currency interest rate swaps and interest rate swaps to hedge against changes in fair value of bonds issued and debt securities available for sale arising from changes in foreign exchange rates and interest rates.

Gains or losses on fair value hedges are as follows:

	Year ended 31 December	
	2015	2014
Net gains/(losses) on		
— hedging instruments	**(89)**	(1,701)
— hedged items	**317**	1,985
Ineffectiveness recognised in Net trading gains	**228**	284

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Cash flow hedges

The Group uses cross-currency interest rate swaps to hedge against exposure to cash flow variability primarily from foreign exchange rates and interest rate risks of placement transactions.

For the year ended 31 December 2015, a net gain from cash flow hedges of RMB26 million was recognised in "Other comprehensive income" (2014: net gain of RMB64 million), and there was no ineffectiveness for the years ended 31 December 2015 and 2014.

There were no transactions for which cash flow hedge accounting had to be ceased in the year ended 31 December 2015 or 2014 as a result of the highly probable cash flows no longer being expected to occur.

(3) Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currencies of respective holding companies and functional currencies of their branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

For the year ended 31 December 2015, a net loss from the hedging instrument of RMB1,023 million was recognised in "Other comprehensive income" on net investment hedges (2014: net gain of RMB27 million), and there was no ineffectiveness in the years ended 31 December 2015 and 2014.

17 Loans and advances to customers, net

17.1 Analysis of loans and advances to customers

	As at 31 December	
	2015	2014
Corporate loans and advances		
— Loans and advances	**6,105,959**	5,820,128
— Discounted bills	**263,953**	225,468
Subtotal	**6,369,912**	6,045,596
Personal loans		
— Mortgages	**2,045,787**	1,694,275
— Credit cards	**268,923**	268,026
— Other	**451,238**	475,378
Subtotal	**2,765,948**	2,437,679
Total loans and advances	**9,135,860**	8,483,275
Less: allowance for impairment losses		
— Individually assessed	**(60,791)**	(49,239)
— Collectively assessed	**(139,874)**	(139,292)
Total allowance for impairment losses	**(200,665)**	(188,531)
Loans and advances to customers, net	**8,935,195**	8,294,744

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers, net (Continued)

17.2 Analysis of loans and advances to customers by geographical area, industry, collateral type and analysis of overdue loans and advances to customers by collateral type is presented in Note VI.3.5.

17.3 Analysis of loans and advances to customers by collective and individual allowance assessments

	Loans and advances for which allowance is collectively assessed[(1)]	Identified impaired loans and advances[(2)] for which allowance is collectively assessed	for which allowance is individually assessed	Subtotal	Total	Identified impaired loans and advances as % of total loans and advances
As at 31 December 2015						
Total loans and advances	**9,005,623**	**39,563**	**90,674**	**130,237**	**9,135,860**	**1.43%**
Allowance for impairment losses	**(117,530)**	**(22,344)**	**(60,791)**	**(83,135)**	**(200,665)**	
Loans and advances to customers, net	**8,888,093**	**17,219**	**29,883**	**47,102**	**8,935,195**	
As at 31 December 2014						
Total loans and advances	8,383,486	29,113	70,676	99,789	8,483,275	1.18%
Allowance for impairment losses	(122,887)	(16,405)	(49,239)	(65,644)	(188,531)	
Loans and advances to customers, net	8,260,599	12,708	21,437	34,145	8,294,744	

(1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(2) Identified impaired loans and advances are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:

- individually (including mainly significant corporate loans and advances over a certain amount which are impaired); or

- collectively (portfolios of individually insignificant homogenous loans which share similar credit risk characteristics, including insignificant corporate loans and advances and personal loans which are impaired).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers, net (Continued)

17.4 Reconciliation of allowance for impairment losses on loans and advances to customers by individual and collective assessments

	Year ended 31 December					
	2015			2014		
	Individually assessed allowance	Collectively assessed allowance	Total	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	49,239	139,292	188,531	39,202	128,847	168,049
Impairment losses for the year	36,419	67,358	103,777	31,674	52,380	84,054
Reversal	(6,355)	(41,550)	(47,905)	(8,353)	(29,095)	(37,448)
Written off and transfer out	(19,551)	(25,646)	(45,197)	(13,493)	(12,238)	(25,731)
Transfer in						
— Recovery of loans and advances written off	1,186	136	1,322	660	94	754
— Unwind of discount on allowance	(529)	(800)	(1,329)	(390)	(489)	(879)
— Exchange differences	382	1,084	1,466	(61)	(207)	(268)
As at 31 December	60,791	139,874	200,665	49,239	139,292	188,531

17.5 Reconciliation of allowance account for impairment losses on loans and advances to customers by customer type

	Year ended 31 December					
	2015			2014		
	Corporate	Personal	Total	Corporate	Personal	Total
As at 1 January	152,682	35,849	188,531	136,978	31,071	168,049
Impairment losses for the year	89,871	13,906	103,777	74,257	9,797	84,054
Reversal	(47,704)	(201)	(47,905)	(37,290)	(158)	(37,448)
Written off and transfer out	(36,210)	(8,987)	(45,197)	(21,120)	(4,611)	(25,731)
Transfer in						
— Recovery of loans and advances written off	1,279	43	1,322	685	69	754
— Unwind of discount on allowance	(961)	(368)	(1,329)	(587)	(292)	(879)
— Exchange differences	1,423	43	1,466	(241)	(27)	(268)
As at 31 December	160,380	40,285	200,665	152,682	35,849	188,531

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments

	As at 31 December	
	2015	2014
Investment securities available for sale		
Debt securities		
Issuers in Chinese mainland		
— Government	**198,333**	81,134
— Public sectors and quasi-governments	**22,245**	12,470
— Policy banks	**153,831**	126,212
— Financial institutions	**153,622**	93,622
— Corporate	**129,027**	152,974
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**189,310**	85,522
— Public sectors and quasi-governments	**18,020**	17,065
— Financial institutions	**106,867**	106,078
— Corporate	**58,587**	37,061
	1,029,842	712,138
Equity securities	**30,209**	26,548
Fund investments and other	**18,482**	11,999
Total investment securities available for sale(1)	**1,078,533**	750,685
Debt securities held to maturity		
Issuers in Chinese mainland		
— Government	**1,117,213**	758,291
— Public sectors and quasi-governments	**37,548**	28,009
— Policy banks	**276,054**	278,686
— Financial institutions	**70,272**	68,254
— Corporate	**128,292**	147,379
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**84,913**	94,310
— Public sectors and quasi-governments	**20,092**	21,904
— Financial institutions	**23,361**	11,529
— Corporate	**33,239**	16,319
	1,790,984	1,424,681
Allowance for impairment losses	**(194)**	(218)
Total debt securities held to maturity(2)	**1,790,790**	1,424,463

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2015	2014
Financial investments classified as loans and receivables		
Debt securities		
Issuers in Chinese mainland		
— China Orient[(3)]	**160,000**	160,000
— Special Purpose Treasury Bond[(4)]	**42,500**	42,500
— Financial institutions	**52,571**	36,250
— Certificate and Saving-type Treasury Bonds and other[(5)]	**63,034**	31,561
Issuers in Hong Kong, Macau, Taiwan and other countries and regions		
— Governments	**324**	–
— Public sectors and quasi-governments	**11,957**	6,323
— Financial institutions	**2**	2
— Corporate	**8**	17
Subtotal of debt securities investments	**330,396**	276,653
Investment trusts, asset management plans and other[(6)]	**278,068**	154,110
Allowance for impairment losses	**(1,754)**	(64)
Total financial investments classified as loans and receivables	**606,710**	430,699
Total financial investments[(7) (8)]	**3,476,033**	2,605,847

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2015	2014
Analysed as follows:		
Investment securities available for sale		
Debt securities		
— Listed in Hong Kong	**47,203**	34,704
— Listed outside Hong Kong	**639,331**	430,376
— Unlisted	**343,308**	247,058
Equity, fund and other		
— Listed in Hong Kong	**5,775**	4,573
— Listed outside Hong Kong	**162**	362
— Unlisted	**42,754**	33,612
Debt securities held to maturity		
— Listed in Hong Kong	**26,561**	16,368
— Listed outside Hong Kong	**1,552,348**	1,229,194
— Unlisted	**211,881**	178,901
Financial investments classified as loans and receivables		
— Unlisted	**606,710**	430,699
Total	**3,476,033**	2,605,847
Listed in Hong Kong	**79,539**	55,645
Listed outside Hong Kong	**2,191,841**	1,659,932
Unlisted	**1,204,653**	890,270
Total	**3,476,033**	2,605,847

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December			
	2015		2014	
	Carrying value	Market value	Carrying value	Market value
Debt securities held to maturity				
— Listed in Hong Kong	**26,561**	**26,791**	16,368	16,612
— Listed outside Hong Kong	**1,552,348**	**1,593,092**	1,229,194	1,233,453

(1) The Group's accumulated impairment charge on debt securities, equity and other available for sale held as at 31 December 2015 amounted to RMB1,410 million and RMB4,864 million, respectively (31 December 2014: RMB1,924 million and RMB5,203 million, respectively).

(2) In 2015, the Group reclassified certain debt securities with a total carrying value of RMB7,513 million from "Investment securities available for sale" to "Investment securities held to maturity" in response to a change in intention of management (2014: RMB39,330 million).

(3) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000. On 1 July 2000, China Orient issued a ten-year bond ("Orient Bond") with a par value of RMB160,000 million and interest rate of 2.25% to the Bank as consideration. During the year ended 31 December 2010, the maturity of this bond was extended to 30 June 2020 with the other terms unchanged. The MOF shall continue to provide funding support for the principal and interest of the Orient Bond held by the Bank pursuant to Caijin [2004] No. 87 *Notice of the MOF Regarding Relevant Issues Relating to the Principal and Interest of Debt Securities of Financial Asset Management Companies Held by Bank of China and China Construction Bank*.

(4) On 18 August 1998, a Special Purpose Treasury Bond was issued by the MOF with a par value of RMB42,500 million maturing on 18 August 2028. This bond was originally issued with an annual coupon rate of 7.20% and its coupon rate was restructured to 2.25% per annum from 1 December 2004.

(5) The Bank underwrites certain Treasury bonds issued by the MOF and undertakes the role of a distributor of these Treasury bonds through its branch network earning commission income on bonds sold. The investors of these bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The balance of these bonds held by the Bank as at 31 December 2015 amounted to RMB2,507 million (31 December 2014: RMB3,571 million).

(6) This represents the Group's investments in investment trusts and asset management plans which were managed by trust companies or securities companies. The underlying assets of these investment trusts and asset management plans mainly consist of beneficial rights in financial assets etc., of which other banks bear the payment obligations in the future.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

(7) As at 31 December 2015, the Group held bonds issued by the MOF and bills issued by the PBOC included in financial investments with the carrying value and the related coupon rate range on such bonds and bills as follows:

	As at 31 December	
	2015	2014
Carrying value	**955,457**	697,973
Coupon rate range	**0.00%–5.41%**	1.80%–5.31%

(8) Included in the Group's financial investments were certificates of deposit held amounting to RMB118,251 million as at 31 December 2015 (31 December 2014: RMB86,944 million).

19 Investment in associates and joint ventures

	Year ended 31 December	
	2015	2014
As at 1 January	**14,379**	13,368
Additions	**3,390**	260
Disposals	**(9,762)**	(394)
Share of results, net of tax	**2,334**	1,319
Dividends received	**(180)**	(393)
Exchange differences and other	**682**	219
As at 31 December	**10,843**	14,379

Investment in associates and joint ventures of the Group comprise of ordinary shares of unlisted companies. The carrying amount by principal investees was as follows. Further details are disclosed in Note V.42.4.

	As at 31 December	
	2015	2014
BOC International (China) Limited	**3,759**	2,981
Graceful Field Worldwide Ltd.	**1,306**	–
CGN Phase I Private Equity Fund Company Limited	**1,120**	1,060
Guangdong Small and Medium Enterprises Equity Investment Fund Company Limited	**753**	761
Cinda & BOC (Anhui) Investment Limited Partnership	**614**	–
Hong Kong Bora Holdings Limited	**472**	403
Zhejiang Zheshang Investment Fund Limited Partnership	**360**	259
JCC Financial Company Limited	**323**	285
Hubei Province Guarantee Group Co., Ltd.	**317**	316
Guangdong Haomei Aluminum Company Limited	**249**	238
Other	**1,570**	8,076
Total	**10,843**	14,379

As at 31 December 2015, the ability of associates and joint ventures to transfer funds to the Group is not restricted.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment

	Year ended 31 December				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January 2015	94,323	62,216	26,061	68,398	250,998
Additions	446	5,736	13,607	10,848	30,637
Transfer from/(to) investment properties (Note V.21)	557	–	(3)	–	554
Construction in progress transfer in/(out)	8,194	816	(10,875)	1,865	–
Deductions	(1,943)	(2,775)	(125)	(14,031)	(18,874)
Exchange differences	870	295	435	4,223	5,823
As at 31 December 2015	102,447	66,288	29,100	71,303	269,138
Accumulated depreciation					
As at 1 January 2015	(26,189)	(44,373)	–	(7,043)	(77,605)
Additions	(3,015)	(7,456)	–	(2,390)	(12,861)
Deductions	713	2,567	–	2,313	5,593
Transfer to investment properties (Note V.21)	27	–	–	–	27
Exchange differences	(194)	(206)	–	(435)	(835)
As at 31 December 2015	(28,658)	(49,468)	–	(7,555)	(85,681)
Allowance for impairment losses					
As at 1 January 2015	(749)	–	(245)	(202)	(1,196)
Additions	(24)	–	–	(285)	(309)
Deductions	5	–	24	62	91
Exchange differences	–	–	–	(12)	(12)
As at 31 December 2015	(768)	–	(221)	(437)	(1,426)
Net book value					
As at 1 January 2015	67,385	17,843	25,816	61,153	172,197
As at 31 December 2015	73,021	16,820	28,879	63,311	182,031

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

	Year ended 31 December				
	Buildings	Equipment and motor vehicles	Construction in progress	Aircraft	Total
Cost					
As at 1 January 2014	86,599	58,785	23,040	62,964	231,388
Additions	1,848	6,809	11,096	13,153	32,906
Transfer from/(to) investment properties (Note V.21)	1,287	–	(2)	–	1,285
Construction in progress transfer in/(out)	5,644	451	(7,998)	1,903	–
Disposals	(764)	(3,816)	(76)	(9,851)	(14,507)
Exchange differences	(291)	(13)	1	229	(74)
As at 31 December 2014	94,323	62,216	26,061	68,398	250,998
Accumulated depreciation					
As at 1 January 2014	(24,067)	(40,486)	–	(6,660)	(71,213)
Depreciation charge	(2,834)	(7,592)	–	(2,349)	(12,775)
Disposals	654	3,701	–	1,990	6,345
Transfer to investment properties (Note V.21)	21	–	–	–	21
Exchange differences	37	4	–	(24)	17
As at 31 December 2014	(26,189)	(44,373)	–	(7,043)	(77,605)
Allowance for impairment losses					
As at 1 January 2014	(757)	–	(245)	(205)	(1,207)
Impairment losses	–	–	–	(114)	(114)
Disposals	8	–	–	118	126
Exchange differences	–	–	–	(1)	(1)
As at 31 December 2014	(749)	–	(245)	(202)	(1,196)
Net book value					
As at 1 January 2014	61,775	18,299	22,795	56,099	158,968
As at 31 December 2014	67,385	17,843	25,816	61,153	172,197

As at 31 December 2015, the net book amount of aircraft owned by BOC Aviation Pte. Ltd., a wholly owned subsidiary of the Group, acquired under finance lease arrangements was RMB655 million (31 December 2014: RMB640 million).

As at 31 December 2015, the net book amount of aircraft leased out by BOC Aviation Pte. Ltd., a wholly owned subsidiary of the Group, under operating leases was RMB62,974 million (31 December 2014: RMB60,721 million).

As at 31 December 2015, the net book amount of aircraft owned by BOC Aviation Pte. Ltd., a wholly owned subsidiary of the Group, that has been pledged for loan facilities was RMB41,622 million (31 December 2014: RMB46,602 million) (Note V.30).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

According to the relevant the PRC laws and regulations, after conversion into a joint stock limited liability company, the Bank is required to re-register its property and equipment under the name of Bank of China Limited. As at 31 December 2015, the process of re-registration has not been completed. However, this registration process does not affect the rights of Bank of China Limited to these assets.

The carrying value of buildings is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2015	2014
Held in Hong Kong		
on long-term lease (over 50 years)	**2,916**	3,840
on medium-term lease (10–50 years)	**8,505**	7,978
on short-term lease (less than 10 years)	**14**	3
Subtotal	**11,435**	11,821
Held outside Hong Kong		
on long-term lease (over 50 years)	**1,934**	2,004
on medium-term lease (10–50 years)	**56,269**	51,223
on short-term lease (less than 10 years)	**3,383**	2,337
Subtotal	**61,586**	55,564
Total	**73,021**	67,385

21 Investment properties

	Year ended 31 December	
	2015	2014
As at 1 January	**18,653**	20,271
Additions	**4,263**	533
Transfer to property and equipment, net (Note V.20)	**(581)**	(1,306)
Deductions	**(334)**	(1,461)
Fair value changes (Note V.4)	**620**	546
Exchange differences	**660**	70
As at 31 December	**23,281**	18,653

The Group's investment properties are located in active real estate markets, and external appraisers make reasonable estimation of fair value using market prices of the same or similar properties and other related information from the real estate market.

Investment properties are mainly held by BOC Hong Kong (Holdings) Limited ("BOCHK (Holdings)") and BOC Group Investment Limited, subsidiaries of the Group. The carrying value of investment properties held by BOCHK (Holdings) and BOC Group Investment Limited as at 31 December 2015 amounted to RMB9,334 million and RMB11,965 million, respectively (31 December 2014: RMB8,593 million and RMB8,000 million). The valuation of these investment properties as at 31 December 2015 were principally performed by either Savills Valuation and Professional Services Limited or Knight Frank Petty Limited based on open market price and other related information.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Investment properties (Continued)

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2015	2014
Held in Hong Kong		
on long-term lease (over 50 years)	**3,566**	3,343
on medium-term lease (10–50 years)	**6,504**	5,911
on short-term lease (less than 10 years)	**–**	–
Subtotal	**10,070**	9,254
Held outside Hong Kong		
on long-term lease (over 50 years)	**4,790**	671
on medium-term lease (10–50 years)	**7,523**	7,672
on short-term lease (less than 10 years)	**898**	1,056
Subtotal	**13,211**	9,399
Total	**23,281**	18,653

22 Other assets

	As at 31 December	
	2015	2014
Interest receivable(1)	**77,354**	76,814
Accounts receivable and prepayments(2)	**76,706**	72,220
Land use rights(3)	**8,104**	8,563
Intangible assets(4)	**5,750**	4,654
Long-term deferred expense	**2,949**	3,506
Goodwill(5)	**2,449**	1,953
Repossessed assets(6)	**2,070**	2,289
Other	**6,118**	5,555
Total	**181,500**	175,554

(1) Interest receivable

	As at 31 December	
	2015	2014
Financial investments and financial assets at fair value through profit or loss	**46,202**	35,452
Loans and advances to customers	**24,309**	27,943
Due from and placements with and loans to banks, other financial institutions and central banks	**6,843**	13,419
Total	**77,354**	76,814

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(1) Interest receivable (Continued)

The movements of interest receivable are as follows:

	Year ended 31 December	
	2015	2014
As at 1 January	**76,814**	62,820
Accrued during the year	**613,255**	601,139
Received during the year	**(612,715)**	(587,145)
As at 31 December	**77,354**	76,814

(2) Accounts receivable and prepayments

	As at 31 December	
	2015	2014
Accounts receivable and prepayments	**80,560**	74,641
Impairment allowance	**(3,854)**	(2,421)
Net value	**76,706**	72,220

Accounts receivable and prepayments mainly include items in the process of clearing and settlement. The analysis of the aging of accounts receivable and prepayments is as follows:

	As at 31 December			
	2015		2014	
	Balance	**Impairment allowance**	Balance	Impairment allowance
Within 1 year	**73,523**	**(943)**	68,964	(336)
From 1 year to 3 years	**2,436**	**(1,077)**	1,094	(451)
Over 3 years	**4,601**	**(1,834)**	4,583	(1,634)
Total	**80,560**	**(3,854)**	74,641	(2,421)

(3) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2015	2014
Held outside Hong Kong		
on long-term lease (over 50 years)	**140**	230
on medium-term lease (10–50 years)	**6,992**	7,627
on short-term lease (less than 10 years)	**972**	706
Total	**8,104**	8,563

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(4) Intangible assets

	Year ended 31 December	
	2015	2014
Cost		
As at 1 January	**9,479**	7,872
Additions	**2,128**	1,670
Deductions	**(15)**	(64)
Exchange differences	**37**	1
As at 31 December	**11,629**	9,479
Accumulated amortisation		
As at 1 January	**(4,825)**	(3,893)
Additions	**(1,032)**	(966)
Deductions	**8**	35
Exchange differences	**(30)**	(1)
As at 31 December	**(5,879)**	(4,825)
Allowance for impairment losses		
As at 1 January	**–**	–
Additions	**–**	–
Deductions	**–**	–
Exchange differences	**–**	–
As at 31 December	**–**	–
Net book value		
As at 1 January	**4,654**	3,979
As at 31 December	**5,750**	4,654

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Other assets (Continued)

(5) Goodwill

	Year ended 31 December	
	2015	2014
As at 1 January	**1,953**	1,982
Addition through acquisition of subsidiaries	**386**	–
Decrease resulting from disposal of subsidiaries	**–**	(36)
Exchange differences	**110**	7
As at 31 December	**2,449**	1,953

The goodwill mainly arose from the acquisition of BOC Aviation Pte. Ltd. in 2006 amounting to USD241 million (equivalent to RMB1,564 million).

(6) Repossessed assets

The Group obtained repossessed assets by taking possession of collateral held as security. Such repossessed assets are as follows:

	As at 31 December	
	2015	2014
Commercial properties	**1,352**	1,306
Residential properties	**533**	159
Other	**832**	1,834
Subtotal	**2,717**	3,299
Allowance for impairment	**(647)**	(1,010)
Repossessed assets, net	**2,070**	2,289

The total book value of repossessed assets disposed of during the year ended 31 December 2015 amounted to RMB580 million (2014: RMB520 million). The Group plans to dispose of the repossessed assets held at 31 December 2015 by auction, bidding or transfer.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Impairment allowance

	As at 1 January 2015	Additions	Decrease: Reversal	Decrease: Write-off and transfer out	Exchange differences	As at 31 December 2015
Impairment allowance						
— Placements with and loans to banks and other financial institutions	207	3	(18)	–	–	192
— Loans and advances to customers[1]	188,531	103,777	(47,905)	(45,204)	1,466	200,665
— Financial investments						
— available for sale (Note V.18)	7,127	125	(126)	(1,299)	447	6,274
— held to maturity	218	–	(35)	–	11	194
— loans and receivables	64	2,161	(471)	–	–	1,754
— Property and equipment	1,196	285	–	(67)	12	1,426
— Repossessed assets	1,010	–	(200)	(174)	11	647
— Land use rights	15	–	–	–	–	15
— Accounts receivable and prepayments	2,421	2,414	(988)	(43)	50	3,854
— Other	1,206	253	(1)	(55)	46	1,449
Total	201,995	109,018	(49,744)	(46,842)	2,043	216,470

	As at 1 January 2014	Additions	Decrease: Reversal	Decrease: Write-off and transfer out	Exchange differences	As at 31 December 2014
Impairment allowance						
— Placements with and loans to banks and other financial institutions	195	86	(55)	(19)	–	207
— Loans and advances to customers[1]	168,049	84,054	(37,448)	(25,856)	(268)	188,531
— Financial investments						
— available for sale (Note V.18)	7,013	761	(184)	(496)	33	7,127
— held to maturity	246	–	(29)	–	1	218
— loans and receivables	65	–	–	–	(1)	64
— Property and equipment	1,207	114	–	(126)	1	1,196
— Repossessed assets	1,129	81	(94)	(107)	1	1,010
— Land use rights	22	–	–	(7)	–	15
— Accounts receivable and prepayments	2,110	756	(539)	93	1	2,421
— Other	328	882	(4)	–	–	1,206
Total	180,364	86,734	(38,353)	(26,518)	(232)	201,995

(1) Included within "Write-off and transfer out" on loans and advances to customers are amounts relating to loans and advances written-off, transferred out, recovery of loans and advances written-off and unwind of discount on allowance.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 Due to banks and other financial institutions

	As at 31 December	
	2015	2014
Due to:		
Banks in Chinese mainland	**535,209**	515,188
Other financial institutions in Chinese mainland	**1,022,792**	918,510
Banks in Hong Kong, Macau, Taiwan and other countries and regions	**183,973**	261,237
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	**22,346**	85,312
Total	**1,764,320**	1,780,247

25 Due to central banks

	As at 31 December	
	2015	2014
Foreign exchange deposits	**160,533**	142,443
Other	**255,176**	205,828
Total	**415,709**	348,271

26 Government certificates of indebtedness for bank notes issued and bank notes in circulation

Bank of China (Hong Kong) Limited ("BOCHK") and Bank of China Macau Branch are note issuing banks for Hong Kong Dollar and Macau Pataca notes in Hong Kong and Macau, respectively. Under local regulations, these two entities are required to place deposits with the Hong Kong and Macau governments, respectively to secure the currency notes in circulation.

Bank notes in circulation represent the liabilities in respect of Hong Kong Dollar notes and Macau Pataca notes in circulation, issued respectively by BOCHK and Bank of China Macau Branch.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 Placements from banks and other financial institutions

	As at 31 December	
	2015	2014
Placements from:		
Banks in Chinese mainland	**271,387**	83,696
Other financial institutions in Chinese mainland	**107,482**	41,561
Banks in Hong Kong, Macau, Taiwan and other countries and regions	**53,721**	78,545
Other financial institutions in Hong Kong, Macau, Taiwan and other countries and regions	**15,354**	21,528
Total(1)	**447,944**	225,330

(1) Included in "Placements from banks and other financial institutions" are amounts received from counterparties under repurchase agreements and collateral agreements as follows:

	As at 31 December	
	2015	2014
Repurchase debt securities(i)	**183,498**	37,061

(i) Debt securities used as collateral under repurchase agreements were principally government bonds and were included in the amount disclosed under Note V.40.2.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 Due to customers

	As at 31 December	
	2015	2014
At amortised cost		
Demand deposits		
— Corporate deposits	**3,130,624**	2,663,173
— Personal deposits	**2,092,841**	1,847,870
Subtotal	**5,223,465**	4,511,043
Time deposits		
— Corporate deposits	**3,037,783**	3,013,812
— Personal deposits	**2,841,372**	2,709,995
Subtotal	**5,879,155**	5,723,807
Certificates of deposit	**230,793**	278,576
Other deposits(1)	**55,847**	54,310
Total due to customers at amortised cost	**11,389,260**	10,567,736
At fair value		
Structured deposits		
— Corporate deposits	**274,799**	234,187
— Personal deposits	**65,112**	83,300
Total due to customers at fair value(2)	**339,911**	317,487
Total due to customers(3)	**11,729,171**	10,885,223

(1) Included in other deposits are special purpose fundings, which represent long-term fundings provided in multiple currencies from foreign governments and/or entities in the form of export credit, foreign government and other subsidised credit. These special purpose fundings are normally used to finance projects with a special commercial purpose in the PRC as determined by the foreign governments or entities and the Group is obliged to repay these fundings when they fall due.

As at 31 December 2015, the remaining maturity of special purpose fundings ranges from 31 days to 38 years. The interest-bearing special purpose fundings bear floating and fixed interest rates ranging from 0.15% to 7.92% (31 December 2014: 0.15% to 7.92%). These terms are consistent with those related development loans granted to customers.

(2) Due to customers measured at fair value are structured deposits designated as at fair value through profit or loss at inception.

There were no significant changes in the Group's credit risk and therefore there were no significant gains or losses attributable to changes in the Group's credit risk for the abovementioned structured deposits during the years ended 31 December 2015 and 2014.

(3) Due to customers included margin deposits for security received by the Group as at 31 December 2015 of RMB338,385 million (31 December 2014: RMB450,746 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 31 December 2015	2014
Subordinated bonds issued					
2005 RMB Debt Securities Second Tranche(1)	18 February 2005	4 March 2020	5.18%	–	9,000
2009 RMB Debt Securities First Tranche(2)	6 July 2009	8 July 2024	4.00%	**24,000**	24,000
2010 RMB Debt Securities(3)	9 March 2010	11 March 2025	4.68%	**24,930**	24,930
2010 US Dollar Subordinated notes issued by BOCHK	11 February 2010	11 February 2020	5.55%	**15,921**	15,192
2011 RMB Debt Securities(4)	17 May 2011	19 May 2026	5.30%	**32,000**	32,000
2012 RMB Debt Securities First Tranche(5)	27 November 2012	29 November 2022	4.70%	**5,000**	5,000
2012 RMB Debt Securities Second Tranche(5)	27 November 2012	29 November 2027	4.99%	**18,000**	18,000
Subtotal(8)				**119,851**	128,122
Tier 2 capital bonds issued					
2014 RMB Debt Securities(6)	8 August 2014	11 August 2024	5.80%	**29,971**	29,968
2014 US Dollar Debt Securities(7)	13 November 2014	13 November 2024	5.00%	**19,365**	18,237
Subtotal(8)				**49,336**	48,205
Convertible bonds issued					
2010 RMB Convertible Bond(9)	2 June 2010	2 June 2016	Step-up interest rate	–	14,917
Other bonds issued					
US Dollar Debt Securities(10)				**67,670**	50,657
RMB Debt Securities(11)				**20,104**	14,887
Other(12)				**12,673**	19,261
Subtotal				**100,447**	84,805
Interbank negotiable certificates of deposit(13)				**13,295**	1,996
Total bonds issued(14)				**282,929**	278,045

(1) The fixed rate portion of the second tranche of the subordinated bonds issued on 18 February 2005 has a maturity of 15 years, with a fixed coupon rate of 5.18%, paid annually. The Group has early redeemed all of the bonds at face value on 4 March 2015.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Bonds issued (Continued)

(2) The fixed rate portion of the first tranche of the subordinated bonds issued on 6 July 2009 has a maturity of 15 years, with a fixed coupon rate of 4.00%, paid annually. The Group has the option to early redeem all of the bonds at face value on 8 July 2019. If the Group does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall be the original coupon rate plus 3.00%, and shall remain fixed until the maturity date.

(3) The subordinated bonds issued on 9 March 2010, have a maturity of 15 years, with a fixed coupon rate of 4.68%, paid annually. The Group has the option to redeem all of the bonds at face value on 11 March 2020. If the Group does not exercise this option, the coupon rate of the bonds for the third 5-year period shall be the original coupon rate plus 3.00%, and shall remain fixed until the maturity date.

(4) The subordinated bonds issued on 17 May 2011, have a maturity of 15 years, with a fixed coupon rate of 5.30%, paid annually. The Group is entitled to redeem all the subordinated bonds on the tenth anniversary. If the Group does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 5.30%.

(5) Two subordinated bonds issued on 27 November 2012 in the domestic interbank bond market. The first subordinated bond has a maturity of 10 years, with a fixed coupon rate of 4.70%, paid annually. The Group is entitled to redeem these bonds on the fifth anniversary. If the Group does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.70%. The second subordinated bond has a maturity of 15 years, with a fixed coupon rate of 4.99%, paid annually. The Group is entitled to redeem all these bonds on the tenth anniversary. If the Group does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.99%.

(6) Pursuant to the approval by the CBRC and the PBOC, the Group issued tier 2 capital bonds in an amount of RMB30 billion in the domestic interbank bond market on 8 August 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.80%. The Group is entitled to redeem the bonds at the end of the fifth year.

(7) Pursuant to the approval by the CBRC, the PBOC and the National Development and Reform Commission, the Group issued tier 2 capital bonds in an amount of USD3 billion in offshore markets on 13 November 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.00%.

(8) Subordinated bonds and tier 2 capital bonds are subordinated to all other claims on the assets of the Group, except those of the equity holders.

(9) Pursuant to the approval by relevant PRC authorities, the Bank issued A-share convertible bonds with a total principal amount of RMB40 billion on 2 June 2010. Upon satisfaction for the first time of conditional redemption provisions of the Convertible Bonds according to the *Prospectus of Bank of China Limited on Public Offering of A-Share Convertible Corporate Bonds*, and with the approval of the CBRC, the Bank redeemed all of the Convertible Bonds registered after the close of the market on 6 March 2015 (the redemption record date). The Convertible Bonds were delisted from Shanghai Stock Exchange as of 13 March 2015.

The movements of liability component of convertible bonds are as follows:

	Year ended 31 December	
	2015	2014
As at 1 January	**14,917**	38,597
Accretion	**32**	915
Amounts converted to shares(i)	**(14,923)**	(24,595)
Redemption	**(26)**	–
As at 31 December	**–**	14,917

(i) Convertible bonds with a principal amount of RMB14,820,428,000 (2014: RMB24,540,517,000) were converted into 5,656,643,241 shares (2014: 9,366,595,563 shares) ordinary A shares during the year ended 31 December 2015(Note V.37.1).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Bonds issued (Continued)

(10) US Dollar Debt Securities are issued in Hong Kong and Europe between 2011 and 2015 by the Group, which due dates ranges from 2016 to 2025.

(11) RMB Debt Securities are issued in Hong Kong, Europe and other Asia-Pacific regions between 2012 and 2015 by the Group, which due dates ranges from 2016 to 2030.

(12) Other Debt Securities excluding RMB and US dollar are issued in Hong Kong, Europe, Africa and other Asia-Pacific regions between 2013 and 2015 by the Group. The due dates ranges from 2016 to 2023.

(13) The RMB interbank negotiable certificates of deposit issued by the Group in 2014 matured in 2015. For the year ended 31 December 2015, the Group issued 13 tranches of RMB interbank negotiable certificates of deposit at discount in the domestic interbank bond market, with face value of RMB100 per certificate of deposit. The outstanding balance as at 31 December 2015 was RMB13,295 million, which matures in 2016.

(14) During the years ended 31 December 2015 and 2014, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

30 Other borrowings

These other borrowings relate to the financing of the aircraft leasing business of BOC Aviation Pte. Ltd., a wholly owned subsidiary of the Group. These other borrowings are secured by its aircraft (Note V.20).

As at 31 December 2015, these other borrowings had a maturity ranging from 11 days to 11 years and bore floating and fixed interest rates ranging from 0.36% to 2.45% (31 December 2014: 0.23% to 2.74%).

During the years ended 31 December 2015 and 2014, the Group did not default on any principal, interest or redemption amounts with respect to its other borrowings.

31 Current tax liabilities

	As at 31 December	
	2015	2014
Corporate Income Tax	**31,563**	34,858
Business Tax	**5,996**	6,176
City Construction and Maintenance Tax	**395**	430
Education Surcharges	**292**	306
Value-added Tax and other	**(264)**	(134)
Total	**37,982**	41,636

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 Retirement benefit obligations

As at 31 December 2015, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to 31 December 2003 and the early retirement obligations for employees who early retired were RMB2,635 million (31 December 2014: RMB2,575 million) and RMB1,620 million (31 December 2014: RMB1,991 million) respectively, using the projected unit credit method.

The movements of the net liabilities recognised in the statements of financial position are as follows:

	Year ended 31 December	
	2015	2014
As at 1 January	**4,566**	4,815
Interest cost	**150**	201
Net actuarial loss recognised in the year	**213**	317
Benefits paid	**(674)**	(767)
As at 31 December	**4,255**	4,566

Primary assumptions used:

	As at 31 December	
	2015	2014
Discount rate		
— Normal retiree	**2.83%**	3.64%
— Early retiree	**2.60%**	3.41%
Pension benefit inflation rate		
— Normal retiree	**6.0%–4.0%**	6.0%–4.0%
— Early retiree	**8.0%–4.0%**	8.0%–4.0%
Medical benefit inflation rate	**8.0%**	8.0%
Retiring age		
— Male	**60**	60
— Female	**50/55**	50/55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

As at 31 December 2015 and 2014, there was no significant change in employee retirement benefit obligations that was attributable to changes in actuarial assumptions.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Share appreciation rights plan

In November 2005, the Bank's Board of Directors and equity holders approved and adopted a Share Appreciation Rights Plan under which eligible participants including directors, supervisors, management and other personnel designated by the Board, will be granted share appreciation rights, up to 25% of which will be exercisable each year beginning on the third anniversary date from the date of grant. The share appreciation rights will be valid for seven years from the date of grant. Eligible participants will be entitled to receive an amount equal to the difference, if any, between the average closing market price of the Bank's H shares in the ten days prior to the date of grant and the average closing market price of the Bank's H shares in the 12 months prior to the date of exercise as adjusted for any change in the Bank's equity. The plan provides cash-settled share-based payment only and accordingly, no shares will be issued under the share appreciation rights plan.

No share appreciation rights were granted since the inception of the plan.

34 Deferred income taxes

34.1 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority. The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and related temporary differences.

	As at 31 December			
	2015		2014	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets	**81,700**	**22,246**	93,289	25,043
Deferred income tax liabilities	**(22,035)**	**(4,291)**	(23,574)	(4,287)
Net	**59,665**	**17,955**	69,715	20,756

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 Deferred income taxes (Continued)

34.2 Deferred income tax assets/liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at 31 December			
	2015		2014	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	**121,017**	**30,437**	116,577	29,242
Pension, retirement benefits and salary payable	**19,125**	**4,781**	20,305	5,076
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**27,946**	**6,922**	18,981	4,745
Fair value changes of available for sale investment securities credited to other comprehensive income	**1,629**	**290**	202	53
Other temporary differences	**12,493**	**2,329**	4,252	1,007
Subtotal	**182,210**	**44,759**	160,317	40,123
Deferred income tax liabilities				
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**(37,615)**	**(9,404)**	(22,709)	(5,677)
Fair value changes of available for sale investment securities charged to other comprehensive income	**(20,402)**	**(5,045)**	(9,879)	(2,262)
Depreciation of property and equipment	**(14,917)**	**(2,575)**	(11,880)	(2,041)
Revaluation of property and investment properties	**(10,447)**	**(2,048)**	(10,824)	(2,109)
Other temporary differences	**(39,164)**	**(7,732)**	(35,310)	(7,278)
Subtotal	**(122,545)**	**(26,804)**	(90,602)	(19,367)
Net	**59,665**	**17,955**	69,715	20,756

As at 31 December 2015, deferred tax liabilities relating to temporary differences of RMB70,336 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2014: RMB53,296 million). Refer to Note II.22.2.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 Deferred income taxes (Continued)

34.3 The movements of the deferred income tax account are as follows:

	Year ended 31 December	
	2015	2014
As at 1 January	**20,756**	19,543
Credited/(charged) to the income statement (Note V.9)	**(77)**	4,579
Credited/(charged) to other comprehensive income	**(2,546)**	(3,497)
Other	**(178)**	131
As at 31 December	**17,955**	20,756

34.4 The deferred income tax credit/charge in the income statement comprises the following temporary differences:

	Year ended 31 December	
	2015	2014
Asset impairment allowances	**1,195**	6,281
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	**(1,550)**	(255)
Pension, retirement benefits and salary payable	**(295)**	(215)
Other temporary differences	**573**	(1,232)
Total	**(77)**	4,579

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 Assets and liabilities held for sale

In 2015, the MOF has in principle approved the bank for the undertaking of the disposal of 100% interest in Nanyang Commercial Bank held by BOCHK, a direct wholly-owned subsidiary of BOCHK (Holdings). BOCHK entered into the Sale and Purchase Agreement with Cinda Financial Holdings Co., Limited ("Cinda Financial") (as buyer) and China Cinda (HK) Holdings Company Limited (as buyer's guarantor) in relation to the proposed sale and purchase of all the issued shares of Nanyang Commercial Bank. The bank classifies the assets group of all the assets and liabilities of Nanyang Commercial Bank as assets and liabilities held for sale.

The major classes of assets held for sale and liabilities classified as held for sale as at 31 December 2015 are as follows:

	As at 31 December 2015
Assets held for sale	
Cash and due from banks and other financial institutions	13,679
Balances with central banks	13,433
Placements with and loans to banks and other financial institutions	18,214
Loans and advances to customers, net	138,292
Financial investments	44,267
Other assets	10,052
Total	237,937
Liabilities classified as held for sale	
Due to banks and other financial institutions	3,118
Placements from banks and other financial institutions	2,522
Due to customers	184,957
Other liabilities	6,253
Total	196,850
Cumulative income recognised in other comprehensive income relating to assets held for sale	228

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities

	As at 31 December	
	2015	2014
Interest payable[1]	**174,256**	163,228
Insurance liabilities		
— Life insurance contracts	**72,867**	58,218
— Non-life insurance contracts	**8,242**	8,275
Items in the process of clearance and settlement	**37,193**	35,029
Salary and welfare payables[2]	**26,711**	26,158
Deferred Income	**7,099**	8,104
Short position in debt securities	**7,012**	7,224
Provision[3]	**3,362**	2,616
Placements from banks and other financial institutions at fair value[4]	**1,617**	5,776
Other[5]	**45,410**	37,933
Total	**383,769**	352,561

(1) Interest payable

	As at 31 December	
	2015	2014
Due to customers	**155,652**	141,708
Due to and placements from banks and other financial institutions	**11,099**	15,441
Bonds issued and other	**7,505**	6,079
Total	**174,256**	163,228

The movements of interest payable are as follows:

	Year ended 31 December	
	2015	2014
As at 1 January	**163,228**	132,052
Accrued during the year	**286,406**	281,578
Paid during the year	**(275,378)**	(250,402)
As at 31 December	**174,256**	163,228

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities (Continued)

(2) Salary and welfare payables

	As at 1 January 2015	Accrual	Payment	As at 31 December 2015
Salary, bonus and subsidy	**22,147**	**54,462**	**(54,693)**	**21,916**
Staff welfare	**–**	**2,919**	**(2,919)**	**–**
Social insurance, including:				
Medical	**697**	**3,280**	**(3,089)**	**888**
Pension	**134**	**6,587**	**(6,563)**	**158**
Annuity	**24**	**2,060**	**(2,062)**	**22**
Unemployment	**7**	**413**	**(413)**	**7**
Injury at work	**1**	**163**	**(163)**	**1**
Maternity insurance	**2**	**223**	**(223)**	**2**
Housing funds	**30**	**5,428**	**(5,408)**	**50**
Labour union fee and staff education fee	**2,865**	**1,911**	**(1,407)**	**3,369**
Reimbursement for cancellation of labour contract	**12**	**7**	**(6)**	**13**
Other	**239**	**2,669**	**(2,623)**	**285**
Total[(i)]	**26,158**	**80,122**	**(79,569)**	**26,711**

	As at 1 January 2014	Accrual	Payment	As at 31 December 2014
Salary, bonus and subsidy	21,666	53,857	(53,376)	22,147
Staff welfare	–	2,443	(2,443)	–
Social insurance, including:				
Medical	614	2,984	(2,901)	697
Pension	114	6,272	(6,252)	134
Annuity	1	1,862	(1,839)	24
Unemployment	4	447	(444)	7
Injury at work	1	157	(157)	1
Maternity insurance	2	201	(201)	2
Housing funds	33	4,978	(4,981)	30
Labour union fee and staff education fee	2,315	1,925	(1,375)	2,865
Reimbursement for cancellation of labour contract	12	20	(20)	12
Other	167	2,455	(2,383)	239
Total[(i)]	24,929	77,601	(76,372)	26,158

(i) There was no overdue payment for staff salary and welfare payables as at 31 December 2015 and 2014.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Other liabilities (Continued)

(3) Provision

	As at 31 December	
	2015	2014
Allowance for litigation losses (Note V.40.1)	**860**	606
Other	**2,502**	2,010
Total	**3,362**	2,616

The movement of the provision was as follows:

	Year ended 31 December	
	2015	2014
As at 1 January	**2,616**	2,139
Provision for the year, net	**807**	624
Utilised during the year	**(61)**	(147)
As at 31 December	**3,362**	2,616

(4) Placements from banks and other financial institutions at fair value

Certain financial liabilities related to placements from banks and other financial institutions have been matched with derivatives as part of a documented risk management strategy to mitigate market risk. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement. As at 31 December 2015, the fair value of the financial liabilities related to placements from banks and other financial institutions was approximately the same as the amount that the Group would be contractually required to pay to the holders. There were no significant changes in the Group's credit risk and therefore the amounts of changes in fair value of the abovementioned placements from banks and other financial institutions that were attributable to changes in credit risk were considered not significant during the years ended 31 December 2015 and 2014.

(5) Other

Other includes finance lease payments which are principally related to aircraft held by BOC Aviation Pte. Ltd. under finance lease.

	As at 31 December	
	2015	2014
Within 1 year (inclusive)	**75**	68
1 year to 2 years (inclusive)	**75**	69
2 years to 3 years (inclusive)	**226**	69
Over 3 years	**178**	375
Total minimum rental payments	**554**	581
Unrecognised finance charge	**(53)**	(54)
Finance lease payments, net	**501**	527

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve, treasury shares and other equity instruments

37.1 Share capital

For the year ended 31 December 2015, the movements of the Bank's share capital were as follows:

Unit: Share

	Domestic listed A shares, par value RMB1.00 per share	Overseas listed H shares, par value RMB1.00 per share	Total
As at 1 January 2015	**205,108,871,605**	**83,622,276,395**	**288,731,148,000**
Increase as a result of conversion of convertible bonds (Note V.29)	**5,656,643,241**	**–**	**5,656,643,241**
As at 31 December 2015	**210,765,514,846**	**83,622,276,395**	**294,387,791,241**

All A and H shares rank pari passu with the same rights and benefits.

37.2 Capital reserve

	As at 31 December	
	2015	2014
Share premium	**139,921**	128,948
Other capital reserve	**177**	1,849
Total	**140,098**	130,797

37.3 Treasury shares

A wholly-owned subsidiary of the Group holds certain listed shares of the Bank in relation to its derivative and arbitrage business. These shares are treated as treasury shares, a deduction from equity holders' equity. Gains and losses on sale or redemption of the treasury shares are credited or charged to equity. The total number of treasury shares as at 31 December 2015 was approximately 29.69 million (31 December 2014: approximately 7.22 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

37.4 Other equity instruments

For the year ended 31 December 2015, the movements of the Bank's other equity instruments were as follows:

	As at 1 January 2015		Increase		Decrease		As at 31 December 2015	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Preference Shares								
2014 Offshore Preference Shares (1)	**399.4**	**39,782**	**–**	**–**	**–**	**–**	**399.4**	**39,782**
2014 Domestic Preference Shares (2)	**320.0**	**31,963**	**–**	**–**	**–**	**–**	**320.0**	**31,963**
2015 Domestic Preference Shares(3)	**–**	**–**	**280.0**	**27,969**	**–**	**–**	**280.0**	**27,969**
Total	**719.4**	**71,745**	**280.0**	**27,969**	**–**	**–**	**999.4**	**99,714**

(1) Pursuant to the approvals by the relevant authorities in China, the Bank issued the US Dollar settled non-cumulative Offshore Preference Shares in the aggregate par value of RMB39.94 billion on 23 October 2014. Each Offshore Preference Share has a par value of RMB100 and 399.4 million Offshore Preference Shares were issued in total. The initial annual dividend rate is 6.75% and is subsequently subject to reset per agreement, but in no case shall exceed 18.07%. Dividends are calculated on the basis of RMB but paid out in US Dollars per a fixed exchange rate.

The Offshore Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBRC, all or part of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 23 October 2019 or on any dividend payment date thereafter at the redemption price which is the sum of the par value of the Offshore Preference Shares and the dividends declared but not yet distributed, as calculated on the basis of RMB but paid out in US Dollars per a fixed exchange rate.

(2) Pursuant to the approvals by relevant authorities in China, the Bank issued 6.0% non-cumulative Domestic Preference Shares on 21 November 2014, in the aggregate par value of RMB32 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 320 million Domestic Preference Shares were issued.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBRC, the Bank may redeem all or part of the Domestic Preference Shares on 21 November 2019 or any dividend payment date thereafter of its choosing at the redemption price which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

37.4 Other equity instruments (Continued)

(3) Pursuant to the approvals by relevant authorities in China, the Bank issued 5.5% non-cumulative Domestic Preference Shares on 13 March 2015, in the aggregate par value of RMB28 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 280 million Domestic Preference Shares were issued.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBRC, the Bank may redeem all or part of the Domestic Preference Shares on 13 March 2020 or any dividend payment date thereafter of its choosing at the redemption price which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

Save for such dividend at the agreed dividend payout ratio, the holders of the above 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 preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not be deemed a default. However, the Bank shall not distribute profits to the holders of ordinary shares until resumption of full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Bank shall report to the CBRC for review and determination and the Bank will convert the preference shares into ordinary shares in whole or in part.

Capital raised from the issuance of the above preference shares, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

38 Statutory reserves, general and regulatory reserves and undistributed profits

38.1 Statutory reserves

Under relevant PRC laws, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. Subject to the approval of the equity holders, the statutory surplus reserves can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserves amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserves after such capitalisation is not less than 25% of the share capital.

In accordance with a resolution of the Board of Directors dated 30 March 2016, the Bank appropriated 10% of the net profit for the year ended 31 December 2015 to the statutory surplus reserves, amounting to RMB15,220 million (2014: RMB15,628 million).

In addition, some operations in Hong Kong, Macau, Taiwan and other countries and regions are required to transfer certain percentages of their net profits to the statutory surplus reserves as stipulated by local banking authorities.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

38.2 General and regulatory reserves

Pursuant to Caijin [2012] No. 20 *Requirements on Impairment Allowance for Financial Institutions* ("Requirement"), issued by the MOF, in addition to the impairment allowance, the Bank establishes a general reserve within the equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The general reserve as a distribution of profits, is part of the owner's rights and interests, should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.

In accordance with a resolution dated 30 March 2016 and on the basis of the Bank's profit for the year ended 31 December 2015, the Board of Directors of the Bank approved the appropriation of RMB19,005 million (2014: RMB14,177 million) to the general reserve for the year ended 31 December 2015.

The regulatory reserve mainly refers to the reserve amount set aside by BOC Hong Kong (Group) Limited ("BOCHK Group"), a subsidiary of the Group, for general banking risks, including future losses or other unforeseeable risks. As at 31 December 2015 and 2014, the reserve amounts set aside by BOCHK Group was RMB6,651 million and RMB6,190 million, respectively.

38.3 Dividends

Dividends for Ordinary Shares

An ordinary share dividend of RMB55,934 million in respect of the profit for the year ended 31 December 2014 was approved by the equity holders of the Bank at the Annual General Meeting held on 17 June 2015 and was distributed during the year.

An ordinary share dividend of RMB0.175 per share in respect of profit for the year ended 31 December 2015 (2014: RMB0.19 per share), amounting to a total dividend of RMB51,518 million based on the number of shares issued as at 31 December 2015 will be proposed for approval at the Annual General Meeting to be held on 7 June 2016. The dividend payable is not reflected in liabilities of the financial statements.

Dividends for Preference Shares

The dividend distribution of Offshore Preference Shares and Domestic Preference Shares (First Tranche), amounting to RMB5,012 million in total was approved by the Board of Directors of the Bank at the Board Meeting held on 28 August 2015 and was distributed during the year.

The dividend distribution of Domestic Preference Shares (Second Tranche) was approved by the Board of Directors of the Bank at the Board meeting held on 19 January 2016. The annual dividend rate is 5.5% for the Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million in total and the dividend was paid on 14 March 2016. The dividend payable is not reflected in liabilities of the financial statements.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Non-controlling interests

Non-controlling interests of the subsidiaries of the Group are as follows:

	As at 31 December	
	2015	2014
BOC Hong Kong (Group) Limited	**45,539**	39,077
Tai Fung Bank Limited	**4,658**	2,303
Other	**2,462**	1,189
Total	**52,659**	42,569

40 Contingent liabilities and commitments

40.1 Legal proceedings and arbitrations

As at 31 December 2015, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In addition, in terms of the range and scale of its international operations, the Group may face a variety of legal proceedings within different jurisdictions, including issues related to anti-money laundering. As at 31 December 2015, provisions of RMB860 million (31 December 2014: RMB606 million) were made based on court judgements or the advice of counsel (Note V.36). After consulting legal professionals, senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

40.2 Assets pledged

Assets pledged by the Group as collateral for placement, repurchase, short positions, derivative transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard and normal business terms.

	As at 31 December	
	2015	2014
Debt securities	**325,025**	126,995
Bills	**2,052**	3,227
Total	**327,077**	130,222

40.3 Collateral accepted

The Group accepts securities collateral that are permitted to sell or re-pledge in connection with reverse repurchase and derivatives agreements with banks and other financial institutions. As at 31 December 2015, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB24,094 million (31 December 2014: RMB6,650 million). As at 31 December 2015, the Group had not sold or re-pledged such collateral accepted which the Group had an obligation to return (31 December 2014: RMB11 million). These transactions are conducted under standard terms in the normal course of business.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments (Continued)

40.4 Capital commitments

	As at 31 December	
	2015	2014
Property and equipment		
Contracted but not provided for	**64,492**	57,149
Authorised but not contracted for	**2,652**	37,895
Intangible assets		
Contracted but not provided for	**721**	712
Authorised but not contracted for	**23**	28
Investment properties		
Contracted but not provided for	**148**	1,916
Authorised but not contracted for	**–**	232
Total	**68,036**	97,932

40.5 Operating leases

(1) *Operating lease commitments — As lessee*

Under irrevocable operating lease contracts, the future minimum lease payments that should be paid by the Group are summarised as follows:

	As at 31 December	
	2015	2014
Within 1 year	**6,313**	5,852
Between 1 and 2 years	**4,864**	4,706
Between 2 and 3 years	**3,675**	3,591
Over 3 years	**7,498**	7,947
Total	**22,350**	22,096

(2) *Operating lease commitments — As lessor*

The Group acts as lessor in operating leases principally through aircraft leasing undertaken by its subsidiary BOC Aviation Pte. Ltd. Under irrevocable operating lease contracts, as at 31 December 2015, the minimum lease payments which will be received by the Group under the operating leases for existing aircraft and aircraft yet to be delivered amounted to RMB7,001 million not later than one year (31 December 2014: RMB6,213 million), RMB30,115 million later than one year and not later than five years (31 December 2014: RMB27,043 million) and RMB30,220 million later than five years (31 December 2014: RMB28,134 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments (Continued)

40.6 Treasury bonds redemption commitments

The Bank is entrusted by the MOF to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The MOF will not provide funding for the early redemption of these Treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 31 December 2015, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB44,698 million (31 December 2014: RMB37,810 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption before the maturity dates of these bonds through the Bank will not be material.

40.7 Credit commitments

	As at 31 December	
	2015	2014
Loan commitments [1]		
— with an original maturity of less than 1 year	**88,629**	82,431
— with an original maturity of 1 year or over	**744,650**	633,338
Letters of guarantee issued [2]	**1,077,070**	1,148,535
Undrawn credit card limits	**558,141**	479,685
Bank bill acceptance	**386,725**	484,243
Accepted bill of exchange under letters of credit	**169,876**	248,158
Letters of credit issued	**121,720**	145,593
Other	**63,222**	68,228
Total [3]	**3,210,033**	3,290,211

(1) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 31 December 2015, the unconditionally revocable loan commitments of the Group amounted to RMB313,131 million (31 December 2014: RMB258,134 million).

(2) Letters of guarantee issued mainly include financial guarantees and performance guarantees. These obligations on the Group to make payment are dependent on the outcome of a future event.

(3) Risk-weighted assets for credit risk of credit commitments

The risk-weighted assets for credit risk of the Group were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC under the advanced capital measurement approaches. The amounts are determined by the creditworthiness of the counterparties, the maturity characteristics of each type of contract and other factors.

	As at 31 December	
	2015	2014
Credit commitments	**1,045,835**	1,293,082

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Contingent liabilities and commitments (Continued)

40.8 Underwriting obligations

As at 31 December 2015, there was no firm commitment in underwriting securities of the Group (31 December 2014: Nil).

41 Note to the consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 31 December	
	2015	2014
Cash and due from banks and other financial institutions	**217,599**	342,087
Balances with central banks	**586,733**	556,498
Placements with and loans to banks and other financial institutions	**185,606**	195,094
Short term bills and notes	**62,140**	54,472
Total	**1,052,078**	1,148,151

42 Related party transactions

42.1 CIC was established on 29 September 2007 with registered capital of RMB1,550 billion. CIC is a wholly State-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC government through CIC and its wholly owned subsidiary, Huijin.

The Group enters into banking transactions with CIC in the normal course of its business at commercial terms.

42.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	DING Xuedong
Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	64.02%
Voting rights in the Bank	64.02%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council.
National organisation code	71093296-1

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.2 Transactions with Huijin and companies under Huijin (Continued)

(2) Transactions with Huijin

The Group enters into banking transactions with Huijin in the normal course of its business at commercial terms.

Due to Huijin

	Year ended 31 December	
	2015	2014
As at 1 January	**26,442**	35,001
Received during the year	**75,811**	38,940
Repaid during the year	**(84,309)**	(47,499)
As at 31 December	**17,944**	26,442

Bonds issued by Huijin

As at 31 December 2015, the Group held government backed bonds issued by Huijin in the carrying value of RMB6,471 million (31 December 2014: RMB5,831 million) which were classified as held to maturity and available for sale. These bonds have maturity of not more than 30 years and bear fixed interest rates, payable annually. Purchasing of these bonds was in the ordinary course of business of the Group, complying with requirements of related regulations and corporate governance.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, joint ventures and associates in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of business at commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

The Group's outstanding balances and related interest rate ranges with these companies were as follows:

	As at 31 December	
	2015	2014
Due from banks and other financial institutions	**35,668**	59,807
Placements with and loans to banks and other financial institutions	**122,169**	58,583
Financial assets at fair value through profit or loss and financial investments	**389,968**	284,151
Derivative financial assets	**2,542**	446
Loans and advances to customers	**10,533**	11,192
Due to banks and other financial institutions	**(299,098)**	(273,142)
Placements from banks and other financial institutions	**(205,400)**	(22,470)
Derivative financial liabilities	**(2,631)**	(707)
Due to customers	**(14,182)**	–
Credit commitments	**2,553**	2,944

	As at 31 December	
	2015	2014
Interest rate ranges		
Due from banks and other financial institutions	**0.00%–5.70%**	0.00%–8.20%
Placements with and loans to banks and other financial institutions	**0.00%–6.20%**	0.04%–6.80%
Financial assets at fair value through profit or loss and financial investments	**0.00%–6.38%**	0.54%–8.40%
Loans and advances to customers	**0.66%–6.40%**	0.77%–7.28%
Due to banks and other financial institutions	**0.00%–6.25%**	0.00%–6.51%
Placements from banks and other financial institutions	**0.00%–9.50%**	0.10%–8.89%
Due to customers	**0.00%–0.30%**	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities

The State Council of the PRC government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business at commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include purchase and redemption of investment securities issued by government agencies, underwriting and distribution of Treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit placing and taking.

42.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business at commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The main outstanding balances with associates and joint ventures are stated below:

	As at 31 December	
	2015	2014
Loans and advances to customers	**593**	714
Due to customers, banks and other financial institutions	**(8,975)**	(4,008)
Financial assets at fair value through profit or loss and financial investments	**–**	120
Credit commitments	**2,261**	1,406

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.4 Transactions with associates and joint ventures (Continued)

The general information of principal associates and joint ventures is as follows:

Name	Place of incorporation/ establishment	National organisation code	Effective equity held (%)	Voting right (%)	Paid-in capital (in millions)	Principal business
BOC International (China) Limited	PRC	73665036-4	37.14	37.14	RMB2,500	Securities brokerage; securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; securities investment fund sales agency; margin financing and securities lending; distribution of financial products
Graceful Field Worldwide Ltd.	BVI	NA	80.00	Note (1)	USD0.0025	Investment
CGN Phase I Private Equity Fund Company Limited	PRC	71782747-8	20.00	20.00	RMB100	Investment
Guangdong Small and Medium Enterprises Equity Investment Fund Company Limited	PRC	56456896-1	40.00	40.00	RMB1,940	Investment
Cinda & BOC (Anhui) Investment Limited Partnership	PRC	MA2MRFTW-5	46.83	46.83	NA	Asset management; Investment consulting
Hong Kong Bora Holdings Limited	Hong Kong	NA	19.50	Note (1)	HKD0.01	Investment holding
Zhejiang Zheshang Investment Fund Limited Partnership	PRC	55967948-0	33.69	33.69	NA	Investment
JCC Financial Company Limited	PRC	79478975-1	12.65	Note (1)	RMB1,000	Provide financial services for all subsidiaries of JCC Corporation
Hubei Province Guarantee Group Co., Ltd.	PRC	77076550-1	10.36	Note (1)	RMB3,050	Loan guarantees, re-guarantees, financial guarantees
Guangdong Haomei Aluminum Company Limited	PRC	76573427-6	12.35	Note (1)	RMB165	Alloy material production, manufacture and sales

(1) In accordance with the respective articles of association, the Group has significant influence or joint control over these companies.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.5 Transactions with the Annuity Plan

Apart from the obligations for defined contributions to Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the years ended 31 December 2015 and 2014.

42.6 Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Executive Officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2015 and 2014, there were no material transactions and balances with key management personnel on an individual basis.

The key management compensation for the years ended 31 December 2015 and 2014 comprises:

	Year ended 31 December	
	2015	2014
Compensation for short-term employment benefits (1)	**10**	27
Compensation for post-employment benefits	**1**	1
Total	**11**	28

(1) 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 not provided for is not expected to have significant impact on the Group's 2015 financial statements. The final compensation will be disclosed in a separate announcement when determined.

42.7 Transactions with Connected Natural Persons

As at 31 December 2015, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* of the CBRC and the *Administrative Measures for the Disclosure of Information of Listed Companies* of the CSRC totalled RMB61 million (31 December 2014: RMB77 million) and RMB18 million (31 December 2014: RMB16 million) respectively.

42.8 Balances with subsidiaries

Included in the following captions of the Bank's statement of financial position are balances with subsidiaries:

	As at 31 December	
	2015	2014
Due from banks and other financial institutions	**32,415**	29,291
Placements with and loans to banks and other financial institutions	**64,707**	55,215
Due to banks and other financial institutions	**(58,889)**	(115,285)
Placements from banks and other financial institutions	**(52,888)**	(32,499)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Related party transactions (Continued)

42.8 Balances with subsidiaries (Continued)

The general information of principal subsidiaries is as follows:

Name	Place of incorporation and operation	Date of incorporation/ establishment	Paid-in capital (in millions)	Effective equity held (%)	Voting right (%)	Principal business
Directly held[(1)]						
BOC Hong Kong (Group) Limited	Hong Kong	12 September 2001	HKD34,806	100.00	100.00	Holding company
BOC International Holdings Limited [(4)]	Hong Kong	10 July 1998	HKD3,539	100.00	100.00	Investment banking
Bank of China Group Insurance Company Limited	Hong Kong	23 July 1992	HKD3,749	100.00	100.00	Insurance services
Bank of China Group Investment Limited	Hong Kong	18 May 1993	HKD34,052	100.00	100.00	Investment holding
Tai Fung Bank Limited	Macau	1942	MOP1,000	50.31	50.31	Commercial banking
Bank of China (UK) Limited	United Kingdom	24 September 2007	GBP250	100.00	100.00	Commercial banking
BOC Insurance Company Limited	Beijing	5 January 2005	RMB4,535	100.00	100.00	Insurance services
Indirectly held						
BOC Hong Kong (Holdings) Limited [(2)]	Hong Kong	12 September 2001	HKD52,864	66.06	66.06	Holding company
Bank of China (Hong Kong) Limited [(3) (4)]	Hong Kong	16 October 1964	HKD43,043	66.06	100.00	Commercial banking
Nanyang Commercial Bank, Limited [(4)]	Hong Kong	2 February 1948	HKD3,145	66.06	100.00	Commercial banking
Chiyu Banking Corporation Limited [(3) (4)]	Hong Kong	24 April 1947	HKD300	46.57	70.49	Commercial banking
BOC Credit Card (International) Limited	Hong Kong	9 September 1980	HKD480	66.06	100.00	Credit card services
BOC Group Trustee Company Limited [(4)]	Hong Kong	1 December 1997	HKD200	76.43	100.00	Provision of trustee services
BOC Aviation Pte. Ltd.	Singapore	25 November 1993	USD608	100.00	100.00	Aircraft leasing

(1) These directly held principal subsidiaries are unlisted companies. All holdings are in the ordinary share capital of the undertaking concerned, and the ability of the subsidiaries to transfer funds to the Group and the Bank is not restricted.

(2) BOCHK (Holdings) is listed on the Stock Exchange of Hong Kong Limited.

(3) BOCHK, in which the Group holds a 66.06% equity interest, holds 70.49% of the equity interest of Chiyu Banking Corporation Limited.

(4) BOCHK, Nanyang Commercial Bank Limited, Chiyu Banking Corporation Limited and BOC International Holdings Limited ("BOCI"), in which the Group holds 66.06%, 66.06%, 46.57% and 100% of their equity interests, respectively, hold 54%, 6%, 6% and 34% equity interest of BOC Group Trustee Company Limited, respectively.

For certain subsidiaries listed above, the voting rights ratio is not equal to the effective equity held ratio, mainly due to the impact of the indirect holdings.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland, Hong Kong, Macau and Taiwan, and other countries and regions. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market rates. The transfer price takes into account the specific features and maturities of the product. Internal transactions are eliminated on consolidation.

Geographical segments

Chinese mainland — Corporate banking, personal banking, treasury operations, insurance services, etc. are performed in the Chinese mainland.

Hong Kong, Macau and Taiwan — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong, Macau and Taiwan. The business of this segment is centralised in BOCHK Group.

Other countries and regions — Corporate and personal banking services are provided in other countries and regions. Significant locations include New York, London, Singapore and Tokyo.

Business segments

Corporate banking — Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade-related products and other credit facilities, foreign currency, derivative products and wealth management products.

Personal banking — Services to retail customers including savings deposits, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury operations — Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest-bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking — Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance — Underwriting of general and life insurance business and insurance agency services.

Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2015

		Hong Kong, Macau and Taiwan					
	Chinese mainland	BOCHK Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	544,487	38,541	24,710	63,251	32,059	(24,741)	615,056
Interest expense	(262,336)	(13,441)	(18,072)	(31,513)	(17,298)	24,741	(286,406)
Net interest income	282,151	25,100	6,638	31,738	14,761	–	328,650
Fee and commission income	78,445	12,984	6,782	19,766	4,978	(2,284)	100,905
Fee and commission expense	(3,225)	(3,470)	(1,567)	(5,037)	(1,676)	1,443	(8,495)
Net fee and commission income	75,220	9,514	5,215	14,729	3,302	(841)	92,410
Net trading gains/(losses)	8,942	887	(80)	807	(289)	–	9,460
Net gains on financial investments	3,487	1,193	1,077	2,270	8	–	5,765
Other operating income (1)	13,819	12,246	11,717	23,963	129	(284)	37,627
Operating income	383,619	48,940	24,567	73,507	17,911	(1,125)	473,912
Operating expenses (1)	(150,393)	(20,857)	(10,513)	(31,370)	(4,763)	1,125	(185,401)
Impairment losses on assets	(56,409)	(1,252)	(843)	(2,095)	(770)	–	(59,274)
Operating profit	176,817	26,831	13,211	40,042	12,378	–	229,237
Share of results of associates and joint ventures	–	1	2,333	2,334	–	–	2,334
Profit before income tax	176,817	26,832	15,544	42,376	12,378	–	231,571
Income tax expense							(52,154)
Profit for the year							179,417
Segment assets	13,053,114	1,946,338	1,053,777	3,000,115	1,819,844	(1,068,319)	16,804,754
Investment in associates and joint ventures	–	51	10,792	10,843	–	–	10,843
Total assets	13,053,114	1,946,389	1,064,569	3,010,958	1,819,844	(1,068,319)	16,815,597
Include: non-current assets (2)	99,138	22,463	101,458	123,921	4,702	(161)	227,600
Segment liabilities	11,970,984	1,811,943	972,123	2,784,066	1,770,859	(1,067,917)	15,457,992
Other segment items:							
Intersegment net interest (expense)/income	(13,701)	2,287	10,328	12,615	1,086	–	–
Intersegment net fee and commission income/(expense)	446	38	982	1,020	(625)	(841)	–
Capital expenditure	11,030	1,040	24,619	25,659	209	–	36,898
Depreciation and amortisation	11,540	837	2,991	3,828	240	–	15,608
Credit commitments	2,909,919	238,142	136,096	374,238	356,650	(430,774)	3,210,033

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2014

	Chinese mainland	Hong Kong, Macau and Taiwan: BOCHK Group	Hong Kong, Macau and Taiwan: Other	Hong Kong, Macau and Taiwan: Subtotal	Other countries and regions	Elimination	Total
Interest income	536,899	39,180	26,915	66,095	36,904	(37,218)	602,680
Interest expense	(266,494)	(13,285)	(19,343)	(32,628)	(19,674)	37,218	(281,578)
Net interest income	270,405	25,895	7,572	33,467	17,230	–	321,102
Fee and commission income	79,909	10,552	5,486	16,038	4,670	(2,079)	98,538
Fee and commission expense	(2,701)	(3,077)	(1,203)	(4,280)	(1,637)	1,320	(7,298)
Net fee and commission income	77,208	7,475	4,283	11,758	3,033	(759)	91,240
Net trading gains	8,107	1,077	962	2,039	953	–	11,099
Net gains/(losses) on financial investments	218	646	943	1,589	(12)	–	1,795
Other operating income (1)	13,436	7,576	10,140	17,716	187	(247)	31,092
Operating income	369,374	42,669	23,900	66,569	21,391	(1,006)	456,328
Operating expenses (1)	(147,149)	(16,934)	(10,056)	(26,990)	(4,655)	1,006	(177,788)
Impairment losses on assets	(43,940)	(832)	(2,018)	(2,850)	(1,591)	–	(48,381)
Operating profit	178,285	24,903	11,826	36,729	15,145	–	230,159
Share of results of associates and joint ventures	–	1	1,318	1,319	–	–	1,319
Profit before income tax	178,285	24,904	13,144	38,048	15,145	–	231,478
Income tax expense							(54,280)
Profit for the year							177,198
Segment assets	12,071,129	1,693,707	1,007,565	2,701,272	1,843,435	(1,378,833)	15,237,003
Investment in associates and joint ventures	–	46	14,333	14,379	–	–	14,379
Total assets	12,071,129	1,693,753	1,021,898	2,715,651	1,843,435	(1,378,833)	15,251,382
Include: non-current assets (2)	99,043	21,731	86,536	108,267	4,956	(161)	212,105
Segment liabilities	11,125,104	1,578,712	943,151	2,521,863	1,799,659	(1,378,672)	14,067,954
Other segment items:							
Intersegment net interest (expense)/income	(26,168)	4,086	15,467	19,553	6,615	–	–
Intersegment net fee and commission income/(expense)	245	76	869	945	(431)	(759)	–
Capital expenditure	13,528	811	20,624	21,435	290	–	35,253
Depreciation and amortisation	11,620	859	2,839	3,698	245	–	15,563
Credit commitments	3,252,579	186,419	120,720	307,139	288,371	(557,878)	3,290,211

(1) Other operating income includes insurance premium income earned, and operating expenses include insurance benefits and claims.

(2) Non-current assets include property and equipment, investment properties and other long-term assets.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2015

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	338,078	186,931	141,272	1,228	2,166	942	(55,561)	615,056
Interest expense	(171,106)	(97,287)	(70,820)	(315)	(11)	(2,428)	55,561	(286,406)
Net interest income/(expense)	166,972	89,644	70,452	913	2,155	(1,486)	–	328,650
Fee and commission income	41,428	41,356	14,738	4,326	–	658	(1,601)	100,905
Fee and commission expense	(2,943)	(2,948)	(753)	(1,205)	(1,834)	(32)	1,220	(8,495)
Net fee and commission income/(expense)	38,485	38,408	13,985	3,121	(1,834)	626	(381)	92,410
Net trading gains/(losses)	76	573	9,493	306	(582)	(419)	13	9,460
Net gains on financial investments	10	519	3,771	295	413	757	–	5,765
Other operating income	688	6,508	1,263	307	16,968	13,878	(1,985)	37,627
Operating income	206,231	135,652	98,964	4,942	17,120	13,356	(2,353)	473,912
Operating expenses	(73,563)	(70,594)	(18,850)	(2,758)	(15,914)	(6,075)	2,353	(185,401)
Impairment losses on assets	(42,153)	(14,362)	(1,793)	60	(67)	(959)	–	(59,274)
Operating profit	90,515	50,696	78,321	2,244	1,139	6,322	–	229,237
Share of results of associates and joint ventures	–	–	–	844	(4)	1,533	(39)	2,334
Profit before income tax	90,515	50,696	78,321	3,088	1,135	7,855	(39)	231,571
Income tax expense								(52,154)
Profit for the year								179,417
Segment assets	7,185,768	2,960,341	6,300,439	74,058	106,706	279,010	(101,568)	16,804,754
Investment in associates and joint ventures	–	–	–	3,888	–	7,015	(60)	10,843
Total assets	7,185,768	2,960,341	6,300,439	77,946	106,706	286,025	(101,628)	16,815,597
Segment liabilities	7,907,454	5,232,341	2,078,706	64,366	93,485	183,047	(101,407)	15,457,992
Other segment items:								
Intersegment net interest (expense)/income	(18,528)	54,247	(35,228)	166	116	(773)	–	–
Intersegment net fee and commission income/(expense)	495	781	(1)	–	(1,207)	313	(381)	–
Capital expenditure	3,371	3,738	178	125	104	29,382	–	36,898
Depreciation and amortisation	5,046	6,178	1,168	68	92	3,056	–	15,608
Credit commitments	2,559,433	650,600	–	–	–	–	–	3,210,033

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Segment reporting (Continued)

As at and for the year ended 31 December 2014

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	342,900	177,949	135,031	1,362	2,140	732	(57,434)	602,680
Interest expense	(181,584)	(91,575)	(63,097)	(442)	–	(2,314)	57,434	(281,578)
Net interest income/(expense)	161,316	86,374	71,934	920	2,140	(1,582)	–	321,102
Fee and commission income	49,861	35,257	11,147	3,298	–	496	(1,521)	98,538
Fee and commission expense	(2,743)	(2,371)	(658)	(877)	(1,804)	(28)	1,183	(7,298)
Net fee and commission income/(expense)	47,118	32,886	10,489	2,421	(1,804)	468	(338)	91,240
Net trading gains/(losses)	859	493	8,965	790	(1)	(19)	12	11,099
Net gains on financial investments	3	401	255	89	191	856	–	1,795
Other operating income	616	6,096	1,495	238	13,247	11,436	(2,036)	31,092
Operating income	209,912	126,250	93,138	4,458	13,773	11,159	(2,362)	456,328
Operating expenses	(73,960)	(67,514)	(17,774)	(2,474)	(12,504)	(5,921)	2,359	(177,788)
Impairment losses on assets	(36,907)	(9,630)	(336)	(335)	(10)	(1,163)	–	(48,381)
Operating profit	99,045	49,106	75,028	1,649	1,259	4,075	(3)	230,159
Share of results of associates and joint ventures	–	–	–	382	(5)	939	3	1,319
Profit before income tax	99,045	49,106	75,028	2,031	1,254	5,014	–	231,478
Income tax expense								(54,280)
Profit for the year								177,198
Segment assets	6,681,512	2,532,905	5,705,555	91,622	86,076	251,585	(112,252)	15,237,003
Investment in associates and joint ventures	–	–	–	3,101	–	11,336	(58)	14,379
Total assets	6,681,512	2,532,905	5,705,555	94,723	86,076	262,921	(112,310)	15,251,382
Segment liabilities	7,261,202	4,691,732	1,900,406	83,882	75,015	167,807	(112,090)	14,067,954
Other segment items:								
Intersegment net interest (expense)/income	(23,561)	55,628	(31,493)	301	124	(999)	–	–
Intersegment net fee and commission income/(expense)	10	191	–	–	(1,166)	1,303	(338)	–
Capital expenditure	4,065	4,497	215	61	75	26,340	–	35,253
Depreciation and amortisation	5,046	6,339	1,082	71	57	2,968	–	15,563
Credit commitments	2,724,474	565,737	–	–	–	–	–	3,290,211

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Transfers of 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 special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the 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.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	As at 31 December 2015		As at 31 December 2014	
	Carrying amount of transferred assets	**Carrying amount of associated liabilities**	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	**5,170**	**4,942**	10,246	10,195

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

As at 31 December 2015 and 2014, the Bank derecognised the transferred credit assets in their entirety in the securitisation transactions. The corresponding total carrying amount of asset-backed securities held by the Bank was RMB858 million as at 31 December 2015 (31 December 2014: RMB554 million), which also approximates the Bank's maximum exposure to loss.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Interests in the unconsolidated structured entities

The Group is principally involved with structured entities through financial investments, asset management and asset securitisation transactions. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in the unconsolidated structured entities are set out as below:

Structured entities sponsored by the Group

In conducting wealth management business, the Group established various structured entities to provide customers specialised investment opportunities within narrow and well-defined objectives. As at 31 December 2015, the balance of the unconsolidated bank wealth management products sponsored by the Group amounted to RMB1,107,079 million (31 December 2014: RMB846,947 million). For the year ended 31 December 2015, fee and commission income from wealth management business, which includes commission, custodian fee and management fee amounted to RMB8,597 million (2014: RMB7,966 million).

For the purpose of asset-liability management, wealth management products may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. For the year ended 31 December 2015, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB19,300 million (2014: RMB25,550 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 31 December 2015, the balance of above tradings is nil (31 December 2014: Nil). The maximum exposure to loss of those placements approximated the carrying amount.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB12,892 million for the year ended 31 December 2015 (2014: RMB12,713 million). For description of the portion of asset-backed securities issued by above structured entities and held by the Group, refer to Note V.44. As at 31 December 2015, the amount of assets held by publicly offered funds that are sponsored by the Group was RMB277,800 million (31 December 2014: RMB160,900 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Interests in the unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

As at 31 December 2015, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out as below:

Structured entity type	Financial assets at fair value through profit or loss	Investment securities available for sale	Debt securities held to maturity	Financial investments classified as loans and receivables	Total	Maximum exposure to loss
As at 31 December 2015						
Fund	**4,832**	**15,853**	**–**	**–**	**20,685**	**20,702**
Wealth management plans	**–**	**–**	**–**	**100**	**100**	**100**
Investment trusts and asset management plans	**–**	**243**	**–**	**270,886**	**271,129**	**271,129**
Asset-backed securitisations	**–**	**26,837**	**6,353**	**116**	**33,306**	**33,306**
As at 31 December 2014						
Fund	1,209	10,042	–	–	11,251	11,289
Wealth management plans	–	–	–	170	170	170
Investment trusts and asset management plans	–	–	–	120,012	120,012	120,012
Asset-backed securitisations	–	11,907	11,311	55	23,273	23,273

46 Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial assets	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral received	
As at 31 December 2015						
Derivatives	**32,710**	**–**	**32,710**	**(19,513)**	**(834)**	**12,363**
Reverse repo agreements	**851**	**–**	**851**	**(851)**	**–**	**–**
Other assets	**9,308**	**(6,934)**	**2,374**	**–**	**–**	**2,374**
Total	**42,869**	**(6,934)**	**35,935**	**(20,364)**	**(834)**	**14,737**
As at 31 December 2014						
Derivatives	21,502	–	21,502	(10,808)	(1,654)	9,040
Other assets	11,671	(9,140)	2,531	–	–	2,531
Total	33,173	(9,140)	24,033	(10,808)	(1,654)	11,571

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Offsetting financial assets and financial liabilities (Continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial liabilities	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral pledged	
As at 31 December 2015						
Derivatives	**43,965**	**–**	**43,965**	**(19,931)**	**(7,535)**	**16,499**
Repurchase agreements	**4,636**	**–**	**4,636**	**(4,636)**	**–**	**–**
Other liabilities	**7,690**	**(6,934)**	**756**	**–**	**–**	**756**
Total	**56,291**	**(6,934)**	**49,357**	**(24,567)**	**(7,535)**	**17,255**
As at 31 December 2014						
Derivatives	21,580	–	21,580	(11,182)	(1,028)	9,370
Repurchase agreements	2,960	–	2,960	(2,960)	–	–
Other liabilities	9,362	(9,140)	222	–	–	222
Total	33,902	(9,140)	24,762	(14,142)	(1,028)	9,592

* Including non-cash collateral.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ("the offset criteria").

Derivatives and reverse repo/repurchase agreements included in amounts not set off in the statement of financial position where:

- the counterparty has an offsetting exposure with the Group and a master netting or similar arrangement (including ISDA master agreement and Global Master Netting Agreement) is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and

- cash and non-cash collateral received/pledged in respect of the transactions described above.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 The Bank's statement of financial position and changes in equity

47.1 The Bank's statement of financial position

	As at 31 December	
	2015	2014
ASSETS		
Cash and due from banks and other financial institutions	**649,628**	731,409
Balances with central banks	**2,089,759**	2,211,837
Placements with and loans to banks and other financial institutions	**425,192**	405,101
Government certificates of indebtedness for bank notes issued	**5,777**	4,908
Precious metals	**173,540**	191,625
Financial assets at fair value through profit or loss	**56,129**	44,035
Derivative financial assets	**58,178**	26,433
Loans and advances to customers, net	**8,027,160**	7,377,812
Financial investments	**2,993,194**	2,225,804
— available for sale	**688,981**	445,465
— held to maturity	**1,710,303**	1,355,313
— loans and receivables	**593,910**	425,026
Investment in subsidiaries	**94,354**	94,705
Investment in associates and joint ventures	**60**	56
Property and equipment	**85,685**	85,772
Investment properties	**1,951**	2,036
Deferred income tax assets	**24,085**	26,277
Other assets	**101,986**	109,547
Total assets	**14,786,678**	13,537,357

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

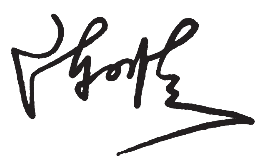
47 The Bank's statement of financial position and changes in equity (Continued)

47.1 The Bank's statement of financial position (Continued)

	As at 31 December	
	2015	2014
LIABILITIES		
Due to banks and other financial institutions	**1,746,218**	1,814,414
Due to central banks	**364,428**	299,656
Bank notes in circulation	**5,917**	4,999
Placements from banks and other financial institutions	**479,216**	233,987
Derivative financial liabilities	**48,344**	29,127
Due to customers	**10,403,693**	9,565,329
— at amortised cost	**10,089,331**	9,279,854
— at fair value	**314,362**	285,475
Bonds issued	**233,986**	233,383
Current tax liabilities	**34,455**	38,222
Retirement benefit obligations	**4,255**	4,566
Deferred income tax liabilities	**101**	121
Other liabilities	**254,157**	243,402
Total liabilities	**13,574,770**	12,467,206
EQUITY		
Share capital	**294,388**	288,731
Other equity instruments	**99,714**	71,745
Capital reserve	**138,832**	129,404
Other comprehensive income	**7,104**	(346)
Statutory reserves	**109,215**	93,868
General and regulatory reserves	**172,029**	152,633
Undistributed profits	**390,626**	334,116
Total equity	**1,211,908**	1,070,151
Total equity and liabilities	**14,786,678**	13,537,357

Approved and authorised for issue by the Board of Directors on 30 March 2016.

TIAN Guoli
Director



CHEN Siqing
Director

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 The Bank's statement of financial position and changes in equity (Continued)

47.2 The Bank's statement of changes in equity

	Share capital	Other equity Instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2015	**288,731**	**71,745**	**129,404**	**(346)**	**93,868**	**152,633**	**334,116**	**1,070,151**
Total comprehensive income	**–**	**–**	**–**	**7,450**	**–**	**–**	**152,199**	**159,649**
Conversion of convertible bonds and capital reserves	**5,657**	**–**	**10,973**	**–**	**–**	**–**	**–**	**16,630**
Capital injection by other equity instruments holders	**–**	**27,969**	**–**	**–**	**–**	**–**	**–**	**27,969**
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**15,347**	**–**	**(15,347)**	**–**
Appropriation to general and regulatory reserves	**–**	**–**	**–**	**–**	**–**	**19,396**	**(19,396)**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(60,946)**	**(60,946)**
Equity component of convertible bonds	**–**	**–**	**(1,545)**	**–**	**–**	**–**	**–**	**(1,545)**
As at 31 December 2015	**294,388**	**99,714**	**138,832**	**7,104**	**109,215**	**172,029**	**390,626**	**1,211,908**

	Share Capital	Other equity Instruments	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2014	279,365	–	113,976	(6,472)	78,219	138,425	262,447	865,960
Total comprehensive income	–	–	–	6,126	–	–	156,281	162,407
Conversion of convertible bonds and capital reserves	9,366	–	17,974	–	–	–	–	27,340
Capital injection by other equity instruments holders	–	71,745	–	–	–	–	–	71,745
Appropriation to statutory reserves	–	–	–	–	15,649	–	(15,649)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	14,212	(14,212)	–
Dividends	–	–	–	–	–	–	(54,755)	(54,755)
Equity component of convertible bonds	–	–	(2,546)	–	–	–	–	(2,546)
Other	–	–	–	–	–	(4)	4	–
As at 31 December 2014	288,731	71,745	129,404	(346)	93,868	152,633	334,116	1,070,151

48 Events after the financial reporting date

On 23 February 2016, the Bank issued USD2 billion notes, which was then listed on 2 March 2016 on the Stock Exchange of Hong Kong Limited, as part of the Bank's USD20 billion Medium Term Note Programme. The issuance details had been set out in the Bank's announcement dated 1 March 2016.

VI FINANCIAL RISK MANAGEMENT

1 Overview

The Group's primary risk management objectives are to maximise value for equity holders while maintaining risk within acceptable parameters, optimising capital allocation and satisfying the requirements of the regulatory authorities, the Group's depositors and other stakeholders for the Group's prudent and stable development.

The Group has designed a series of risk management policies and has set up controls to analyse, identify, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

2 Financial risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures related to risk management. The Risk Management Department, the Credit Management Department, the Financial Management Department and other relevant functional departments are responsible for monitoring financial risks.

The Group manages the risks at the branch level through direct reporting from the branches to the relevant departments responsible for risk management at the Head Office. Business line related risks are monitored through establishing specific risk management teams within the business departments. The Group monitors and controls risk management at subsidiaries by appointing members of their boards of directors and risk management committees as appropriate.

3 Credit risk

The Group takes on exposure to credit risk, which is the risk that a customer or counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is one of the most significant risks for the Group's business.

Credit risk exposures arise principally in lending activities and debt securities investment activities. There is also credit risk in off-balance sheet financial instruments, such as derivatives, loan commitments, letters of guarantee, bill acceptance and letters of credit.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.1 Credit risk measurement

(1) Loans and advances and off-balance sheet commitments

Monitoring and measurement of credit risk over loans and advances and off-balance sheet credit related exposures are performed by the Credit Management Department, and reported to the senior management and the Board of Directors regularly.

In measuring the credit risk of loans and advances to corporate customers, the Group mainly reflects the "probability of default" by the customer on its contractual obligations and considers the current financial position of the customer and the exposures to the customer and its likely future development. For retail customers, the Group uses standard approval procedures to manage credit risk for personal loans, and uses credit score-card models, which are based on historical default data to measure credit risk for credit cards.

For credit risk arising from off-balance sheet commitments, the Group manages the risks according to the characteristics of the products. These mainly include loan commitments, guarantees, bill acceptances and letters of credit. Loan commitments, guarantees, bill acceptances and standby letters of credit carry similar credit risk to loans and the Group takes a similar approach on risk management. Documentary and commercial letters of credit are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions and are collateralised by the underlying shipment documents of goods to which they relate or deposits and are therefore assessed to have less credit risk than a direct loan. Besides, the Group monitors the term to maturity of off-balance sheet commitments and those with longer-terms are assessed to have greater credit risk than shorter-term commitments.

The Group measures and manages the credit quality of loans and advances to corporate and personal customers based on the *Guideline for Loan Credit Risk Classification* (the "Guideline") issued by the CBRC, which requires commercial banks to classify their corporate and personal loans into five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. Off-balance sheet commitments with credit exposures are also assessed and categorised with reference to the Guideline. For operations in Hong Kong, Macau, Taiwan and other countries and regions, where local regulations and requirements are more prudent than the Guideline, the credit assets are classified according to local regulations and requirements.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.1 Credit risk measurement (Continued)

(1) Loans and advances and off-balance sheet commitments (Continued)

The five categories are defined as follows:

Pass: loans for which borrowers can honour the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special-mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Substandard: loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

The Group has developed an internal customer credit rating system, using measurements of the probability of default within one year based on regression analysis. These probability of default measurements are then mapped to internal credit ratings. The Group performs back testing to actual default rates and refines the model according to the results.

The customer credit ratings in the internal model are based on four categories of A, B, C and D which are further classified into fifteen grades as AAA, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, CCC, CC, C, and D. Credit grading D equates to defaulted customers while the others are assigned to performing customers.

Five-category loan classifications and customer credit ratings are determined by Head Office and tier 1 branch management under approved delegated authorities. The Bank performs centralised review on customer credit ratings and five-category loan classifications on an annual basis. Further, five-category loan classifications are re-examined on a quarterly basis. Adjustments are made to these classifications and ratings as necessary according to customers' operational and financial position.

The Group identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.1 Credit risk measurement (Continued)

(1) Loans and advances and off-balance sheet commitments (Continued)

Management periodically reviews various elements of the Group's credit risk management process, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry quotas and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the Group's security position. The actions may include obtaining additional guarantors or collateral.

(2) Due from, placements with and loans to banks and other financial institutions

The Group manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the internal and external credit rating of banks and financial institutions. In response to adverse credit market conditions, various initiatives were implemented since 2008 to better manage and report credit risk, including establishing a special committee which meets periodically and on an ad hoc basis to discuss actions in response to market changes impacting the Group's exposure to credit risk, and formulating a watch list process over counterparty names at risk.

(3) Debt securities and derivatives

Credit risk within debt securities arises from exposure to movements in credit spreads, default rates and loss given default, as well as changes in the credit of underlying assets.

The Group manages the credit risk within debt securities by monitoring the external credit rating, such as Standard & Poor's ratings or their equivalents, of the security, the internal credit rating of the issuers of debt securities, and the credit quality of underlying assets of securitisation products, including review of default rates, prepayment rates, industry and sector performance, loss coverage ratios and counterparty risk, to identify exposure to credit risk.

The Group has policies to maintain strict control limits on net open derivative positions based on notional amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets for which fair value is positive). The derivative credit risk exposure is managed as part of the overall exposure lending limits set for customers and financial institutions. Collateral or other security is not usually obtained for credit risk exposures on these financial instruments.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.2 Credit risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk in particular, to individual customers and to industries.

(1) Credit risk limits and controls

(i) Loans and advances and off-balance sheet commitments

In order to manage the exposure to credit risk, the Group has adopted credit policies and procedures that are reviewed and updated by the Credit Management Department and the Credit Approval Department at Head Office. The credit approval process for both corporate loans and personal loans can be broadly divided into three stages: (1) credit origination and assessment; (2) credit review and approval; and (3) fund disbursement and post-disbursement management.

Credit to corporate customers in the Chinese mainland are originated by the Corporate Banking Department at Head Office and the Corporate Banking Department at branch level and submitted to the Credit Approval Department for due diligence and approval. All credit applications for corporate customers must be approved by authorised credit application approvers at Head Office and tier 1 branches level in Chinese mainland, except for the low risk credit applications which are in accordance with the rules. The exposure to any one borrower, including banks, is restricted by credit limits covering on and off-balance sheet exposures.

Personal loans in the Chinese mainland are originated by the Personal Banking Departments at branch level and must be approved by authorised approvers at tier 1 branches level in Chinese mainland, except for individual pledged loans and government-sponsored student loans, which may be approved by authorised approvers at sub-branches below tier 1 level. High risk personal loans such as personal loans for business purposes in excess of certain limits must also be reviewed by the Risk Management Department.

The Head Office also oversees the risk management of the branches in Hong Kong, Macau, Taiwan and other countries and regions. In particular, any credit application at these branches exceeding the authorisation limits is required to be submitted to the Head Office for approval.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.2 Credit risk limit control and mitigation policies (Continued)

(1) Credit risk limits and controls (Continued)

(ii) Debt securities and derivatives

The Group is also exposed to credit risk through investment activities and trading activities. Credit limits are established based on type of instruments and the credit quality of counterparties, securities issuers and securities and set limits are actively monitored.

(2) Credit risk mitigation policies

(i) Collateral and guarantees

The Group has a range of policies and practices intended to mitigate credit risk. The most prevalent of these is the taking of security for funds advances (collateral) and guarantees, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral. The amount of acceptable collateral at the time of loan origination is determined by the Credit Management Department and is subject to loan-to-value ratio limits based on type and is monitored on an ongoing basis by the Credit Management Department. The principal collateral types for corporate loans and advances are:

Collateral	Maximum loan-to-value ratio
Deposit receipt	95%
PRC Treasury bonds	90%
PRC financial institution bonds	85%
Publicly traded stocks	50%
Construction land use rights	70%
Real estate	70%
Automobiles	40%

Mortgages to retail customers are generally collateralised by mortgages over residential properties. Other loans are collateralised dependant on the nature of the loan.

For loans guaranteed by a third party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Under such agreements, the Group is permitted to sell or re-pledge collateral in the absence of default by the owner of the collateral. Details of collateral accepted and which the Group is obligated to return are disclosed in Note V.40.3.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.2 Credit risk limit control and mitigation policies (Continued)

(2) Credit risk mitigation policies (Continued)

(ii) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in the offsetting of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the customer are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

3.3 Impairment and provisioning policies

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(1) Loans and advances

Management determines whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group including consideration of:

- significant financial difficulty incurred by the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payment;
- for economic or legal reasons related to the borrower's financial difficulty, whether the Group has granted to the borrower a concession that it would not otherwise consider;
- probability that the borrower will become bankrupt or will undergo other financial re-organisation;
- deterioration in the value of collateral;
- deterioration in credit rating; or
- other observable data indicating that there is a measurable decrease in the estimated future cash flows from such loans and advances.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.3 Impairment and provisioning policies (Continued)

(1) Loans and advances (Continued)

The Group's policy requires the review of individual financial assets that are above certain thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the financial reporting date on a case-by-case basis using discounted cash flow analysis. The assessment normally encompasses guarantees and collateral held and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been specifically identified, by using the available historical data, experience, professional judgement and statistical techniques.

(2) Debt securities

Debt securities are assessed for individual impairment using similar criteria as loans and advances. Management determines whether objective evidence of debt securities impairment exists under IAS 39 based on criteria set out by the Group including consideration of:

- a breach of contract or a trigger event, such as a default or delinquency in interest or principal payment;
- significant financial difficulty of issuers or underlying asset holders;
- probable that the issuer or underlying asset holders will become bankrupt or will undergo other financial re-organisation;
- deterioration in credit rating; or
- other observable data indicating that there is a measurable decrease in the estimated future cash flows from such debt securities.

Impairment allowances on individually assessed securities are determined by an evaluation of the incurred loss at financial reporting date on a case-by-case basis using available data, including default rates, loss given default and assessment of the quality of the underlying assets of securitisation products, industry and sector performance, loss coverage ratios and counterparty risk.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2015	2014
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Due from banks and other financial institutions	**581,007**	727,931
Balances with central banks	**2,196,063**	2,306,088
Placements with and loans to banks and other financial institutions	**426,848**	402,280
Government certificates of indebtedness for bank notes issued	**91,191**	76,517
Financial assets at fair value through profit or loss	**104,082**	86,429
Derivative financial assets	**82,236**	47,967
Loans and advances to customers, net	**8,935,195**	8,294,744
Financial investments		
— available for sale	**1,032,004**	713,603
— held to maturity	**1,790,790**	1,424,463
— loans and receivables	**606,710**	430,699
Other assets	**147,441**	142,392
Subtotal	**15,993,567**	14,653,113
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	**1,077,070**	1,148,535
Loan commitments and other credit commitments	**2,132,963**	2,141,676
Subtotal	**3,210,033**	3,290,211
Total	**19,203,600**	17,943,324

The table above represents a worst case scenario of credit risk exposure of the Group as at 31 December 2015 and 2014, without taking into account of any collateral held, master netting agreements or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statements of financial position.

As at 31 December 2015, 46.53% of the Group's total maximum credit exposure is derived from loans and advances to customers (31 December 2014: 46.23%) and 18.37% represents investments in debt securities (31 December 2014: 14.77%).

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances

(1) Concentrations of risk for loans and advances to customers

The total loans and advances of the Group are set out below:

(i) Analysis of loans and advances to customers by geographical area

Group

	As at 31 December			
	2015		2014	
	Amount	**% of total**	Amount	% of total
Chinese mainland	**7,199,094**	**78.80%**	6,605,773	77.87%
Hong Kong, Macau and Taiwan	**1,100,615**	**12.05%**	1,085,928	12.80%
Other countries and regions	**836,151**	**9.15%**	791,574	9.33%
Total loans and advances to customers	**9,135,860**	**100.00%**	8,483,275	100.00%

Chinese mainland

	As at 31 December			
	2015		2014	
	Amount	**% of total**	Amount	% of total
Northern China	**1,158,592**	**16.09%**	1,042,449	15.78%
Northeastern China	**484,432**	**6.73%**	457,802	6.93%
Eastern China	**2,863,049**	**39.77%**	2,685,603	40.66%
Central and Southern China	**1,768,388**	**24.57%**	1,597,434	24.18%
Western China	**924,633**	**12.84%**	822,485	12.45%
Total loans and advances to customers	**7,199,094**	**100.00%**	6,605,773	100.00%

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(ii) Analysis of loans and advances to customers by customer type

	As at 31 December 2015			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	**734,829**	**127,512**	**194,426**	**1,056,767**
— Other	**4,065,532**	**632,015**	**615,598**	**5,313,145**
Personal loans	**2,398,733**	**341,088**	**26,127**	**2,765,948**
Total loans and advances to customers	**7,199,094**	**1,100,615**	**836,151**	**9,135,860**

	As at 31 December 2014			
	Chinese mainland	Hong Kong, Macau and Taiwan	Other countries and regions	Total
Corporate loans				
— Trade bills	713,054	148,191	255,968	1,117,213
— Other	3,808,411	606,550	513,422	4,928,383
Personal loans	2,084,308	331,187	22,184	2,437,679
Total loans and advances to customers	6,605,773	1,085,928	791,574	8,483,275

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry

Group

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	**1,684,276**	**18.43%**	1,690,267	19.92%
Commerce and services	**1,318,028**	**14.43%**	1,270,883	14.98%
Transportation, storage and postal services	**892,207**	**9.77%**	825,423	9.73%
Real estate	**760,511**	**8.32%**	714,573	8.42%
Production and supply of electricity, heating, gas and water	**442,536**	**4.84%**	413,033	4.87%
Mining	**371,581**	**4.07%**	356,991	4.21%
Financial services	**332,835**	**3.64%**	230,508	2.72%
Construction	**184,112**	**2.01%**	170,358	2.01%
Water, environment and public utility management	**168,631**	**1.85%**	189,017	2.23%
Public utilities	**110,242**	**1.21%**	89,024	1.05%
Other	**104,953**	**1.15%**	95,519	1.13%
Subtotal	**6,369,912**	**69.72%**	6,045,596	71.27%
Personal loans				
Mortgages	**2,045,787**	**22.39%**	1,694,275	19.97%
Credit cards	**268,923**	**2.95%**	268,026	3.16%
Other	**451,238**	**4.94%**	475,378	5.60%
Subtotal	**2,765,948**	**30.28%**	2,437,679	28.73%
Total loans and advances to customers	**9,135,860**	**100.00%**	8,483,275	100.00%

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry (Continued)

Chinese mainland

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	**1,401,271**	**19.47%**	1,385,487	20.97%
Commerce and services	**859,541**	**11.94%**	821,011	12.43%
Transportation, storage and postal services	**779,443**	**10.83%**	707,646	10.71%
Real estate	**462,914**	**6.43%**	470,149	7.12%
Production and supply of electricity, heating, gas and water	**397,511**	**5.52%**	372,713	5.64%
Mining	**227,805**	**3.16%**	201,333	3.05%
Financial services	**209,285**	**2.91%**	112,005	1.70%
Construction	**161,428**	**2.24%**	147,512	2.23%
Water, environment and public utility management	**168,608**	**2.34%**	188,983	2.86%
Public utilities	**104,719**	**1.45%**	85,707	1.30%
Other	**27,836**	**0.39%**	28,919	0.44%
Subtotal	**4,800,361**	**66.68%**	4,521,465	68.45%
Personal loans				
Mortgages	**1,779,310**	**24.72%**	1,444,715	21.87%
Credit cards	**256,204**	**3.56%**	256,049	3.87%
Other	**363,219**	**5.04%**	383,544	5.81%
Subtotal	**2,398,733**	**33.32%**	2,084,308	31.55%
Total loans and advances to customers	**7,199,094**	**100.00%**	6,605,773	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iv) Analysis of loans and advances to customers by collateral type

Group

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Unsecured loans	2,727,927	29.86%	2,650,613	31.25%
Guaranteed loans	1,867,312	20.44%	1,625,428	19.16%
Collateralised and other secured loans				
— loans secured by property and other immovable assets	3,548,200	38.84%	3,158,716	37.23%
— other pledged loans	992,421	10.86%	1,048,518	12.36%
Total loans and advances to customers	9,135,860	100.00%	8,483,275	100.00%

Chinese mainland

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Unsecured loans	1,925,265	26.74%	1,831,113	27.72%
Guaranteed loans	1,583,108	21.99%	1,368,779	20.72%
Collateralised and other secured loans				
— loans secured by property and other immovable assets	2,992,839	41.57%	2,708,384	41.00%
— other pledged loans	697,882	9.70%	697,497	10.56%
Total loans and advances to customers	7,199,094	100.00%	6,605,773	100.00%

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status

	As at 31 December			
	Group		Chinese mainland	
	2015	2014	**2015**	2014
Corporate loans and advances				
— Neither past due nor impaired	**6,229,020**	5,950,539	**4,665,423**	4,430,716
— Past due but not impaired	**35,316**	12,928	**31,746**	11,184
— Impaired	**105,576**	82,129	**103,192**	79,565
Subtotal	**6,369,912**	6,045,596	**4,800,361**	4,521,465
Personal loans				
— Neither past due nor impaired	**2,713,972**	2,391,737	**2,351,401**	2,043,175
— Past due but not impaired	**27,315**	28,282	**22,889**	23,641
— Impaired	**24,661**	17,660	**24,443**	17,492
Subtotal	**2,765,948**	2,437,679	**2,398,733**	2,084,308
Total	**9,135,860**	8,483,275	**7,199,094**	6,605,773

(i) Loans and advances neither past due nor impaired

The Group classifies loans and advances based on regulatory guidance including the "Guiding Principles on Classification of Loan Risk Management" issued by the CBRC as set out in Note VI.3.1. The loans and advances neither past due nor impaired are classified under these principles and guidelines as set out in the table below.

Group

	As at 31 December					
	2015			2014		
	Pass	**Special-mention**	**Total**	Pass	Special-mention	Total
Corporate loans and advances	**6,052,761**	**176,259**	**6,229,020**	5,787,588	162,951	5,950,539
Personal loans	**2,712,922**	**1,050**	**2,713,972**	2,391,091	646	2,391,737
Total	**8,765,683**	**177,309**	**8,942,992**	8,178,679	163,597	8,342,276

Chinese mainland

	As at 31 December					
	2015			2014		
	Pass	**Special-mention**	**Total**	Pass	Special-mention	Total
Corporate loans and advances	**4,497,469**	**167,954**	**4,665,423**	4,276,206	154,510	4,430,716
Personal loans	**2,351,299**	**102**	**2,351,401**	2,043,055	120	2,043,175
Total	**6,848,768**	**168,056**	**7,016,824**	6,319,261	154,630	6,473,891

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status (Continued)

(i) Loans and advances neither past due nor impaired (Continued)

Collectively assessed impairment allowances are provided on loans and advances neither past due nor impaired to estimate losses that have been incurred but not yet specifically identified. As part of this assessment, the Group considers information collected as part of the process to classify loans and advances under the CBRC regulatory guidelines, as well as additional information on industry and portfolio exposure.

(ii) Loans and advances past due but not impaired

The total amount of loans and advances to customers that were past due but not impaired is as follows:

Group

	As at 31 December 2015			
	Within 1 month	1–3 months	More than 3 months	Total
Corporate loans and advances	**27,271**	**7,727**	**318**	**35,316**
Personal loans	**14,925**	**12,361**	**29**	**27,315**
Total	**42,196**	**20,088**	**347**	**62,631**

	As at 31 December 2014			
	Within 1 month	1–3 months	More than 3 months	Total
Corporate loans and advances	10,310	2,441	177	12,928
Personal loans	17,857	10,341	84	28,282
Total	28,167	12,782	261	41,210

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status (Continued)

(ii) Loans and advances past due but not impaired (Continued)

Chinese mainland

	As at 31 December 2015			
	Within 1 month	**1–3 months**	**More than 3 months**	**Total**
Corporate loans and advances	**23,924**	**7,589**	**233**	**31,746**
Personal loans	**10,953**	**11,936**	**–**	**22,889**
Total	**34,877**	**19,525**	**233**	**54,635**

	As at 31 December 2014			
	Within 1 month	1–3 months	More than 3 months	Total
Corporate loans and advances	8,798	2,236	150	11,184
Personal loans	13,775	9,866	–	23,641
Total	22,573	12,102	150	34,825

Collateral held against loans and advances to customers which have been overdue for more than 3 months principally includes properties, equipment and cash deposits.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status (Continued)

(iii) Identified impaired loans and advances

(a) Impaired loans and advances by geographical area

Group

	As at 31 December					
	2015			2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	**127,635**	**98.00%**	**1.77%**	97,057	97.26%	1.47%
Hong Kong, Macau and Taiwan	**1,482**	**1.14%**	**0.13%**	1,827	1.83%	0.17%
Other countries and regions	**1,120**	**0.86%**	**0.13%**	905	0.91%	0.11%
Total	**130,237**	**100.00%**	**1.43%**	99,789	100.00%	1.18%

Chinese mainland

	As at 31 December					
	2015			2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	**20,363**	**15.95%**	**1.76%**	15,675	16.15%	1.50%
Northeastern China	**8,081**	**6.33%**	**1.67%**	5,507	5.67%	1.20%
Eastern China	**54,508**	**42.71%**	**1.90%**	44,754	46.11%	1.67%
Central and Southern China	**29,970**	**23.48%**	**1.69%**	20,974	21.61%	1.31%
Western China	**14,713**	**11.53%**	**1.59%**	10,147	10.46%	1.23%
Total	**127,635**	**100.00%**	**1.77%**	97,057	100.00%	1.47%

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status (Continued)

(iii) Identified impaired loans and advances (Continued)

(b) Impaired loans and advances by customer type

Group

	As at 31 December					
	2015			2014		
	Amount	**% of total**	**Impaired loan ratio**	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**105,576**	**81.06%**	**1.66%**	82,129	82.30%	1.36%
Personal loans	**24,661**	**18.94%**	**0.89%**	17,660	17.70%	0.72%
Total	**130,237**	**100.00%**	**1.43%**	99,789	100.00%	1.18%

Chinese mainland

	As at 31 December					
	2015			2014		
	Amount	**% of total**	**Impaired loan ratio**	Amount	% of total	Impaired loan ratio
Corporate loans and advances	**103,192**	**80.85%**	**2.15%**	79,565	81.98%	1.76%
Personal loans	**24,443**	**19.15%**	**1.02%**	17,492	18.02%	0.84%
Total	**127,635**	**100.00%**	**1.77%**	97,057	100.00%	1.47%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status (Continued)

(iii) Identified impaired loans and advances (Continued)

(c) Impaired loans and advances by geography and industry

	As at 31 December					
	2015			2014		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Manufacturing	**44,385**	**34.08%**	**3.17%**	34,541	34.61%	2.49%
Commerce and services	**35,561**	**27.30%**	**4.14%**	27,925	27.98%	3.40%
Transportation, storage and postal services	**7,878**	**6.05%**	**1.01%**	8,291	8.31%	1.17%
Real estate	**4,205**	**3.23%**	**0.91%**	2,149	2.15%	0.46%
Production and supply of electricity, heating, gas and water	**3,427**	**2.63%**	**0.86%**	3,106	3.11%	0.83%
Mining	**3,337**	**2.56%**	**1.46%**	1,103	1.11%	0.55%
Financial services	**136**	**0.10%**	**0.06%**	250	0.25%	0.22%
Construction	**3,150**	**2.42%**	**1.95%**	1,407	1.41%	0.95%
Water, environment and public utility management	**282**	**0.22%**	**0.17%**	198	0.20%	0.10%
Public utilities	**299**	**0.23%**	**0.29%**	312	0.31%	0.36%
Other	**532**	**0.41%**	**1.91%**	283	0.28%	0.98%
Subtotal	**103,192**	**79.23%**	**2.15%**	79,565	79.72%	1.76%
Personal loans						
Mortgages	**7,118**	**5.47%**	**0.40%**	5,045	5.06%	0.35%
Credit cards	**8,636**	**6.63%**	**3.37%**	5,277	5.29%	2.06%
Other	**8,689**	**6.67%**	**2.39%**	7,170	7.19%	1.87%
Subtotal	**24,443**	**18.77%**	**1.02%**	17,492	17.54%	0.84%
Total for Chinese mainland	**127,635**	**98.00%**	**1.77%**	97,057	97.26%	1.47%
Hong Kong, Macau, Taiwan and Other countries and regions	**2,602**	**2.00%**	**0.13%**	2,732	2.74%	0.15%
Total	**130,237**	**100.00%**	**1.43%**	99,789	100.00%	1.18%

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status (Continued)

(iii) Identified impaired loans and advances (Continued)

(d) Impaired loans and advances and related allowance by geographical area

	As at 31 December 2015			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	**127,635**	**(59,279)**	**(22,227)**	**46,129**
Hong Kong, Macau and Taiwan	**1,482**	**(752)**	**(78)**	**652**
Other countries and regions	**1,120**	**(760)**	**(39)**	**321**
Total	**130,237**	**(60,791)**	**(22,344)**	**47,102**

	As at 31 December 2014			
	Impaired loans	Individually assessed allowance	Collectively assessed allowance	Net
Chinese mainland	97,057	(47,582)	(16,305)	33,170
Hong Kong, Macau and Taiwan	1,827	(1,102)	(47)	678
Other countries and regions	905	(555)	(53)	297
Total	99,789	(49,239)	(16,405)	34,145

For description of allowances on identified impaired loans, refer to Note V.17.3.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by overdue and impaired status (Continued)

(iii) Identified impaired loans and advances (Continued)

(e) Within impaired corporate loans and advances, the portion covered or not covered by collateral held are as follows:

Group

	Impaired corporate loans and advances	
	As at 31 December	
	2015	2014
Portion covered	**73,143**	56,416
Portion not covered	**32,433**	25,713
Total	**105,576**	82,129
Fair value of collateral held	**24,894**	18,451

Chinese mainland

	Impaired corporate loans and advances	
	As at 31 December	
	2015	2014
Portion covered	**72,103**	54,696
Portion not covered	**31,089**	24,869
Total	**103,192**	79,565
Fair value of collateral held	**24,041**	17,502

Collateral of corporate loans and advances includes land, buildings, equipment and others. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted for recent experience in disposal of collateral as well as the market conditions.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(3) Loans and advances rescheduled

Rescheduling (referring to loans and other assets that have been restructured and renegotiated) is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, rescheduled credit terms as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or the assumption of the loan by a borrower with better repayment ability.

All rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "special-mention" upon review if certain criteria are met. If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "doubtful" or below. All rescheduled loans within surveillance period are determined to be impaired as at 31 December 2015 and 2014.

As at 31 December 2015 and 2014, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days

Group

	As at 31 December 2015				
	Past due up to 90 days	Past due 91–360 days	Past due 361 days–3 years	Past due over 3 years	Total
Unsecured loans	**17,438**	**13,626**	**6,740**	**2,713**	**40,517**
Guaranteed loans	**19,002**	**27,470**	**9,287**	**4,328**	**60,087**
Collateralised and other secured loans					
— loans secured by property and other immovable assets	**34,465**	**19,904**	**10,135**	**5,347**	**69,851**
— other pledged loans	**1,513**	**4,380**	**2,260**	**419**	**8,572**
Total	**72,418**	**65,380**	**28,422**	**12,807**	**179,027**

	As at 31 December 2014				
	Past due up to 90 days	Past due 91–360 days	Past due 361 days–3 years	Past due over 3 years	Total
Unsecured loans	15,946	7,360	3,038	3,018	29,362
Guaranteed loans	13,988	13,760	8,593	2,167	38,508
Collateralised and other secured loans					
— loans secured by property and other immovable assets	24,553	14,713	7,483	5,128	51,877
— other pledged loans	3,904	1,119	583	583	6,189
Total	58,391	36,952	19,697	10,896	125,936

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers (Continued)

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days (Continued)

Chinese mainland

	As at 31 December 2015				
	Past due up to 90 days	Past due 91–360 days	Past due 361 days–3 years	Past due over 3 years	Total
Unsecured loans	**16,410**	**13,479**	**6,586**	**2,664**	**39,139**
Guaranteed loans	**16,501**	**27,455**	**9,268**	**3,900**	**57,124**
Collateralised and other secured loans					
— loans secured by property and other immovable assets	**30,140**	**19,691**	**10,040**	**5,337**	**65,208**
— other pledged loans	**1,045**	**4,236**	**2,175**	**413**	**7,869**
Total	**64,096**	**64,861**	**28,069**	**12,314**	**169,340**

	As at 31 December 2014				
	Past due up to 90 days	Past due 91–360 days	Past due 361 days–3 years	Past due over 3 years	Total
Unsecured loans	14,843	7,157	2,874	2,962	27,836
Guaranteed loans	13,323	13,654	8,517	2,139	37,633
Collateralised and other secured loans					
— loans secured by property and other immovable assets	20,199	14,596	7,003	5,116	46,914
— other pledged loans	3,050	892	168	569	4,679
Total	51,415	36,299	18,562	10,786	117,062

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers (Continued)

(ii) Analysis of overdue loans and advances by geographical area

	As at 31 December	
	2015	2014
Chinese mainland	**169,340**	117,062
Hong Kong, Macau and Taiwan	**5,882**	7,296
Other countries and regions	**3,805**	1,578
Subtotal	**179,027**	125,936
Percentage	**1.96%**	1.48%
Less: total loans and advances to customers which have been overdue for less than 3 months	**(72,418)**	(58,391)
Total loans and advances to customers which have been overdue for more than 3 months	**106,609**	67,545
Individually assessed impairment allowance — for loans and advances to customers which have been overdue for more than 3 months	**(49,286)**	(29,886)

3.6 Due from and placements with and loans to banks and other financial institutions

Banks and other financial institutions comprise those institutions in Chinese mainland, Hong Kong, Macau, Taiwan and other countries and regions.

The Group monitors the credit risk of counterparties by collecting and analysing counterparty information and establishing credit limits taking into account the nature, size and credit rating of counterparties.

As at 31 December 2015, the majority of the balances of due from and placements with and loans to banks and other financial institutions were with banks in Chinese mainland, including policy banks, large-sized and medium-sized commercial banks (Note V.12 and Note V.14). As at 31 December 2015, the majority of the credit ratings of the banks in Hong Kong, Macau, Taiwan and other countries and regions were above A.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.7 Debt securities

The tables below represent an analysis of the carrying value of debt securities by credit or issuer rating and credit risk characteristic.

	As at 31 December 2015					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	1,409,744	1,731	–	1,411,475
— Public sectors and quasi-governments	62,293	–	–	–	–	62,293
— Policy banks	–	–	41,654	399,634	–	441,288
— Financial institutions	62,090	100	735	137,062	92,991	292,978
— Corporate	144,391	–	12,142	112,319	9,867	278,719
— China Orient	160,000	–	–	–	–	160,000
Subtotal	428,774	100	1,464,275	650,746	102,858	2,646,753
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	193,524	24,256	68,372	3,346	289,498
— Public sectors and quasi-governments	849	22,734	21,779	5,172	–	50,534
— Financial institutions	7,042	4,614	45,818	73,998	25,795	157,267
— Corporate	10,974	27,423	15,888	35,616	16,875	106,776
Subtotal	18,865	248,295	107,741	183,158	46,016	604,075
Total[1]	447,639	248,395	1,572,016	833,904	148,874	3,250,828

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.7 Debt securities (Continued)

	As at 31 December 2014					
	Unrated	AAA	AA	A	Lower than A	Total
Issuers in Chinese mainland						
— Government	–	–	889,823	2,931	–	892,754
— Public sectors and quasi-governments	42,979	–	–	–	–	42,979
— Policy banks	–	–	55,491	364,887	–	420,378
— Financial institutions	42,889	498	516	111,845	51,858	207,606
— Corporate	230,144	–	16,624	74,238	13,218	334,224
— China Orient	160,000	–	–	–	–	160,000
Subtotal	476,012	498	962,454	553,901	65,076	2,057,941
Issuers in Hong Kong, Macau, Taiwan and other countries and regions						
— Governments	–	52,504	132,344	5,457	2,849	193,154
— Public sectors and quasi-governments	699	25,028	14,556	5,334	–	45,617
— Financial institutions	2,017	5,583	51,478	64,896	14,081	138,055
— Corporate	9,430	15,840	3,247	21,617	10,574	60,708
Subtotal	12,146	98,955	201,625	97,304	27,504	437,534
Total (1)	488,158	99,453	1,164,079	651,205	92,580	2,495,475

(1) The Group's available for sale and held to maturity debt securities are individually assessed for impairment. The Group's accumulated impairment charges on available for sale and held to maturity debt securities as at 31 December 2015 amounted to RMB1,410 million and RMB194 million, respectively (31 December 2014: RMB1,924 million and RMB218 million). The carrying values of the available for sale and held to maturity debt securities considered impaired as at 31 December 2015 were RMB1,314 million and RMB296 million, respectively (31 December 2014: RMB3,256 million and RMB370 million).

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Credit risk (Continued)

3.8 Derivatives

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment ("CVA") and the risk-weighted assets for central counterparties ("CCPs").

The risk-weighted assets for the CCR of derivatives are as follows:

	As at 31 December	
	2015	2014
Risk-weighted assets for default risk		
Currency derivatives	**74,872**	29,431
Interest rate derivatives	**2,506**	2,776
Equity derivatives	**365**	524
Commodity derivatives and other	**3,547**	3,128
	81,290	35,859
Risk-weighted assets for CVA	**45,389**	26,620
Risk-weighted assets for CCPs	**1,208**	2,038
Total	**127,887**	64,517

3.9 Repossessed assets

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note V.22.

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk

4.1 Overview

The Group is exposed to market risks from on-balance and off-balance businesses, that may cause losses to the Group as a result of adverse changes in market prices of interest rate, exchange rate, equities and commodities. Market risk arises from open positions in the trading and banking books. Both the Group's trading book and banking book face market risks. The trading book consists of positions in financial instruments and commodities that are held with trading intent or in order to hedge other elements of the trading book. The banking book consists of financial instruments not included in the trading book (including those financial instruments purchased with surplus funds and managed in the investment book).

The Board of Directors of the Group takes the ultimate responsibility for the oversight of market risk management, including the approval of market risk management policies and procedures and the determination of market risk tolerance. Senior management is responsible for execution of such policies and ensuring that the level of market risk is within the risk appetite determined by the Board, while meeting the Group's business objectives.

Market risk management departments are responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Business units are responsible for monitoring and reporting of market risk within their respective business lines.

4.2 Market risk measurement techniques and limits

(1) Trading book

For the purpose of market risk management in the trading book, the Group monitors trading book Value at Risk (VaR) limits, stress testing results and exposure limits and tracks each trading desk and dealer's observance of each limit on a daily basis.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOCHK (Holdings) and BOCI. The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore 1% statistical probability that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group's market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

Accuracy and reliability of the VaR model is verified by daily back-testing of the VaR result on trading book. The back-testing results are regularly reported to senior management.

The Group utilises stress testing as an effective supplement to the trading book VaR analysis. Stress testing scenarios are performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. To address changes in the financial markets, the Group enhances its market risk identification capabilities by continuously modifying and improving the trading book stress testing scenarios and measurement methodologies in order to capture the potential impact to transaction market prices stemming from changes in market prices and volatility.

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

The table below shows the VaR of the trading book by type of risk during the years ended 31 December 2015 and 2014:

Unit: USD million

	Year ended 31 December					
	2015			2014		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	**6.98**	**13.32**	**3.44**	4.50	7.43	1.65
Foreign exchange risk	**3.86**	**8.41**	**1.81**	9.41	14.28	3.50
Volatility risk	**0.30**	**0.81**	**0.09**	0.09	0.37	0.03
Commodity risk	**0.71**	**1.32**	**0.06**	0.44	1.32	0.01
Total of the Bank's trading VaR	**7.91**	**14.41**	**4.09**	10.24	14.93	5.37

The Bank's VaR for the years ended 31 December 2015 and 2014 were calculated on the Group's trading positions, excluding those of BOCHK (Holdings) and BOCI.

The reporting of risk in relation to bullion is included in foreign exchange risk above.

Unit: USD million

	Year ended 31 December					
	2015			2014		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR (i)						
Interest rate risk	**2.67**	**4.85**	**1.65**	3.13	5.09	2.11
Foreign exchange risk	**1.70**	**2.62**	**1.13**	1.75	2.51	1.24
Equity risk	**0.02**	**0.05**	**0.00**	0.04	0.09	0.01
Commodity risk	**0.00**	**0.02**	**0.00**	0.03	0.17	0.00
Total BOCHK (Holdings)'s trading VaR	**3.27**	**4.95**	**2.30**	3.09	4.52	2.09
BOCI's trading VaR (ii)						
Equity derivatives unit	**1.35**	**2.29**	**0.50**	0.95	1.97	0.31
Fixed income unit	**0.95**	**1.76**	**0.66**	1.09	1.54	0.67
Global commodity unit	**0.08**	**0.32**	**0.04**	0.18	0.61	0.04
Total BOCI's trading VaR	**2.33**	**3.74**	**1.31**	1.42	2.62	0.97

(i) BOCHK (Holdings)'s trading VaR for the years ended 31 December 2015 and 2014 was calculated including its subsidiaries of Nanyang Commercial Bank Limited, BOC Credit Card (International) Limited and Chiyu Banking Corporation Limited.

(ii) BOCI monitors its trading VaR for equity derivatives unit, fixed income unit and global commodity unit separately, which include equity risk, interest rate risk, foreign exchange risk and commodity risk.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors.

(2) Banking book

The banking book is exposed to interest rate risk arising from mismatches in repricing periods and inconsistent adjustments between the benchmark interest rates of assets and liabilities. The Group takes on exposure to interest rate risk and fluctuations in market interest rates will impact the Group's financial position.

The Group assesses interest rate risk in the banking book primarily through an interest rate repricing gap analysis. Interest rate repricing gap analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that must be repriced within certain periods. The Group employs the interest rate repricing gap analysis and takes impact of the off-balance sheet business into consideration when calculating the indications of interest rate risk sensitivity of earnings to changing interest rates. The interest rate gap analysis is set out in Note VI.4.3 and also covers the trading book.

Sensitivity analysis on Net interest income

The Group performs sensitivity analysis by measuring the impact of a change in interest rates on "Net interest income". This analysis assumes that yield curves change in parallel while the structure of assets and liabilities remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. The bank calculates the change in net interest income during the year mainly through the analysis of interest rate repricing gaps, and made timely adjustment to the structure of assets and liabilities based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level.

The table below illustrates the potential impact of a 25 basis points interest rate move on the net interest income of the Group. The actual situation may be different from the assumptions used and it is possible that actual outcomes could differ from the estimated impact on net interest income of the Group.

	(Decrease)/increase in Net interest income	
	As at 31 December	
	2015	2014
+ 25 basis points parallel move in all yield curves	**(2,566)**	(1,171)
– 25 basis points parallel move in all yield curves	**2,566**	1,171

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products. Had the impact of yield curves movement on interest expenses related to demand deposits been excluded, the net interest income for the next twelve months from the reporting date would increase or decrease by RMB10,716 million (2014: RMB9,532 million) for every 25 basis points upwards or downwards parallel shift, respectively.

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.3 GAP analysis

The tables below summarise the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 31 December 2015						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	124,019	91,767	361,286	1,827	–	75,479	654,378
Balances with central banks	2,064,120	–	–	–	–	131,943	2,196,063
Placements with and loans to banks and other financial institutions	158,286	71,528	173,974	23,060	–	–	426,848
Financial assets at fair value through profit or loss	8,972	13,959	20,211	30,615	30,325	14,980	119,062
Derivative financial assets	–	–	–	–	–	82,236	82,236
Loans and advances to customers, net	2,271,591	1,900,358	4,337,626	93,349	59,740	272,531	8,935,195
Financial investments							
— available for sale	64,132	151,607	167,734	455,700	192,482	46,878	1,078,533
— held to maturity	46,486	91,150	301,202	819,218	532,734	–	1,790,790
— loans and receivables	39,338	53,237	204,940	206,918	102,277	–	606,710
Assets held for sale	135,688	35,564	39,997	21,372	443	4,873	237,937
Other	6,006	1,907	588	–	–	679,344	687,845
Total assets	4,918,638	2,411,077	5,607,558	1,652,059	918,001	1,308,264	16,815,597
Liabilities							
Due to banks and other financial institutions	1,170,766	60,558	221,521	129,352	–	182,123	1,764,320
Due to central banks	230,608	80,054	83,282	19,335	–	2,430	415,709
Placements from banks and other financial institutions	237,435	181,274	27,917	1,318	–	–	447,944
Derivative financial liabilities	–	–	–	–	–	69,160	69,160
Due to customers	6,529,728	1,221,139	2,225,183	1,581,239	3,628	168,254	11,729,171
Bonds issued	5,828	9,235	32,987	126,217	108,662	–	282,929
Liabilities classified as held for sale	115,324	31,314	33,242	4,999	16	11,955	196,850
Other	9,250	3,689	2,960	12,116	17,017	506,877	551,909
Total liabilities	8,298,939	1,587,263	2,627,092	1,874,576	129,323	940,799	15,457,992
Total interest repricing gap	(3,380,301)	823,814	2,980,466	(222,517)	788,678	367,465	1,357,605

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.3 GAP analysis (Continued)

	As at 31 December 2014						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	364,984	169,796	191,207	1,565	–	85,502	813,054
Balances with central banks	2,152,838	–	–	–	–	153,250	2,306,088
Placements with and loans to banks and other financial institutions	164,596	99,775	128,637	9,272	–	–	402,280
Financial assets at fair value through profit or loss	9,472	12,238	17,299	32,662	14,638	18,219	104,528
Derivative financial assets	–	–	–	–	–	47,967	47,967
Loans and advances to customers, net	2,125,565	1,846,482	3,991,102	57,124	45,998	228,473	8,294,744
Financial investments							
— available for sale	65,596	97,646	149,386	259,841	140,631	37,585	750,685
— held to maturity	32,645	61,129	218,051	744,993	367,645	–	1,424,463
— loans and receivables	11,977	49,983	92,634	47,604	228,501	–	430,699
Other	5,117	6,638	4,175	–	–	660,944	676,874
Total assets	4,932,790	2,343,687	4,792,491	1,153,061	797,413	1,231,940	15,251,382
Liabilities							
Due to banks and other financial institutions	1,557,680	53,525	61,690	59,769	26,021	21,562	1,780,247
Due to central banks	129,603	105,721	97,741	10,307	–	4,899	348,271
Placements from banks and other financial institutions	111,424	43,924	51,424	18,553	–	5	225,330
Derivative financial liabilities	–	–	–	–	–	40,734	40,734
Due to customers	5,879,818	1,290,696	2,237,125	1,328,283	11,797	137,504	10,885,223
Bonds issued	12,264	35,473	16,477	100,137	113,694	–	278,045
Other	13,473	19,988	9,562	1,117	858	465,106	510,104
Total liabilities	7,704,262	1,549,327	2,474,019	1,518,166	152,370	669,810	14,067,954
Total interest repricing gap	(2,771,472)	794,360	2,318,472	(365,105)	645,043	562,130	1,183,428

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.4 Foreign currency risk

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. The major subsidiary, BOCHK Group, conducts the majority of its business in HKD, RMB and USD. The Group endeavours to manage its sources and uses of foreign currencies to minimise potential mismatches in accordance with management directives.

The Group manages its exposure to currency exchange risk through management of its net foreign currency position and monitors its foreign currency risk on trading books using VaR (Note VI.4.2). Meanwhile, the Group performs currency risk sensitivity analysis to estimate the effect of potential exchange rate changes of foreign currencies against RMB on profit before tax and equity.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any further actions that may have been or could be taken by management after the financial reporting date, to mitigate the effect of exchange differences, nor for any consequential changes in the foreign currency positions.

		Effect on profit before tax		Effect on equity*	
Currency	Change in currency rate	**As at 31 December 2015**	As at 31 December 2014	**As at 31 December 2015**	As at 31 December 2014
USD	-1%	**(654)**	(503)	**(280)**	(236)
HKD	-1%	**472**	416	**(1,471)**	(1,230)

* Effect on other comprehensive income (irrespective of income tax effect)

While the table above indicates the effect on profit before tax and equity of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.4 Foreign currency risk (Continued)

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2015 and 2014. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in the net off-balance sheet position using notional amounts.

	As at 31 December 2015							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	547,998	64,079	17,314	6,457	7,234	2,374	8,922	654,378
Balances with central banks	1,719,641	344,446	13,189	20,454	28,358	44,901	25,074	2,196,063
Placements with and loans to banks and other financial institutions	273,947	82,142	30,764	2,908	32	2,655	34,400	426,848
Financial assets at fair value through profit or loss	46,844	52,709	18,831	580	17	81	–	119,062
Derivative financial assets	29,044	2,213	35,320	438	312	11,200	3,709	82,236
Loans and advances to customers, net	6,840,062	1,147,024	631,308	140,075	9,256	24,824	142,646	8,935,195
Financial investments								
— available for sale	576,382	261,381	114,358	12,222	65,685	2,647	45,858	1,078,533
— held to maturity	1,618,055	160,191	5,702	117	647	584	5,494	1,790,790
— loans and receivables	591,781	2,978	2	–	–	–	11,949	606,710
Assets held for sale	82,994	44,845	102,090	3,614	235	694	3,465	237,937
Other	269,996	114,845	109,632	2,057	2,809	1,793	186,713	687,845
Total assets	12,596,744	2,276,853	1,078,510	188,922	114,585	91,753	468,230	16,815,597
Liabilities								
Due to banks and other financial institutions	1,002,165	510,671	21,686	32,645	16,113	6,443	174,597	1,764,320
Due to central banks	232,832	170,901	9,909	–	–	2,067	–	415,709
Placements from banks and other financial institutions	289,664	112,002	13,527	22,310	1,940	4,522	3,979	447,944
Derivative financial liabilities	6,718	14,438	32,383	498	144	10,993	3,986	69,160
Due to customers	9,114,667	1,201,162	881,340	148,277	45,044	44,191	294,490	11,729,171
Bonds issued	167,300	102,956	788	8,321	–	–	3,564	282,929
Liabilities classified as held for sale	74,740	39,000	75,136	3,909	227	535	3,303	196,850
Other	327,837	62,504	144,082	2,463	426	2,263	12,334	551,909
Total liabilities	11,215,923	2,213,634	1,178,851	218,423	63,894	71,014	496,253	15,457,992
Net on-balance sheet position	1,380,821	63,219	(100,341)	(29,501)	50,691	20,739	(28,023)	1,357,605
Net off-balance sheet position	(208,637)	22,587	181,262	36,718	(48,410)	(18,568)	49,757	14,709
Credit commitments	2,055,776	725,409	250,301	81,590	6,348	22,980	67,629	3,210,033

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.4 Foreign currency risk (Continued)

	As at 31 December 2014							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	712,920	70,538	9,859	4,286	1,916	1,087	12,448	813,054
Balances with central banks	1,904,294	298,087	10,685	50,231	3,867	18,672	20,252	2,306,088
Placements with and loans to banks and other financial institutions	259,408	82,968	13,005	1,057	308	7,306	38,228	402,280
Financial assets at fair value through profit or loss	44,797	38,100	21,059	427	–	90	55	104,528
Derivative financial assets	9,689	13,640	20,316	627	118	1,711	1,866	47,967
Loans and advances to customers, net	6,176,901	1,302,278	613,502	67,156	7,993	13,295	113,619	8,294,744
Financial investments								
— available for sale	393,396	203,998	101,447	11,093	331	5,815	34,605	750,685
— held to maturity	1,268,586	143,405	6,097	–	616	511	5,248	1,424,463
— loans and receivables	422,189	233	1,973	–	–	–	6,304	430,699
Other	261,225	89,192	120,636	1,350	909	1,656	201,906	676,874
Total assets	11,453,405	2,242,439	918,579	136,227	16,058	50,143	434,531	15,251,382
Liabilities								
Due to banks and other financial institutions	1,033,495	499,133	17,925	27,945	8,843	5,315	187,591	1,780,247
Due to central banks	185,775	147,335	15,161	–	–	–	–	348,271
Placements from banks and other financial institutions	118,159	82,386	14,383	2,077	3,353	2,294	2,678	225,330
Derivative financial liabilities	2,927	13,164	14,653	891	2,099	3,353	3,647	40,734
Due to customers	8,584,335	976,427	799,630	168,279	38,179	63,533	254,840	10,885,223
Bonds issued	174,698	84,086	742	9,828	1,572	5,273	1,846	278,045
Other	298,682	62,509	129,523	2,555	881	1,295	14,659	510,104
Total liabilities	10,398,071	1,865,040	992,017	211,575	54,927	81,063	465,261	14,067,954
Net on-balance sheet position	1,055,334	377,399	(73,438)	(75,348)	(38,869)	(30,920)	(30,730)	1,183,428
Net off-balance sheet position	(75,751)	(249,557)	147,721	72,896	37,780	31,254	40,651	4,994
Credit commitments	2,247,538	667,694	203,347	79,163	7,011	19,757	65,701	3,290,211

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Market risk (Continued)

4.5 Price risk

The Group is exposed to equity risk on its available for sale listed equity securities. As at 31 December 2015, a 5 percentage variance in listed equity prices from the year end price would impact the fair value of available for sale listed equity positions by RMB297 million (31 December 2014: RMB247 million). For those available for sale equities considered impaired, the impact would be taken to the income statement. The Group is also exposed to commodity risk, mainly related to bullion. The Group manages such risk together with foreign exchange risk (Note VI.4.2).

5 Liquidity risk

The liquidity risk means the risk that a commercial bank fails to timely acquire adequate funds at a reasonable cost to deal with repayment of debts at maturity, perform other payment obligations and meet other fund needs for normal business operation.

5.1 Liquidity risk management policy and process

The Bank adopts a top-down liquidity risk management process whereby each organisation shall manage that of the immediate lower level. The institutions at various levels shall manage their respective liquidity in light of the Head Office's policy and authorisation, monitor the influence of the changes in their assets and liabilities as well as liquidity risk level on the Bank's liquidity.

The Group considers liquidity risk management a significant component of asset-liability management, and determines the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Group establishes its liquidity portfolio to mitigate liquidity risk, and to minimise the gaps in the amount and duration between the funding sources and the uses of funds. The Group refines its financing strategy, taking into consideration of various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Group prioritises the development of customer deposits, dynamically adjusts the structure of fund sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowing and improve the diversity and stability of financing sources.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include "Cash and due from banks and other financial institutions", "Balances with central banks", "Placements with and loans to banks and other financial institutions" and "Loans and advances to customers, net". In the normal course of business, a proportion of short-term loans contractually repayable will be extended and a portion of short-term customer deposits will not be withdrawn upon maturity. The Group would also be able to meet unexpected net cash outflows by entering into repurchase and reverse repurchase transactions, and by selling securities and accessing additional funding sources.

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.2 Maturity analysis

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. For purposes of the tables set forth, "Loan and advances to customers, net" are considered overdue only if principal payments are overdue. In addition, for loans and advances to customers that are repayable by installments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity.

	As at 31 December 2015							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	22	130,446	69,030	91,767	361,286	1,827	–	654,378
Balances with central banks	1,580,456	576,307	26,582	136	12,582	–	–	2,196,063
Placements with and loans to banks and other financial institutions	–	–	158,256	69,729	174,865	23,998	–	426,848
Financial assets at fair value through profit or loss	14,460	–	8,729	12,997	18,787	32,407	31,682	119,062
Derivative financial assets	–	13,629	7,091	6,845	44,929	8,834	908	82,236
Loans and advances to customers, net	49,971	110,598	406,547	918,256	2,173,435	2,250,542	3,025,846	8,935,195
Financial investments								
— available for sale	46,529	–	28,557	116,306	181,096	510,301	195,744	1,078,533
— held to maturity	–	–	29,719	68,270	287,726	869,988	535,087	1,790,790
— loans and receivables	–	–	39,338	53,237	204,616	207,242	102,277	606,710
Assets held for sale	10,061	13,924	39,762	24,869	53,170	71,440	24,711	237,937
Other	239,203	293,031	34,025	26,729	47,425	29,215	18,217	687,845
Total assets	1,940,702	1,137,935	847,636	1,389,141	3,559,917	4,005,794	3,934,472	16,815,597
Liabilities								
Due to banks and other financial institutions	–	1,121,330	182,428	68,261	236,929	155,372	–	1,764,320
Due to central banks	–	123,381	109,657	80,054	83,282	19,335	–	415,709
Placements from banks and other financial institutions	–	–	237,435	181,274	27,917	1,318	–	447,944
Derivative financial liabilities	–	8,874	7,279	7,721	33,636	9,422	2,228	69,160
Due to customers	–	5,310,840	1,349,408	1,211,480	2,236,700	1,606,338	14,405	11,729,171
Bonds issued	–	–	5,828	9,235	32,987	124,591	110,288	282,929
Liabilities classified as held for sale	–	77,062	48,191	31,001	35,309	5,265	22	196,850
Other	–	169,964	71,263	36,826	139,009	74,795	60,052	551,909
Total liabilities	–	6,811,451	2,011,489	1,625,852	2,825,769	1,996,436	186,995	15,457,992
Net liquidity gap	1,940,702	(5,673,516)	(1,163,853)	(236,711)	734,148	2,009,358	3,747,477	1,357,605

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.2 Maturity analysis (Continued)

	As at 31 December 2014							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	190,770	259,717	169,796	191,206	1,565	–	813,054
Balances with central banks	1,727,805	549,386	28,897	–	–	–	–	2,306,088
Placements with and loans to banks and other financial institutions	–	–	164,596	99,529	128,686	9,469	–	402,280
Financial assets at fair value through profit or loss	17,670	–	9,844	11,738	17,104	33,326	14,846	104,528
Derivative financial assets	–	8,559	5,542	5,753	21,443	4,185	2,485	47,967
Loans and advances to customers, net	32,171	111,458	391,002	1,000,634	2,106,643	2,050,490	2,602,346	8,294,744
Financial investments								
— available for sale	37,082	–	37,339	60,324	152,721	312,691	150,528	750,685
— held to maturity	–	–	11,079	31,189	191,746	794,693	395,756	1,424,463
— loans and receivables	–	–	11,977	49,983	86,774	52,664	229,301	430,699
Other	228,158	287,218	35,126	29,822	25,947	48,146	22,457	676,874
Total assets	2,042,886	1,147,391	955,119	1,458,768	2,922,270	3,307,229	3,417,719	15,251,382
Liabilities								
Due to banks and other financial institutions	–	1,286,794	184,231	53,489	107,013	120,949	27,771	1,780,247
Due to central banks	–	111,482	23,020	105,721	97,741	10,307	–	348,271
Placements from banks and other financial institutions	–	–	111,587	43,772	51,424	18,547	–	225,330
Derivative financial liabilities	–	4,744	6,385	6,287	15,605	5,821	1,892	40,734
Due to customers	–	4,615,797	1,354,720	1,278,159	2,261,560	1,350,454	24,533	10,885,223
Bonds issued	–	–	10,861	35,473	17,710	39,788	174,213	278,045
Other	–	144,280	69,095	33,720	140,676	65,138	57,195	510,104
Total liabilities	–	6,163,097	1,759,899	1,556,621	2,691,729	1,611,004	285,604	14,067,954
Net liquidity gap	2,042,886	(5,015,706)	(804,780)	(97,853)	230,541	1,696,225	3,132,115	1,183,428

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.3 Undiscounted cash flows by contractual maturities

The tables below present the cash flows of the Group of non-derivative financial assets and financial liabilities and derivative financial instruments that will be settled on a net basis and on a gross basis by remaining contractual maturities at the financial reporting date. The amounts disclosed in the table are the contractual undiscounted cash flow, except for certain derivatives which are disclosed at fair value (i.e. discounted cash flows basis). The Group also manages its inherent short-term liquidity risk based on expected undiscounted cash flows.

	As at 31 December 2015							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	22	130,775	70,082	93,589	369,511	2,035	–	666,014
Balances with central banks	1,580,456	577,123	26,583	136	12,582	–	–	2,196,880
Placements with and loans to banks and other financial institutions	–	–	158,573	70,307	178,895	26,064	–	433,839
Financial assets at fair value through profit or loss	14,460	–	8,938	13,328	20,900	38,744	41,881	138,251
Loans and advances to customers, net	50,893	111,302	429,958	990,650	2,406,538	2,958,049	3,994,428	10,941,818
Financial investments								
— available for sale	46,529	–	31,559	125,094	217,720	573,281	212,372	1,206,555
— held to maturity	–	–	33,406	77,370	339,288	1,022,008	616,860	2,088,932
— loans and receivables	–	–	40,185	55,679	215,572	240,346	120,271	672,053
Assets held for sale	8,308	13,634	39,790	25,417	55,129	77,388	30,924	250,590
Other financial assets	364	102,252	15,254	2,090	8,704	84	1,013	129,761
Total financial assets	1,701,032	935,086	854,328	1,453,660	3,824,839	4,937,999	5,017,749	18,724,693
Due to banks and other financial institutions	–	1,122,036	185,851	70,309	242,674	165,323	–	1,786,193
Due to central banks	–	123,387	110,100	80,652	84,367	20,826	–	419,332
Placements from banks and other financial institutions	–	–	238,145	182,799	28,512	1,462	–	450,918
Due to customers	–	5,318,884	1,390,053	1,240,530	2,319,899	1,781,907	14,918	12,066,191
Bonds issued	–	–	6,081	10,827	42,509	162,305	126,208	347,930
Liabilities classified as held for sale	–	76,972	48,112	30,883	35,495	5,468	22	196,952
Other financial liabilities	–	131,021	20,277	6,996	5,491	18,092	17,214	199,091
Total financial liabilities	–	6,772,300	1,998,619	1,622,996	2,758,947	2,155,383	158,362	15,466,607
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	3,265	26	–	(3,602)	(975)	(361)	(1,647)
Derivative financial instruments settled on a gross basis								
Total inflow	–	118,046	1,059,809	734,110	2,652,194	340,921	4,237	4,909,317
Total outflow	–	(118,004)	(1,058,948)	(731,960)	(2,646,928)	(339,347)	(4,223)	(4,899,410)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2014							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	–	191,969	260,772	171,919	200,269	1,788	–	826,717
Balances with central banks	1,727,805	549,407	28,897	–	–	–	–	2,306,109
Placements with and loans to banks and other financial institutions	–	–	165,175	103,084	135,084	11,010	–	414,353
Financial assets at fair value through profit or loss	17,670	–	10,405	12,582	22,295	58,956	26,170	148,078
Loans and advances to customers, net	33,203	111,947	412,721	1,045,157	2,383,343	2,761,023	3,570,297	10,317,691
Financial investments								
— available for sale	37,082	–	38,513	62,971	164,753	357,257	172,339	832,915
— held to maturity	–	–	11,793	33,209	222,841	915,028	463,882	1,646,753
— loans and receivables	–	–	12,751	70,447	101,110	76,103	235,097	495,508
Other financial assets	1,020	9,881	32,074	28,236	17,611	17,023	9,823	115,668
Total financial assets	1,816,780	863,204	973,101	1,527,605	3,247,306	4,198,188	4,477,608	17,103,792
Due to banks and other financial institutions	–	1,286,858	184,753	54,572	115,943	130,645	31,173	1,803,944
Due to central banks	–	111,482	23,039	105,821	98,367	10,575	–	349,284
Placements from banks and other financial institutions	–	–	111,954	44,127	52,635	18,573	–	227,289
Due to customers	–	4,615,900	1,358,487	1,286,559	2,326,005	1,474,481	25,945	11,087,377
Bonds issued	–	–	10,883	36,274	22,882	76,876	271,777	418,692
Other financial liabilities	–	45,941	58,979	29,238	65,705	41,176	24,115	265,154
Total financial liabilities	–	6,060,181	1,748,095	1,556,591	2,681,537	1,752,326	353,010	14,151,740
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	3,080	215	552	1,870	124	(171)	5,670
Derivative financial instruments settled on a gross basis								
Total inflow	–	48,142	904,198	639,313	1,291,589	232,797	3,178	3,119,217
Total outflow	–	(48,090)	(904,868)	(639,320)	(1,291,280)	(232,423)	(3,171)	(3,119,152)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Liquidity risk (Continued)

5.4 Off-balance sheet items

The Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities are summarised in the table below at the remaining period to the contractual maturity date. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date. Where the Group is the lessee under operating lease commitments, the future minimum lease payments under non-cancellable operating leases, as disclosed in Note V.40.5, are summarised in the table below.

	As at 31 December 2015			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Loan commitments [(1)]	**1,072,470**	**255,368**	**63,582**	**1,391,420**
Guarantees, acceptances and other financial facilities	**1,241,276**	**347,950**	**229,387**	**1,818,613**
Subtotal	**2,313,746**	**603,318**	**292,969**	**3,210,033**
Operating lease commitments	**6,313**	**13,040**	**2,997**	**22,350**
Capital commitments	**17,160**	**47,596**	**3,280**	**68,036**
Total	**2,337,219**	**663,954**	**299,246**	**3,300,419**

	As at 31 December 2014			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Loan commitments [(1)]	946,233	185,343	63,878	1,195,454
Guarantees, acceptances and other financial facilities	1,466,529	415,277	212,951	2,094,757
Subtotal	2,412,762	600,620	276,829	3,290,211
Operating lease commitments	5,852	12,760	3,484	22,096
Capital commitments	54,986	35,497	7,449	97,932
Total	2,473,600	648,877	287,762	3,410,239

(1) Included within "Loan commitments" are amounts relating to loan commitments and undrawn credit card limits, refer to Note V.40.7

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value

6.1 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchange or debt instrument issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter derivative contracts, debt securities for which quotations are available from pricing services providers, traded loans and issued structured deposits.

- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group uses valuation techniques or counterparty quotations to determine the fair value when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from the open market.

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity), over-the-counter structured derivatives transactions, unlisted funds and part of investment properties held by the Group, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, rental growth, etc. As at 31 December 2015, fair value changes resulting from changes in the unobservable inputs were not significant. Management determines whether to make necessary adjustments to the fair value for the Group's level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.1 Assets and liabilities measured at fair value (Continued)

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss				
— Debt securities	**1,342**	**96,991**	**1,531**	**99,864**
— Fund investments and other	**5,642**	**–**	**–**	**5,642**
— Loans	**–**	**4,218**	**–**	**4,218**
— Equity securities	**9,338**	**–**	**–**	**9,338**
Derivative financial assets	**13,621**	**68,615**	**–**	**82,236**
Investment securities available for sale				
— Debt securities	**117,498**	**911,390**	**954**	**1,029,842**
— Fund investments and other	**3,812**	**715**	**13,955**	**18,482**
— Equity securities	**5,588**	**2,352**	**22,269**	**30,209**
Investment properties	**–**	**2,170**	**21,111**	**23,281**
Liabilities measured at fair value through profit or loss				
Placements from banks and other financial institutions at fair value	**–**	**(1,617)**	**–**	**(1,617)**
Due to customers at fair value	**–**	**(339,911)**	**–**	**(339,911)**
Short position in debt securities	**–**	**(7,012)**	**–**	**(7,012)**
Derivative financial liabilities	**(9,115)**	**(60,045)**	**–**	**(69,160)**

	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value through profit or loss				
Financial assets at fair value through profit or loss				
— Debt securities	209	81,226	850	82,285
— Fund investments and other	2,211	–	–	2,211
— Loans	–	4,144	–	4,144
— Equity securities	15,888	–	–	15,888
Derivative financial assets	11,959	36,008	–	47,967
Investment securities available for sale				
— Debt securities	34,702	676,457	979	712,138
— Fund investments and other	2,356	314	9,329	11,999
— Equity securities	4,663	2,616	19,269	26,548
Investment properties	–	2,274	16,379	18,653
Liabilities measured at fair value through profit or loss				
Placements from banks and other financial institutions at fair value	–	(5,776)	–	(5,776)
Due to customers at fair value	–	(317,487)	–	(317,487)
Short position in debt securities	–	(7,224)	–	(7,224)
Derivative financial liabilities	(8,191)	(32,543)	–	(40,734)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.1 Assets and liabilities measured at fair value (Continued)

Reconciliation of Level 3 Items

	Financial assets at fair value through profit or loss — Debt securities	Investment securities available for sale			Investment properties
		Debt securities	Fund investments and other	Equity securities	
As at 1 January 2015	850	979	9,329	19,269	16,379
Total gains and losses					
— profit	–	7	16	581	474
— other comprehensive income	–	3	2,852	(148)	–
Sales	(73)	(251)	(1,852)	(1,063)	–
Purchases	754	675	3,610	697	3,893
Settlements	–	(1)	–	–	–
Transfers into/(out of) Level 3, net	–	(458)	–	–	83
Other changes	–	–	–	2,933	282
As at 31 December 2015	1,531	954	13,955	22,269	21,111
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2015	–	2	(38)	(36)	474
As at 1 January 2014	301	5,430	6,930	19,215	17,383
Total gains and losses					
— profit or loss	(7)	9	(253)	(422)	1,052
— other comprehensive income	–	40	530	(998)	–
Sales	(17)	(2,766)	(1,565)	(195)	(2,570)
Purchases	573	63	3,687	1,669	70
Settlements	–	–	–	–	–
Transfers into/(out of) Level 3, net	–	(1,797)	–	–	726
Transfer to property and equipment	–	–	–	–	(320)
Other changes	–	–	–	–	38
As at 31 December 2014	850	979	9,329	19,269	16,379
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2014	(7)	5	(314)	(457)	381

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.1 Assets and liabilities measured at fair value (Continued)

Total gains or losses for the years ended 31 December 2015 and 2014 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 31 December 2015 and 2014 are presented in "Net trading gains", "Net gains on financial investments" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

Gains or losses on Level 3 assets and liabilities included in the income statement for the year comprise:

	Year ended 31 December 2015			Year ended 31 December 2014		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(losses) for the year	**676**	**402**	**1,078**	768	(389)	379

The assets and liabilities measured at fair value have been no significant transfers between level 1 and level 2 during the year ended 31 December 2015.

6.2 Financial assets and liabilities not measured at fair value

Financial assets and liabilities not presented at their fair value on the statement of financial position mainly represent "Balances with central banks", "Due from banks and other financial institutions", "Placements with and loans to banks and other financial institutions", "Loans and advances to customers, net", "Financial investments" classified as held to maturity and loans and receivables, "Due to central banks", "Due to banks and other financial institutions", "Placements from banks and other financial institutions", and "Due to customers" measured at amortised cost, and "Bonds issued".

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.2 Financial assets and liabilities not measured at fair value (Continued)

The tables below summarise the carrying amounts and fair values of "Debt securities" classified as held to maturity and loans and receivables, and "Bonds issued" not presented at fair value on the statement of financial position.

	As at 31 December			
	Carrying value		Fair value	
	2015	2014	**2015**	2014
Financial assets				
Debt securities [1]				
— Held to maturity	**1,790,790**	1,424,463	**1,835,942**	1,430,467
— Loans and receivables	**330,332**	276,589	**332,428**	276,941
Financial liabilities				
Bonds issued [2]	**282,929**	278,045	**294,821**	289,875

(1) Debt securities classified as held to maturity and loans and receivables

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-negotiable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair value is determined based on stated interest rate of the instruments.

Fair values of other debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Fair value (Continued)

6.2 *Financial assets and liabilities not measured at fair value (Continued)*

The tables below summarise the three levels' fair values of "Debt securities" classified as held to maturity and loans and receivables (excluding the China Orient Bond and Special Purpose Treasury Bond), and "Bonds issued" not presented at fair value on the statement of financial position.

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— Held to maturity	**82,146**	**1,753,796**	**–**	**1,835,942**
— Loans and receivables	**–**	**129,812**	**116**	**129,928**
Financial liabilities				
Bonds issued	**–**	**294,821**	**–**	**294,821**

	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities				
— Held to maturity	90,276	1,340,139	52	1,430,467
— Loans and receivables	–	74,386	55	74,441
Financial liabilities				
Bonds issued	23,365	266,510	–	289,875

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value on the statement of financial position are insignificant. Fair value is measured using a discounted cash flow model.

7 Capital management

The Group follows the principles below with regard to capital management:

- Adequate capital and sustainable development. Implement the Scientific Outlook on Development thoroughly; follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital as to meet regulation requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, to steadily improve the efficiency and return of capital, achieving the reciprocal matchup and dynamic equilibrium among risks, assets and returns.

VI FINANCIAL RISK MANAGEMENT (Continued)

7 Capital management (Continued)

- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; Incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

The Group's capital adequacy ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC. With the approval of the CBRC, the Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBRC by the end of 2018, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 8.50%, 9.50% and 11.50%, respectively.

The Group's regulatory capital is managed by its capital management related departments and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and others;

- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;

- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of minority interests.

Goodwill, other intangible assets (except land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation, significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 and tier 2 capital to derive at the regulatory capital.

The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio[1] calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC.

VI FINANCIAL RISK MANAGEMENT (Continued)

7 Capital management (Continued)

	As at 31 December 2015	As at 31 December 2014
Common equity tier 1 capital adequacy ratio	**11.10%**	10.61%
Tier 1 capital adequacy ratio	**12.07%**	11.35%
Capital adequacy ratio	**14.06%**	13.87%
Composition of the Group's capital base		
Common equity tier 1 capital	**1,197,868**	1,068,706
Common shares	**294,388**	288,731
Capital reserve	**139,572**	130,116
Surplus reserve	**111,207**	95,630
General reserve	**179,416**	159,291
Undistributed profits	**451,585**	383,213
Eligible portion of minority interests	**29,016**	27,329
Other[2]	**(7,316)**	(15,604)
Regulatory deductions	**(15,568)**	(14,317)
Goodwill	**(96)**	(96)
Other intangible assets (except land use rights)	**(5,369)**	(4,554)
Gains on sales related to securitisation transactions	**(204)**	(131)
Direct or indirect investments in own shares	**(86)**	(25)
Reserve relating to cash-flow hedge items not measured at fair value	**16**	10
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	**(9,829)**	(9,521)
Net common equity tier 1 capital	**1,182,300**	1,054,389
Additional tier 1 capital	**103,159**	72,923
Preference shares and related premium	**99,714**	71,745
Eligible portion of minority interests	**3,445**	1,178
Net tier 1 capital	**1,285,459**	1,127,312
Tier 2 capital	**212,937**	250,714
Tier 2 capital instruments issued and related premium	**153,266**	166,368
Excess loan loss provisions	**45,839**	67,299
Eligible portion of minority interests	**13,832**	17,047
Net capital	**1,498,396**	1,378,026
Risk-weighted assets	**10,654,081**	9,934,105

VI FINANCIAL RISK MANAGEMENT (Continued)

7 Capital management (Continued)

(1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited ("BOCG Investment"), Bank of China Insurance Company Limited ("BOC Insurance"), Bank of China Group Insurance Company Limited ("BOCG Insurance") and Bank of China Group Life Assurance Company Limited ("BOCG Life") were excluded from the scope of consolidation in accordance with requirements of the CBRC.

(2) This mainly represented exchange differences from the translation of foreign operations and fair value gains/(losses) on available for sale financial assets.

8 Insurance risk

Insurance contracts are mainly sold in Chinese mainland and Hong Kong denominated in RMB and HKD. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. This risk is inherently random and, therefore, unpredictable. The Group manages its portfolio of insurance risks through its underwriting strategy and policies, portfolio management techniques, adequate reinsurance arrangements and proactive claims handling and processing. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. In order to assess the uncertainty due to the mortality assumption and lapse assumption, the Group conducted mortality rate studies and policy lapse studies in order to determine the appropriate assumptions.

(Amount in millions of Renminbi, unless otherwise stated)

According to Hong Kong Listing Rules and disclosure regulations of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS AND LIQUIDITY COVERAGE RATIO

	As at 31 December	
	2015	2014
RMB current assets to RMB current liabilities	**48.65%**	49.91%
Foreign currency current assets to foreign currency current liabilities	**62.02%**	59.91%

The liquidity ratios are calculated in accordance with the relevant provisions of the CBRC.

Liquidity coverage ratio

According to the *Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks* issued by the CBRC, the Group disclosed the information of liquidity coverage ratio ("LCR") [1] as the follows.

Regulatory requirements of liquidity coverage ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks (Provisional)*, the commercial banks' LCR should reach 100% by the end of 2018. During the transition period, the LCR should reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

The Group's liquidity coverage ratio

The Group's[2] average value of LCR[3] was 119.33% in the fourth quarter of 2015, representing an increase of 5.46 percentage points over the previous quarter. It was primarily due to the increase in the high-quality liquid assets ("HQLA").

The Group's HQLA is comprised of cash, central bank reserves which are able to be drawn down under stress scenarios, and debt securities that meet the qualifying criteria for Level 1 or level 2 assets pursuant to the *Liquidity Risk Management of Commercial Banks (Provisional)*.

	2015			
	Quarter ended 31 December	Quarter ended 30 September	Quarter ended 30 June	Quarter ended 31 March
Average value of LCR	**119.33%**	**113.87%**	**122.71%**	**122.10%**

(Amount in millions of Renminbi, unless otherwise stated)

1 LIQUIDITY RATIOS AND LIQUIDITY COVERAGE RATIO (Continued)

The Group's average values of LCR individual line items in the fourth quarter of 2015 are as follows:

No.		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		3,254,171
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	5,521,391	458,848
3	Stable deposits	1,865,498	93,259
4	Less stable deposits	3,655,893	365,589
5	Unsecured wholesale funding, of which:	7,395,289	2,850,910
6	Operational deposits (excluding those generated from correspondent banking activities)	3,616,006	882,928
7	Non-operational deposits (all counterparties)	3,767,631	1,956,330
8	Unsecured debt	11,652	11,652
9	Secured funding		1,361
10	Additional requirements, of which:	925,982	105,629
11	Outflows related to derivative exposures and other collateral requirements	29,985	29,985
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	895,997	75,644
14	Other contractual funding obligations	160,466	160,466
15	Other contingent funding obligations	3,410,892	66,021
16	**Total cash outflows**		3,643,235
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	159,739	134,875
18	Inflows from fully performing exposures	1,041,514	649,418
19	Other cash inflows	239,089	131,803
20	**Total cash outflows**	1,440,342	916,096
			Total adjusted value
21	**Total HQLA**		3,254,171
22	**Total net cash outflows**		2,727,139
23	**Liquidity coverage ratio (%)**		119.33%

(1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the CBRC.

(2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of subsidiary consolidation in accordance with the requirements of the CBRC.

(3) The average values of LCR and individual line items are the simple arithmetic average of month-end values in the quarter.

2 CURRENCY CONCENTRATIONS

The following information is computed in accordance with the provisions of the CBRC.

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
As at 31 December 2015				
Spot assets	**1,038,079**	**15,909**	**248,416**	**1,302,404**
Spot liabilities	**(991,084)**	**(266,086)**	**(289,553)**	**(1,546,723)**
Forward purchases	**4,395,569**	**408,637**	**793,915**	**5,598,121**
Forward sales	**(4,375,139)**	**(205,517)**	**(780,544)**	**(5,361,200)**
Net options position*	**(1,998)**	**(131)**	**(44)**	**(2,173)**
Net long/(short) position	**65,427**	**(47,188)**	**(27,810)**	**(9,571)**
Structural position	**27,971**	**147,136**	**55,557**	**230,664**
As at 31 December 2014				
Spot assets	1,204,041	21,526	146,298	1,371,865
Spot liabilities	(850,686)	(219,768)	(358,942)	(1,429,396)
Forward purchases	2,111,819	359,305	688,830	3,159,954
Forward sales	(2,425,461)	(206,214)	(495,257)	(3,126,932)
Net options position*	10,598	3,550	(3,512)	10,636
Net long/(short) position	50,311	(41,601)	(22,583)	(13,873)
Structural position	23,628	123,041	44,199	190,868

* The net option position is calculated using the delta equivalent approach as set out in the requirements of the CBRC.

3 INTERNATIONAL CLAIMS

The Group discloses international claims according to "Banking (Disclosure) Rules" (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties beared the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with central banks", "Due from and Placements with and loans to banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Financial assets at fair value through profit or loss", "Loans and advances to customers, net" and "Financial investments".

International claims have been disclosed by major countries or geographical areas. 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.

(Amount in millions of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS (Continued)

	Banks	Official sector	Non-bank private sector	Total
As at 31 December 2015				
Asia Pacific				
Chinese mainland	**591,217**	**162,261**	**938,167**	**1,691,645**
Hong Kong	**19,804**	**82**	**450,424**	**470,310**
Other Asia Pacific locations	**108,248**	**83,632**	**271,457**	**463,337**
Subtotal	**719,269**	**245,975**	**1,660,048**	**2,625,292**
North and South America	**52,986**	**145,505**	**122,046**	**320,537**
Other	**63,131**	**45,090**	**127,127**	**235,348**
Total	**835,386**	**436,570**	**1,909,221**	**3,181,177**

4 OVERDUE ASSETS

For the purpose of the table below, the entire outstanding balance of "Loans and advances to customers" and "Placements with and loans to banks and other financial institutions" are considered overdue if either principal or interest payment is overdue.

(1) Total amount of overdue loans and advances to customers

	As at 31 December	
	2015	2014
Total loans and advances to customers which have been overdue		
within 3 months	**72,418**	58,391
between 3 and 6 months	**21,143**	16,195
between 6 and 12 months	**44,237**	20,757
over 12 months	**41,229**	30,593
Total	**179,027**	125,936
Percentage		
within 3 months	**0.79%**	0.69%
between 3 and 6 months	**0.23%**	0.19%
between 6 and 12 months	**0.49%**	0.24%
over 12 months	**0.45%**	0.36%
Total	**1.96%**	1.48%

(2) Total amount of overdue Placements with and loans to banks and other financial institutions

The total amount of overdue "Placements with and loans to banks and other financial institutions" as at 31 December 2015 and 2014 is not considered material.

Supplementary Information — Differences Between IFRS and CAS Consolidated Financial Statements

(Amount in millions of Renminbi, unless otherwise stated)

DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There are no differences in the Group's operating results for the years ended 31 December 2015 and 2014 or total equity as at 31 December 2015 and 2014 presented in the Group's consolidated financial statements prepared under IFRS and those prepared under CAS.

Unaudited Supplementary Information — Global Systemically Importance Assessment Indicators of Commercial Banks

(Amount in millions of Renminbi, unless otherwise stated)

The following global systemically importance assessment indicators of commercial banks are disclosed in accordance with the *Guidelines for the Disclosure of Global Systemically Importance Assessment Indicators of Commercial Banks* (Yin Jian Fa, [2014] No. 1) promulgated by the CBRC.

No.	Indicators[1]	2015 value
1	Adjusted on-balance and off-balance sheet assets	**18,297,331**
2	Intra-financial system assets	**1,571,871**
3	Intra-financial system liabilities	**1,694,820**
4	Securities and other financing instruments	**1,876,592**
5	Payments settled via payment systems or correspondent banks	**389,856,406**
6	Assets under custody	**6,882,093**
7	Underwritten transactions in debt and equity markets	**651,001**
8	Notional amount of over-the-counter derivatives	**6,079,876**
9	Trading and available for sale securities	**408,217**
10	Level 3 assets	**8,237**
11	Cross-jurisdictional claims	**2,499,748**
12	Cross-jurisdictional liabilities	**4,020,968**

(1) The above indicators are calculated and disclosed in accordance with the *Guidelines for the Disclosure of Global Systemically Importance Assessment Indicators of Commercial Banks*, which are unaudited and inconsistent with the disclosures in the financial report.

Unaudited Supplementary Information — Leverage Ratio

(Amount in millions of Renminbi, unless otherwise stated)

The leverage ratios of the Group calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) and the Capital Rules for Commercial Banks (Provisional)* are as follows[(1)]:

	As at 31 December 2015	As at 30 September 2015	As at 30 June 2015	As at 31 March 2015
Net tier 1 capital	**1,285,459**	1,241,650	1,202,597	1,212,919
Adjusted on- and off-balance sheet assets	**18,297,331**	18,256,503	17,875,933	17,624,946
Leverage ratio	**7.03%**	6.80%	6.73%	6.88%

No.	Items	As at 31 December 2015
1	Total consolidated assets	**16,815,597**
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(9,829)**
3	Adjustments for fiduciary assets	**–**
4	Adjustments for derivative financial instruments	**72,341**
5	Adjustments for securities financing transactions	**17,980**
6	Adjustments for off-balance sheet exposures	**1,604,959**
7	Other adjustments	**(203,717)**
8	Adjusted on- and off-balance sheet assets	**18,297,331**

(Amount in millions of Renminbi, unless otherwise stated)

No.	Items	As at 31 December 2015
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	**16,458,753**
2	Less: tier 1 capital deductions	**(15,568)**
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**16,443,185**
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	**81,819**
5	Add-on amounts for potential future exposure associated with all derivative transactions	**72,758**
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	**–**
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	**–**
8	Less: Exempted CCP leg of client-cleared trade exposures	**–**
9	Adjusted effective notional amount of written credit derivatives	**–**
10	Less: Deductible amounts for written credit derivatives	**–**
11	**Total derivative exposures**	**154,577**
12	Accounting balance for securities financing transaction assets	**76,621**
13	Less: Deducted amounts for securities financing transaction assets	**–**
14	Counterparty credit risk exposure for securities financing transaction assets	**17,989**
15	Agent transaction exposures	**–**
16	**Balance of assets in securities financing transactions**	**94,610**
17	Off-balance sheet items	**3,699,678**
18	Less: Adjustments for conversion to credit equivalent amounts	**(2,094,719)**
19	**Adjusted off-balance sheet exposures**	**1,604,959**
20	Net tier 1 capital	**1,285,459**
21	Adjusted on- and off-balance sheet exposures	**18,297,331**
22	**Leverage ratio**	**7.03%**

(1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

Reference for Shareholders

Financial Calendar for 2016

2015 annual results	To be announced on 30 March 2016
2015 Annual Report	To be printed and dispatched to H-Share Holders in late April 2016
2015 Annual General Meeting	To be held on 7 June 2016
2016 interim results	To be announced no later than 31 August 2016

Annual General Meeting

The Bank's 2015 Annual General Meeting is scheduled to be held in Beijing and Hong Kong, China at 9:30 a.m. on Tuesday, 7 June 2016.

Dividends on Ordinary Shares

The Board of Directors recommended a final dividend on ordinary shares of RMB0.175 per share (before tax), subject to the approval of shareholders at the 2015 Annual General Meeting.

Securities Information

Listing and Trading

The Bank's ordinary shares were listed on the Hong Kong Stock Exchange and SSE on 1 June and 5 July 2006 respectively.

The Bank's Convertible Bonds were listed on SSE on 18 June 2010, and were redeemed by the Bank and delisted from SSE on 13 March 2015.

The Bank's Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 24 October 2014. The Domestic Preference Shares (First Tranche) were traded on the Comprehensive Business Platform of SSE on 8 December 2014. The Domestic Preference Shares (Second Tranche) were traded on the Comprehensive Business Platform of SSE on 31 March 2015.

Ordinary Shares

Issued shares:	294,387,791,241	shares (as at 31 December 2015)
Including:		
A Share:	210,765,514,846	shares
H Share:	83,622,276,395	shares

Preference Shares

Issued shares:	999,400,000	shares (as at 31 December 2015)
Including:		
Domestic Preference Share:	600,000,000	shares
Offshore Preference Share:	399,400,000	shares

Market Capitalisation

As at the last trading day in 2015 (31 December for both A Shares and H Shares), the Bank's market capitalisation was RMB1,087.567 billion (based on the closing price of A Shares and H Shares on 31 December 2015, and the exchange rate of HKD100 = RMB83.778 as published by the SAFE on 31 December 2015).

Reference for Shareholders

Securities Price

	Closing price on 31 December 2015	Highest trading price in the year	Lowest trading price in the year
A Share	RMB4.01	RMB5.96	RMB3.43
H Share	HKD3.46	HKD5.68	HKD3.25
A-Share Convertible Bond	Not applicable	RMB194.16	RMB142.50

Securities Code

A Share

Stock name	中國銀行
Shanghai Stock Exchange	601988
Reuters	601988.SS
Bloomberg	601988 CH

H Share

Stock name	Bank of China
Hong Kong Stock Exchange	3988
Reuters	3988.HK
Bloomberg	3988 HK

Domestic Preference Share (First Tranche)

Stock Name	中行優1
Shanghai Stock Exchange	360002
Bloomberg	EK6323670

Domestic Preference Share (Second Tranche)

Stock Name	中行優2
Shanghai Stock Exchange	360010
Bloomberg	EK8196546

Offshore Preference Share

Stock Name	BOC 2014 PREF
Hong Kong Stock Exchange	4601
Reuters	4601.HK
Bloomberg	EK5371647

Shareholder Enquiry

If a shareholder wishes to enquire about share transfers, changes of name or address, or loss of share certificates, or to receive other information concerning the shares held, please write to the Bank at the following address:

A Share

Shanghai Branch of China Securities Depository and Clearing Corporation Limited
36/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area, Shanghai
Telephone: (86) 21-3887 4800

H Share

Computershare Hong Kong Investor Services Limited
17M, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Domestic Preference Share

Shanghai Branch of China Securities Depository and Clearing Corporation Limited
36/F, China Insurance Building,
166 East Lujiazui Road,
Pudong New Area, Shanghai
Telephone: (86) 21-3887 4800

Credit Rating (Long Term, Foreign Currency)

Standard & Poor's Ratings Services:	A
Moody's Investors Service:	A1
Fitch Ratings:	A
Rating and Investment Information, Inc.:	A
Dagong Global Credit Rating Co., Ltd. (RMB):	AAA

Index Constituents

Hang Seng Index
Hang Seng China H-Financial Index
Hang Seng China Enterprises Index
Hang Seng Composite Index (HSCI) Series
Hang Seng Corporate Sustainability Index Series
MSCI Index Series
Dow Jones Index Series
S&P Index Series
Bloomberg Index Series
FTSE Index Series
Shanghai Stock Exchange Index Series
CSI Index Series

Investor Enquiry

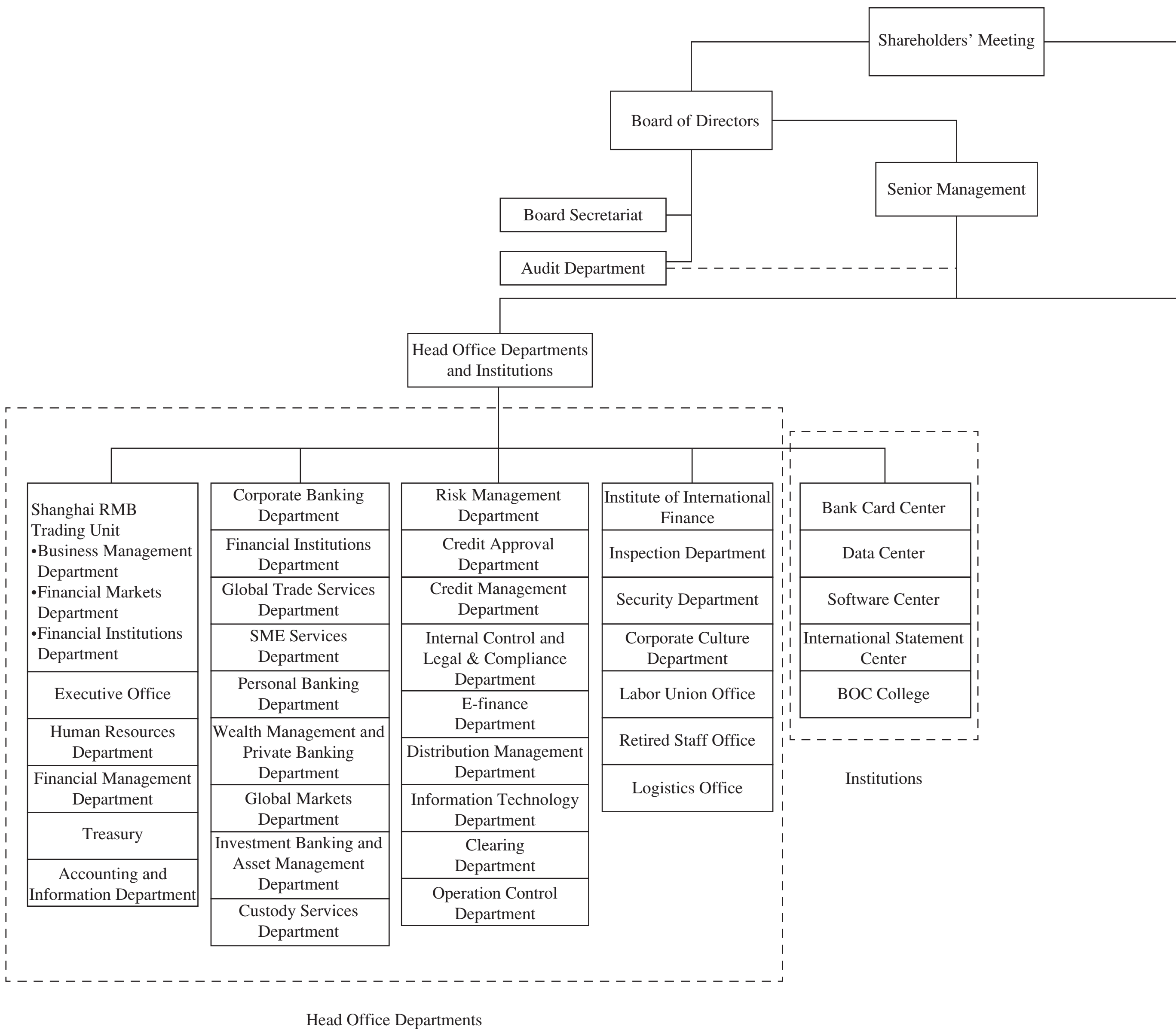
Investor Relations Team, Board Secretariat, Bank of China Limited
8/F, Bank of China Building, 1 Fuxingmen Nei Dajie, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

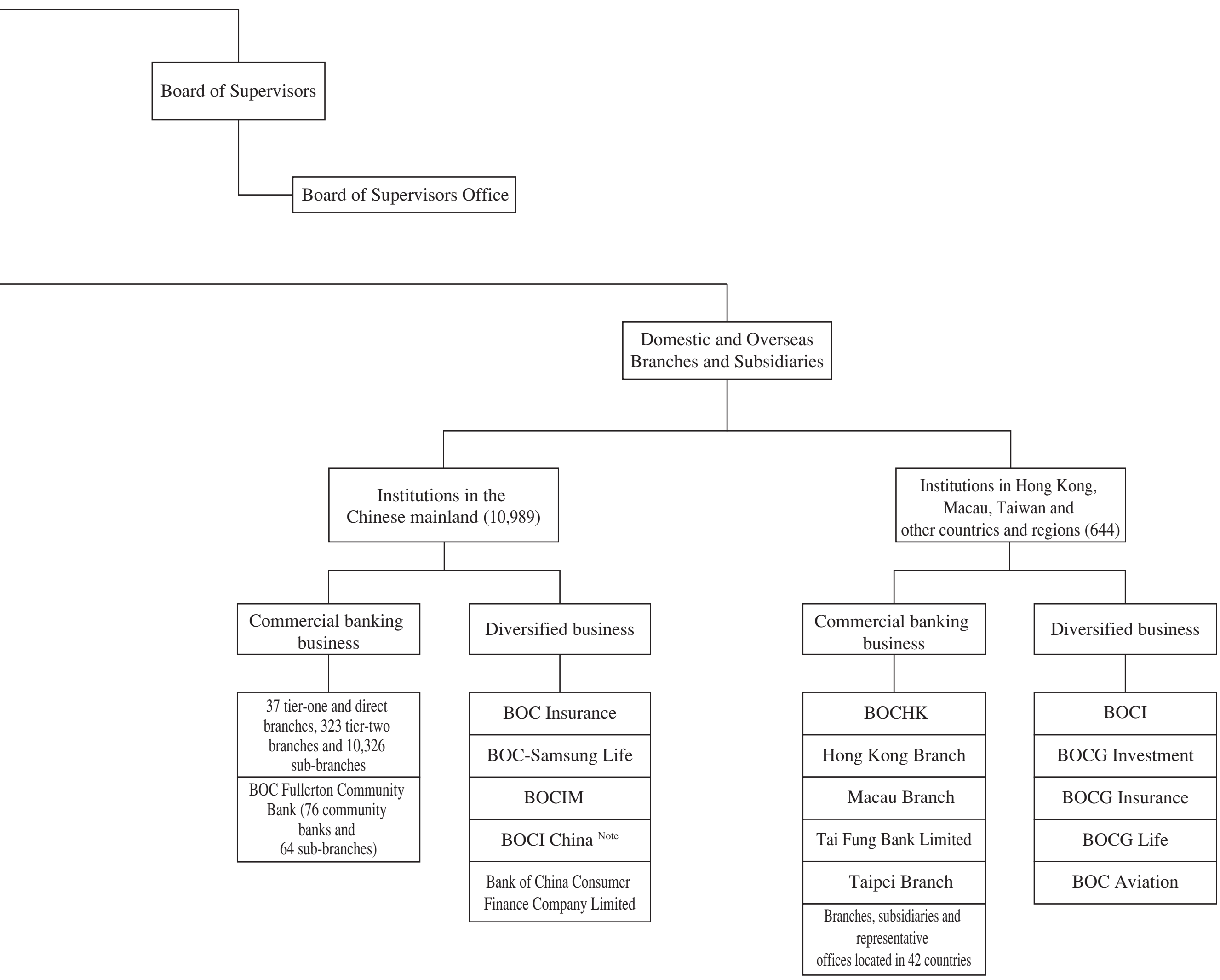
Other Information

You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) to request the annual report prepared under IFRS or go to the Bank's office address for copies prepared under CAS. The Chinese and/or English versions of the annual report are also available on the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or access the document on the Bank's website, please call the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotlines at (86) 10-6659 2638.

Organisational Chart





Note: The Bank holds 37.14% of the equity interest of BOCI China by its wholly-owned subsidiary BOCI.

List of Major Branches and Subsidiaries

MAJOR BRANCHES AND SUBSIDIARIES IN THE CHINESE MAINLAND

HEAD OFFICE

1 FUXINGMEN NEI DAJIE,
BEIJING,
CHINA
SWIFT: BKCHCNBJ
TLX: 22254 BCHO CN
TEL: (86) 010-66596688
FAX: (86) 010-66016871
POST CODE: 100818
WEBSITE: www.boc.cn

BEIJING BRANCH

A,C,E KAIHENG CENTER,
2 CHAOYANGMEN NEI DAJIE,
DONGCHENG DISTRICT,
BEIJING,
CHINA
SWIFT: BKCHCNBJ110
TEL: (86) 010-85122288
FAX: (86) 010-85121739
POST CODE: 100010

TIANJIN BRANCH

8 YOUYI NORTH ROAD,
HEXI DISTRICT,
TIANJIN,
CHINA
SWIFT: BKCHCNBJ200
TEL: (86) 022-27108001
FAX: (86) 022-23312805
POST CODE: 300204

HEBEI BRANCH

28 ZIQIANG ROAD,
SHIJIAZHUANG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0311-69696681
FAX: (86) 0311-69696692
POST CODE: 050000

SHANXI BRANCH

186 PINGYANG ROAD,
XIAODIAN DISTRICT,
TAIYUAN,
SHANXI PROV.,
CHINA
SWIFT: BKCHC BJ680
TEL: (86) 0351-8266016
FAX: (86) 0351-8266021
POST CODE: 030006

INNER MONGOLIA BRANCH

12 XINHUA DAJIE,
XIN CHENG DISTRICT,
HUHHOT,
INNER MONGOLIA
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ880
TEL: (86) 0471-4690052
FAX: (86) 0471-4690001
POST CODE: 010010

LIAONING BRANCH

9 ZHONGSHAN SQUARE,
ZHONGSHAN DISTRICT,
DALIAN,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ810
TEL: (86) 0411-82586666
FAX: (86) 0411-82637098
POST CODE: 116001

JILIN BRANCH

699 XI AN DA LU,
CHANGCHUN,
JILIN PROV.,
CHINA
SWIFT: BKCHCNBJ840
TEL: (86) 0431-88408888
FAX: (86) 0431-88408901
POST CODE: 130061

HEILONGJIANG BRANCH

19 HONGJUN STREET,
NANGANG DISTRICT,
HARBIN,
HEILONGJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ860
TEL: (86) 0451-53626841
FAX: (86) 0451-53624147
POST CODE: 150001

SHANGHAI BRANCH

200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
SWIFT: BKCHCNBJ300
TLX: 33062 BOCSH CN
TEL: (86) 021-50375566
FAX: (86) 021-50372911
POST CODE: 200120

JIANGSU BRANCH

148 ZHONG SHAN NAN LU,
NANJING,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ940
TLX: 34116 BOCJS CN
TEL: (86) 025-84207888
FAX: (86) 025-84206082
POST CODE: 210005

ZHEJIANG BRANCH

321 FENG QI ROAD,
HANGZHOU,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ910
TEL: (86) 0571-85011888
FAX: (86) 0571-87074837
POST CODE: 310003

ANHUI BRANCH

313 MID. CHANGJIANG ROAD,
HEFEI,
ANHUI PROV.,
CHINA
SWIFT: BKCHCNBJ780
TEL: (86) 0551-62926995
FAX: (86) 0551-62926993
POST CODE: 230061

FUJIAN BRANCH

BOC BLDG., 136 WUSI ROAD,
FUZHOU,
FUJIAN PROV.,
CHINA
SWIFT: BKCHCNBJ720
TLX: 92109 BOCFJ CN
TEL: (86) 0591-87090999
FAX: (86) 0591-87090111
POST CODE: 350003

JIANGXI BRANCH

10, LVYIN ROAD,
HONGGUTAN NEW DISTRICT,
NANCHANG,
JIANGXI PROV.,
CHINA
SWIFT: BKCHCNBJ550
TEL: (86) 0791-86471503
FAX: (86) 0791-86471505
POST CODE: 330038

SHANDONG BRANCH

59 HONGKONG MIDDLE ROAD,
QINGDAO,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ500
TEL: (86) 0532-81858000
FAX: (86) 0532-85818243
POST CODE: 266071

HENAN BRANCH

3-1 BUSINESS OUTER RING ROAD,
ZHENGDONG NEW DISTRICT,
ZHENGZHOU,
HENAN PROV.,
CHINA
SWIFT: BKCHCNBJ530
TEL: (86) 0371-87008888
FAX: (86) 0371-87007888
POST CODE: 450018

HUBEI BRANCH

677 JIANSHE ROAD,
WUHAN,
HUBEI PROV.,
CHINA
SWIFT: BKCHCNBJ600
TEL: (86) 027-85562866
(86) 027-85562959
FAX: (86) 027-85562955
POST CODE: 430022

HUNAN BRANCH

593 MID. FURONG ROAD (1 DUAN),
CHANGSHA,
HUNAN PROV.,
CHINA
SWIFT: BKCHCNBJ970
TEL: (86) 0731-82580703
FAX: (86) 0731-82580707
POST CODE: 410005

GUANGDONG BRANCH

197–199 DONGFENG XI LU,
GUANGZHOU,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ400
TEL: (86) 020-83398888
FAX: (86) 020-83348080
POST CODE: 510180

GUANGXI BRANCH

39 GUCHENG ROAD,
NANNING,
GUANGXI ZHUANG
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ480
TEL: (86) 0771-2879316
FAX: (86) 0771-2813844
POST CODE: 530022

HAINAN BRANCH

29, 31 DATONG ROAD,
LONGHUA DISTRICT,
HAIKOU,
HAINAN PROV.,
CHINA
SWIFT: BKCHCNBJ740
TEL: (86) 0898-66562023
FAX: (86) 0898-66562040
POST CODE: 570102

SICHUAN BRANCH

35 MID. RENMIN ROAD (2 DUAN),
CHENGDU,
SICHUAN PROV.,
CHINA
SWIFT: BKCHCNBJ570
TEL: (86) 028-86741950
FAX: (86) 028-86403346
(86) 028-86744859
POST CODE: 610031

GUIZHOU BRANCH

BOC BLDG., 347 RUIJIN SOUTH ROAD,
GUIYANG,
GUIZHOU PROV.,
CHINA
SWIFT: BKCHCNBJ240
TEL: (86) 0851-85822419
FAX: (86) 0851-85825770
POST CODE: 550002

YUNNAN BRANCH

515 BEIJING ROAD,
KUNMING,
YUNNAN PROV.,
CHINA
SWIFT: BKCHCNBJ640
TEL: (86) 0871-63106335
FAX: (86) 0871-63175165
POST CODE: 650051

TIBET BRANCH

7 LINKUO XI LU,
LHASA,
TIBET AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ900
TEL: (86) 0891-6835311
FAX: (86) 0891-6835311
POST CODE: 850000

SHAANXI BRANCH

18 TANGYAN ROAD BEIDUAN,
LIANHU DISTRICT,
XI'AN,
SHAANXI PROV.,
CHINA
SWIFT: BKCHCNBJ620
TEL: (86) 029-89593900
FAX: (86) 029-89592999
POST CODE: 710077

GANSU BRANCH

525 TIANSHUI SOUTH ROAD,
CHENGGUAN DISTRICT
LANZHOU,
GANSU PROV.,
CHINA
SWIFT: BKCHCNBJ660
TEL: (86) 0931-7825003
FAX: (86) 0931-7825004
POST CODE: 730000

QINGHAI BRANCH

218 DONGGUAN STREET,
CHENG DONG DISTRICT,
XINING,
QINGHAI PROV.,
CHINA
SWIFT: BKCHCNBJ280
TEL: (86) 0971-8178888
FAX: (86) 0971-8174971
POST CODE: 810000

NINGXIA BRANCH

39 XINCHANG EAST ROAD,
JINFENG DISTRICT,
YINCHUAN,
NINGXIA HUI
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ260
TEL: (86) 0951-5681501
FAX: (86) 0951-5681509
POST CODE: 750002

XINJIANG BRANCH

1 DONGFENG ROAD,
URUMQI,
XINJIANG UYGUR
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ760
TEL: (86) 0991-2328888
FAX: (86) 0991-2825095
POST CODE: 830002

CHONGQING BRANCH

218 ZHONG SHAN YI ROAD,
YU ZHONG DISTRICT,
CHONGQING,
CHINA
SWIFT: BKCHCNBJ59A
TEL: (86) 023-63889234
FAX: (86) 023-63889217
POST CODE: 400013

SHENZHEN BRANCH

INTERNATIONAL FINANCE BUILDING,
2022 JIANSHE ROAD,
LUOHU DISTRICT, SHENZHEN,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ45A
TEL: (86) 0755-22338888
FAX: (86) 0755-82259209
POST CODE: 518001

SUZHOU BRANCH

188 GANJIANG WEST ROAD,
SUZHOU,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ95B
TEL: (86) 0512-65113558
FAX: (86) 0512-65114906
POST CODE: 215002

NINGBO BRANCH

139 YAOHANG JIE,
NINGBO,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ92A
TEL: (86) 0574-87196666
FAX: (86) 0574-87198889
POST CODE: 315000

JINAN BRANCH

22 LUO YUAN STREET,
JINAN,
SHANDONG PROV.
CHINA
SWIFT: BKCHCNBJ51B
TEL: (86) 0531-86995099
FAX: (86) 0531-86995099
POST CODE: 250063

XIAMEN BRANCH

BANK OF CHINA BUILDING
NO. 40 NORTH HUBIN ROAD,
XIAMEN,
CHINA
SWIFT: BKCHCNBJ73A
TEL: (86) 0592-5066417
FAX: (86) 0592-5095130
POST CODE: 361012

SHENYANG BRANCH

253 SHIFU ROAD,
SHENHE DISTRICT,
SHENYANG,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ82A
TEL: (86) 024-22810827
FAX: (86) 024-22857333
POST CODE: 110013

BANK OF CHINA INSURANCE COMPANY LIMITED

9/10/11F
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83260001
FAX: (86) 010-83260006
P.O. BOX: 100032
WEBSITE: WWW.BOCINS.COM

BANK OF CHINA INVESTMENT MANAGEMENT CO., LTD

45/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-38834999
FAX: (86) 021-68873488
P.O. BOX: 200120
WEBSITE: WWW.BOCIM.COM

BANK OF CHINA CONSUMER FINANCE COMPANY LIMITED

1409#, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-63291680
FAX: (86) 021-63291789
P.O. BOX: 200120
WEBSITE: WWW.BOCCFC.CN
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200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
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FAX: (86) 021-58883554
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EMAIL: ADMINDIV.CHINA@BOCICHINA.COM

PREPARATION TEAM OF BOC FULLERTON COMMUNITY BANKS

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BEIJING,
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P.O. BOX: 100032
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WWW.BOCFULLERTONBANK.COM

BOC-SAMSUNG LIFE INS. CO., LTD.

28/F CHINA MERCHANTS TOWER
NO. 118 JIANGUO ROAD,
CHAOYANG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-58201888
FAX: (86) 010-58201999
P.O. BOX: 100022
WEBSITE:
WWW.BOC-SAMSUNGLIFE.CN

MAJOR BRANCHES AND SUBSIDIARIES IN HONG KONG, MACAU AND TAIWAN

BOC HONG KONG (HOLDINGS) LIMITED

52/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG
TEL: (852) 28462700
FAX: (852) 28105830
WEBSITE: www.bochk.com

BOC INTERNATIONAL HOLDINGS LIMITED

26/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG
TEL: (852) 39886000
FAX: (852) 21479065
WEBSITE: www.bocigroup.com
EMAIL: info@bocigroup.com

HONG KONG BRANCH

7/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG
TEL: (852) 28101203
FAX: (852) 25377609

BANK OF CHINA GROUP INSURANCE COMPANY LIMITED

9/F, WING ON HOUSE,
71 DES VOEUX ROAD CENTRAL,
HONG KONG
TEL: (852) 28670888
FAX: (852) 25221705
WEBSITE: www.bocgroup.com/bocg-ins
EMAIL: info_ins@bocgroup.com

BANK OF CHINA GROUP INVESTMENT LIMITED

23/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG
TEL: (852) 22007500
FAX: (852) 28772629
WEBSITE: www.bocgi.com
EMAIL: bocginv_bgi@bocgroup.com

BOC GROUP LIFE ASSURANCE CO., LTD.

13/F, CITYPLAZA ONE,
1111 KING'S ROAD, TAIKOO SHING,
HONG KONG
TEL: (852) 21608800
FAX: (852) 28660938
WEBSITE: www.bocgroup.com/bocg-life
EMAIL: boc_life@bocgroup.com

MACAU BRANCH

BANK OF CHINA BUILDING,
AVENIDA DOUTOR MARIO SOARES,
MACAU
SWIFT: BKCHMOMX
TEL: (853) 28781828
FAX: (853) 28781833
WEBSITE: www.bocmacau.com

TAI FUNG BANK LIMITED

418, ALAMEDA DR. CARLOS,
d'ASSUMPCAO,
MACAU
TEL: (853) 28322323
FAX: (853) 28570737
WEBSITE: www.taifungbank.com
EMAIL: tfbsecr@taifungbank.com

TAIPEI BRANCH

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XINYI DIST., TAIPEI CITY,
TAIWAN
SWIFT: BKCHTWTP
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FAX: (886) 2-27581598
EMAIL: service.tw@bankofchina.com

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ASIA-PACIFIC AREA

SINGAPORE BRANCH

4 BATTERY ROAD,
BANK OF CHINA BUILDING,
SINGAPORE 049908
SWIFT: BKCHSGSGXXX
TEL: (65) 65352411
FAX: (65) 65343401
EMAIL: service.sg@bankofchina.com

TOKYO BRANCH

BOC BLDG. 3-4-1 AKASAKA MINATO-KU,
TOKYO 107-0052
JAPAN
SWIFT: BKCHJPJT
TEL: (813) 35058818
FAX: (813) 35058868
EMAIL: service.jp@bankofchina.com

SEOUL BRANCH

41, CHEONG GYE CHEON-RO,
JONGNO-GU,
(1/2/3F., YOUNG POONG BLDG., 33 SEOLIN-DONG)
03188, SEOUL,
KOREA
SWIFT: BKCHKRSEXXX
TEL: (82) 16705566
FAX: (82) 23996265

BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

179/4 BANGKOK CITY TOWER
SOUTH SATHORN ROAD,
THUNGMAHAMEK SATHORN DISTRICT,
BANGKOK 10120,
THAILAND
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TEL: (662) 2861010
FAX: (662) 2861020
CUSTOMER SERVICE CENTER: (662) 6795566
EMAIL: service.th@bankofchina.com

BANK OF CHINA (MALAYSIA) BERHAD

GROUND, MEZZANINE, & 1st FLOOR
PLAZA OSK,
25 JALAN AMPANG
50450 KUALA LUMPUR,
MALAYSIA
SWIFT: BKCHMYKL
TEL: (603) 23878888
FAX: (603) 21615150
EMAIL: service.my@bankofchina.com

HOCHIMINH CITY BRANCH

19/F., SUNWAH TOWER
115 NGUYEN HUE BLVD.,
DISTRICT 1
HOCHIMINH CITY,
VIETNAM
SWIFT: BKCHVNVX
TEL: (848) 38219949
FAX: (848) 38219948
EMAIL: service.vn@bankofchina.com

MANILA BRANCH

G/F. & 36/F., PHILAMLIFE TOWER
8767 PASEO DE ROXAS, MAKATI CITY
MANILA
PHILIPPINES
SWIFT: BKCHPHMM
TEL: (632) 8850111
FAX: (632) 8850532
EMAIL: service.ph@bankofchina.com

JAKARTA BRANCH

TAMARA CENTER 11th FLOOR,
JALAN JEND. SUDIRMAN KAV. 24
JAKARTA 12920,
INDONESIA
SWIFT: BKCHIDJA
TEL: (6221) 5205502
FAX: (6221) 5201113/5207552
EMAIL: service.id@bankofchina.com

SYDNEY BRANCH

39–41 YORK STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2SXXX
TEL: (612) 82355888
FAX: (612) 92621794
EMAIL: service.au@bankofchina.com

BANK OF CHINA (AUSTRALIA) LIMITED

39–41 YORK STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2AXXX
TEL: (612) 82355888
FAX: (612) 92621794
EMAIL: service.au@bankofchina.com

BANK OF CHINA (NEW ZEALAND) LIMITED

LEVEL 17, TOWER 1, 205 QUEEN STREET,
AUCKLAND, 1010,
NEW ZEALAND
SWIFT: BKCHNZ22
TEL: (64) 99809000
EMAIL: service.nz@bankofchina.com

JSC AB (BANK OF CHINA KAZAKHSTAN)

71B, MICRODISTRICT, ZHETYSU-2,
AUEZOV DISTRICT,
050063, ALMATY,
REPUBLIC OF KAZAKHSTAN
SWIFT: BKCHKZKA
TEL: (7727) 2585510
FAX: (7727) 2585514/2501896
EMAIL: bockz@ittle.kz

PHNOM PENH BRANCH

CANADIA TOWER, 1st & 2nd FLOOR,
#315 ANG DOUNG St.
(CORNER OF MONIVONG BLVD.)
P.O.BOX 110, PHNOM PENH,
CAMBODIA
SWIFT: BKCHKHPP
TEL: (85523) 988 886
FAX: (85523) 988 880
EMAIL: service.kh@bankofchina.com

VIENTIANE BRANCH

NO. A1003-A2003, VIENTIANE CENTER,
KHOUVIENG ROAD, NONGCHAN VILLAGE,
SISATTANAK DISTRICT,
VIENTIANE CAPITAL,
LAO P.D.R.
SWIFT : BKCHLALAXXX
TEL: (856) 21228888
FAX: (856) 21228880
EMAIL: service.la@bankofchina.com

ULAANBAATAR REPRESENTATIVE OFFICE

11th FLOOR CENTRAL TOWER,
2 GREAT CHINGGIS KHAAN SQUARE, SBD-8,
ULAANBAATAR 14200,
MONGOLIA
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FAX: (976) 77195566

BAHRAIN REPRESENTATIVE OFFICE

OFFICE 1502, AL JASRAH TOWER,
DIPLOMATIC AREA BUILDING 95,
ROAD 1702, BLOCK 317,
MANAMA
KINGDOM OF BAHRAIN
TEL: (973) 17531119
FAX: (973) 17531009
EMAIL:
bldbcbgs@mail.notes.bank-of-china.com

BANK OF CHINA MIDDLE EAST (DUBAI) LIMITED

LEVEL 11 TOWER 2,
AL FATTAN CURRENCY HOUSE
DUBAI INTERNATIONAL FINANCIAL CENTRE
P.O. BOX 118842 DUBAI,
U.A.E.
SWIFT: BKCHAEAD
TEL: (9714) 3819100
FAX: (9714) 3880778

BANK OF CHINA (DHABI) BRANCH

LEVEL 11 TOWER 2,
AL FATTAN CURRENCY HOUSE
DUBAI INTERNATIONAL FINANCIAL CENTRE
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U.A.E.
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FAX: (9714) 3880778
EMAIL: service.ae@bankofchina.com

BANK OF CHINA LTD-ABU DHABI

GROUND FLOOR, MANSOUR TOWER,
AL SALAM STREET,
P.O.BOX 73098, ABU DHABI,
U.A.E.
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TEL: (9712) 4041666
FAX: (9712) 4041668
EMAIL: abudhabi.ae@bankofchina.com

ISTANBUL REPRESENTATIVE OFFICE

BUYUKDERE CAD. NO. 185
KANYON OFIS BLOGU K.15,
34394, LEVENT ISTANBUL,
TURKEY
TEL: (90) 2122608888
FAX: (90) 2122798866
EMAIL: service.tr@bankofchina.com

YANGON REPRESENTATIVE OFFICE

08-06, LEVEL 8,
UNION FINANCIAL CENTER (UFC),
CORNER OF MAHABANDOOLA ROAD &
THEIN PHYU ROAD
45TH STREET, BOTATUNG TOWNSHIP,
YANGON,
MYANMAR
TEL: (95) 18610408
EMAIL: service.mm@bankofchina.com

BOC AVIATION PTE. LTD.

8 SHENTON WAY #18-01
SINGAPORE 068811
TEL: (65) 63235559
FAX: (65) 63236962
WEBSITE: www.bocaviation.com
EMAIL: information@bocaviation.com

EUROPE

LONDON BRANCH

1 LOTHBURY,
LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2L
TEL: (4420) 72828888
FAX: (4420) 76263892
EMAIL: service.uk@bankofchina.com
WEBSITE: http://www.bankofchina.com/uk/

BANK OF CHINA (UK) LIMITED

1 LOTHBURY,
LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2U
TEL: (4420) 72828888
FAX: (4420) 76263892
EMAIL: service.uk@bankofchina.com
WEBSITE: http://www.bankofchina.com/uk/

BOC AVIATION (IRELAND) LIMITED

THE CRESCENT BUILDING
NORTHWOOD, SANTRY
DUBLIN 9 D09 C6X8
REPUBLIC OF IRELAND
TEL: (353) 1 893 4173

PARIS BRANCH

23-25 AVENUE DE LA GRANDE ARMEE
75116 PARIS,
FRANCE
SWIFT: BKCHFRPP
TLX: 281 090 BDCSP
TEL: (33) 149701370
FAX: (33) 149701372

FRANKFURT BRANCH

BOCKENHEIMER LANDSTR. 24
60323 FRANKFURT AM MAIN,
GERMANY
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FAX: (4969) 170090500
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LUXEMBOURG BRANCH

37/39 BOULEVARD PRINCE HENRI L-1724
LUXEMBOURG P.O. BOX 114 L-2011,
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List of Major Branches and Subsidiaries

BANK OF CHINA (LUXEMBOURG) S.A. BRUSSELS BRANCH

20 AVENUE DES ARTS,
1000, BRUSSELS,
BELGIUM
SWIFT: BKCHBEBB
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BANK OF CHINA (LUXEMBOURG) S.A. ROTTERDAM BRANCH

WESTBLAAK 109,
3012KH ROTTERDAM,
THE NETHERLANDS
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BANK OF CHINA (LUXEMBOURG) S.A. STOCKHOLM BRANCH

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114 34 STOCKHOLM,
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FAX: (48) 224178887
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