中国建设银行
China Construction Bank

Annual Report 2014

China Construction Bank Corporation

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

Stock Code: 939

CONTENTS

CORPORATE INTRODUCTION

China Construction Bank Corporation, established in October 1954 and headquartered in Beijing, is a leading large-scale joint stock commercial bank in Mainland China with world-renowned reputation. The Bank was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and listed on the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2014, the Bank's market capitalisation reached US$207.9 billion, ranking fourth among listed banks in the world.

With 14,856 branches and sub-branches in Mainland China, the Bank provides services to 3.48 million corporate customers and 314 million personal customers, and maintains close cooperation with the leading enterprises of strategic industries in the Chinese economy and a large number of high-end customers. The Bank maintains overseas branches in Hong Kong, Macau, Singapore, Frankfurt, Johannesburg, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Taipei, Luxembourg, Brisbane and Toronto, and has a number of subsidiaries, such as CCB Asia, CCB International, CCB London, CCB Russia, CCB Dubai, CCB Europe, CCB New Zealand, CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures and Sino-German Bausparkasse.

The Bank upholds its "customer-centric, market-oriented" business philosophy, adheres to its development strategy of "integration, multifunction and intensiveness", and strives to provide customers with comprehensive, premium and modern financial services by accelerating innovation of products, channels and service modes. Being a market leader of a number of core business indicators, the Bank vigorously promotes the development of emerging businesses including investment banking, credit cards, electronic banking, private banking and consumer finance, while maintaining its traditional business advantages in infrastructure and housing finance. The Bank constantly optimises business and management processes, and increases investments in infrastructure like information systems, aiming to enhance its capability of risk prevention and control and market competitiveness.

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

1 FINANCIAL HIGHLIGHTS

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

(Expressed in millions of RMB unless otherwise stated)	**2014**	2013	Change (%)	2012	2011	2010
For the year						
Net interest income	**437,398**	389,544	12.28	353,202	304,572	251,500
Net fee and commission income	**108,517**	104,283	4.06	93,507	86,994	66,132
Other operating income	**10,825**	17,313	(37.47)	15,824	7,837	8,148
Operating income	**556,740**	511,140	8.92	462,533	399,403	325,780
Operating expenses	**(195,988)**	(188,185)	4.15	(171,081)	(144,537)	(121,366)
Impairment losses	**(61,911)**	(43,209)	43.28	(40,041)	(35,783)	(29,292)
Profit before tax	**299,086**	279,806	6.89	251,439	219,107	175,156
Net profit	**228,247**	215,122	6.10	193,602	169,439	135,031
Net profit attributable to equity shareholders of the Bank	**227,830**	214,657	6.14	193,179	169,258	134,844
As at 31 December						
Gross loans and advances to customers	**9,474,523**	8,590,057	10.30	7,512,312	6,496,411	5,669,128
Allowances for impairment losses on loans	**(251,613)**	(228,696)	10.02	(202,433)	(171,217)	(143,102)
Total assets	**16,744,130**	15,363,210	8.99	13,972,828	12,281,834	10,810,317
Deposits from customers	**12,898,675**	12,223,037	5.53	11,343,079	9,987,450	9,075,369
Total liabilities	**15,491,767**	14,288,881	8.42	13,023,283	11,465,174	10,109,157
Total equity attributable to equity shareholders of the Bank	**1,242,179**	1,065,951	16.53	941,668	811,140	697,047
Qualifying common share capital	**250,011**	250,011	–	250,011	250,011	250,011
Total capital after deductions [1]	**1,516,928**	1,316,724	15.20	N/A	N/A	N/A
Risk-weighted assets [1]	**10,203,643**	9,872,790	3.35	N/A	N/A	N/A
Per share (In RMB)						
Basic and diluted earnings per share	**0.91**	0.86	5.81	0.77	0.68	0.56
Final cash dividend proposed after the reporting period	**0.301**	0.30	0.33	0.268	0.2365	0.2122
Net assets per share	**5.01**	4.30	16.51	3.80	3.27	2.80

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

1 Financial Highlights

Financial ratios (%)	2014	2013	Change +/(-)	2012	2011	2010
Profitability indicators						
Return on average assets [1]	**1.42**	1.47	(0.05)	1.47	1.47	1.32
Return on average equity	**19.74**	21.23	(1.49)	21.98	22.51	22.61
Net interest spread	**2.61**	2.56	0.05	2.58	2.57	2.40
Net interest margin	**2.80**	2.74	0.06	2.75	2.70	2.49
Net fee and commission income to operating income	**19.49**	20.40	(0.91)	20.22	21.78	20.30
Cost-to-income ratio [2]	**28.92**	29.65	(0.73)	29.60	29.93	31.55
Loan-to-deposit ratio	**73.45**	70.28	3.17	66.23	65.05	62.47
Capital adequacy indicators						
Common Equity Tier 1 ratio [3]	**12.12**	10.75	1.37	N/A	N/A	N/A
Tier 1 ratio [3]	**12.12**	10.75	1.37	N/A	N/A	N/A
Total capital ratio [3]	**14.87**	13.34	1.53	N/A	N/A	N/A
Total equity to total assets	**7.48**	6.99	0.49	6.80	6.65	6.49
Asset quality indicators						
Non-performing loan (NPL) ratio	**1.19**	0.99	0.20	0.99	1.09	1.14
Allowances to NPLs	**222.33**	268.22	(45.89)	271.29	241.44	221.14
Allowances to total loans	**2.66**	2.66	–	2.69	2.64	2.52

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

2 CORPORATE INFORMATION

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

2 Corporate Information

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

3 CHAIRMAN'S STATEMENT

Dear shareholders,

In 2014, facing the complex and volatile operating environment, the Group persisted in serving the real economy, focused on deepening reform, accelerated business transformation and development and strengthened risk management by treating "integration, multifunction and intensiveness" as its strategic guideline, which achieved the coordinated development of the business scale, quality and profitability. The Group maintained a stable market position and its core indicators and market capitalisation continued to be in the leading position among peers.

At the end of 2014, the Group's total assets reached RMB16.74 trillion. Net profit amounted to RMB228,247 million. The return on average assets and the return on average equity were 1.42% and 19.74% respectively. Total capital ratio and common equity tier one ratio were 14.87% and 12.12% respectively. On account of the favourable operating results, the Board of the Bank has recommended a final cash dividend of RMB0.301 per share.

We focused on deepening reform and accelerated the pace of strategic transformation. By closely integrating new situations, new requirements and new trends in the process of reform and development in the banking industry, the Group studied and teased out ideas of deepening reform and transformation and development, implemented the intensive reform of organisation at the head office and promoted market-oriented reform for certain subsidiaries. The Group formulated *Transformation and Development Plan of China Construction Bank* in 2014, which proposed to accelerate transformation towards a comprehensive banking group, multi-functional service, intensive development, an innovative bank and a smart bank. In accordance with the requirements of enhancing capability to serve national development, to prevent financial risks and to participate in international competition, the Group specified seven key points of transformation, including promoting operation and management of assets and liabilities on a consolidated basis, consolidating and developing wholesale business, accelerating the development of retail business, improving the quality of electronic banking business, enhancing asset management business for customers in an all-round way, strengthening the competitiveness of subsidiaries and accelerating the expansion of international business and overseas operations. By deepening reform of system and mechanism, strengthening risk management and control, enhancing IT support and big data usage capacity, the Group strove to build the best value creation bank. Currently, through comprehensive transformation in aspects including management philosophy, business strategy, asset allocation, assessment mechanism and organisational structure, all the operation and management units and branches and sub-branches of the Group are refining the transformation plan to coordinate the annual business plans and tasks, to promote development against the backdrop of the economic "new normal".

We supported the development of real economy and continued to promote credit structural adjustment. The Group rationally allocated resources, and focused on supporting the key areas and weak links of the national welfare and people's livelihood. The Group leveraged on traditional advantages. The infrastructure loans increased by RMB271,482 million last year, which accounted for 75.25% of the increase in corporate loans, and were mainly invested in projects under construction or expansion, key national projects, urbanisation and new countryside construction. The Group maintained a leading edge in entrusted housing finance. The balance of residential mortgages was RMB2.25 trillion, ranking first among peers in terms of both the balance and the increase, and the market share of entrusted housing finance exceeded 50%. The Group actively expanded financial services to small and micro enterprises by vigorously promoting new business models such as "Credit Cooperation Loan" and big-data-based products exclusively designed for small and micro enterprises such as "Shanrong Loan" and "Settlement Overdraft", to improve the service quality for small and micro enterprises. The Group explored new models of rural financial services, continuously increased the number of outlets in county regions, strengthened cross-industry cooperation with agriculture-related enterprises and institutions like the supply and marketing cooperatives, and promoted mobile banking, ATMs and point-of-sale (POS) services to expand service channels. It also strictly controlled the loans to industries with excess capacity and areas with regulatory restrictive policies. Loans to the five industries with severe overcapacity, including iron and steel, cement, electrolytic aluminium, plate glass, as well as shipbuilding sector decreased by RMB4,986 million compared to last year, and loans to local government financing vehicles fell by RMB28,638 million over the previous year, contributing to the further optimisation of customer mix.

We basically formed an integrated operation framework with multi-functional service capability significantly improved. Integrated operation platform construction achieved new breakthroughs with the official opening of CCB Futures. The pension business and policy housing made great progress with the approvals from government. The Group satisfied the financing needs of customers totalling RMB1.04 trillion through integrated services in asset management, investment banking and of subsidiaries. The accumulated number of credit cards issued reached 65 million. Core indicators including the number of increase in card issuance and new merchants, as well as the number of consumer transactions continued to lead the market. The Group ranked first among peers in terms of underwriting volume and income of debt securities for four consecutive years. The assets under custody increased by 38.06%, and the increase in the number of and the units of initial offering of securities investments funds under custody, and pension products of enterprise annuity under custody were in a leading position in the market. The proportion of the number of accounting transactions through electronic banking and self-service channels to the total number of accounting transactions through various channels rose to 88.03%. The number of personal online banking customers and mobile banking customers reached 179 million and 147 million respectively.

We made major breakthroughs in the expansion of overseas network and rapid progress in international business. Macau Branch, New Zealand subsidiary bank, Toronto Branch and Brisbane Branch were officially opened; institutions in London, Paris, Amsterdam, Barcelona and Cape Town were granted domestic and foreign regulatory approvals; the purchase of 72% of the total share capital of BIC in Brazil was accomplished; and active efforts were made for the establishment of institutions in Chile, Zurich and Milan. The Bank was designated as the RMB clearing bank in London, conducive to the optimisation of the offshore RMB centralised clearing system, with its direct service range covering 17 countries and regions across three continents. The Group successfully issued RMB bonds in offshore markets including Hong Kong, Frankfurt, Sydney, Switzerland and Taiwan, and received good market responses. The Group propelled the "Going Global" strategy of Chinese enterprises, set up professional institutions or teams in the free trade zones, "One Belt and One Road" and coastal open areas, and enhanced domestic and overseas collaborative services.

We reinforced business foundation with enhanced operating capability and development potential. Customer base was further consolidated. In 2014, the number of the effective corporate and institutional customers and corporate RMB settlement accounts increased by 110 thousand and 680 thousand respectively; the number of the effective personal customers rose by 11.88 million. With further implementation of "three integrations" at outlets, the number of integrated outlets totalled 13,700, the proportion of integrated tellers reached 80%, and the number of integrated marketing teams amounted to 17,500, gradually transforming outlets into platforms for customer marketing, customer experiencing and product exhibition. With the deepening of separation between the bank counters and back offices for over-the-counter businesses at outlets, the Group achieved centralised processing at the head office of 30 categories of over-the-counter real-time businesses for over 14,500 outlets, raising business handling efficiency by 60%. The Group made great progress in cross-selling and business collaboration among the head office and branches, the Bank and its subsidiaries, domestic and overseas entities, as well as among branches. The Group's advantage of being comprehensive and multi-functional became more prominent.

We consolidated risk management while firmly holding the risk bottom line. According to the requirements of the New Basel Capital Accord, the Group implemented comprehensive risk management to cover all domestic and overseas branches and subsidiaries, and optimised comprehensive risk prevention and control accountability system. The Group launched the activity of "Year of Credit Risk Prevention and Control" by improving the fundamental management of the entire credit process, setting up centralised loan granting centres, and strengthening the pre-lending due diligence work and the standardised post-lending management. It implemented stringent management and control on assets quality, strengthened specialised screening of high risk areas, prevented risks from earlier stages and enhanced the disposal of major risk projects and NPLs, so as to achieve the goal of asset quality control. The Group took into full consideration the changes in the macroeconomic situation, made prudent and sufficient allowances for impairment losses on loans, and maintained a sound risk compensation status. At the end of 2014, the Group's NPL ratio was 1.19%, the ratio of allowances for impairment losses to NPLs was 222.33%, and the ratio of allowances for impairment losses to the total loans was 2.66%.

We proactively fulfilled the corporate social responsibilities. The Group continued to participate in long-term public welfare programmes, such as the construction of the CCB Hope Primary Schools, "CCB Scholarships and Grants for College Students from Ethnic Minorities Programme" and "Sponsorship Programme for Impoverished Mothers of Heroes & Exemplary Workers", accumulatively donating a total of RMB260 million. The Group donated to "Healthy Mother Express" again this year, which provided maternal health care and other medical services to local women in the poor counties and towns of Xinjiang, Tibet, and Inner Mongolia. It continued the programme of "Credit Card Points Help Fulfill Dreams, Micro Public Welfare" to innovatively explore a new way of making charity donations with credit card points. The Group launched special programmes for consumer rights and interests protection, making it an underlying goal for all business sectors and procedures within the Bank. The Group actively promoted inclusive finance and green credit, and continued to increase credit support for green environmental protection, energy saving and emission reduction. In 2014, the Group became the official representative of Business Advisory Council of Asia-Pacific Economic Cooperation (APEC), attended and hosted a series of activities of APEC in Beijing, voiced opinions of Chinese enterprises on the APEC platform, extensively communicated with representatives from various economies and business communities, and made active efforts in building a free and convenient trade and investment environment and promoting financial collaborations in the Asia-Pacific region.

In 2014, the Group's good performance gained wide recognition from the market and community. We received more than 100 accolades from renowned organisations both at home and abroad, including the second place in the "Top 1000 World Banks" published by *The Banker* in terms of total tier-one capital; the 29th place in "Global 500" and the third place in "Emerging 500" published by *Financial Times*; the second place in "Global 2000" published by *Forbes*; and the 38th place in "Fortune Global 500" published by *Fortune*. In addition, the Group won numerous awards from major domestic and foreign media for its achievements in fields including corporate governance, corporate social responsibilities, risk management, corporate credit, retail business, investment custodial business, underwriting of debt securities, credit card, housing finance and information technology.

The year of 2014 witnessed the historical moment of the 60th anniversary of China Construction Bank. For the past 60 years, focusing on serving national economic development, with development as the keynote and reform as the momentum, we were bold enough to take the initiative and make continuous innovation to constantly improve market competitiveness and financial service quality. Since the founding in 1954, capitalising on infrastructure construction as our expertise, we made historical contribution to the nation's infrastructure construction and the foundation-laying for modern industrialisation. We actively explored new areas of commercial banking including infrastructure construction financing, deposit business, international business, credit card, housing finance and other businesses since the reform and opening up in 1979. In 1994, through commercialisation, concentrated operation and comprehensive development, we became the pacesetter in reform and innovation for domestic banks. In 2003, after restructuring and reform, we set up modern financial enterprise system and became the first joint-stock bank and was the first to be listed both domestically and abroad among the four state-owned banks, achieving a qualitative leap in market competitiveness, capital strength, profitability, operating and management mechanisms and internal risk control, and becoming a large global joint-stock bank. In recent years, we rapidly developed emerging businesses of strategic importance such as investment banking, private banking, electronic banking, small and micro enterprises and consumer finance, and strove to build a comprehensive platform for services in insurance, fund, trust, leasing, investment banking and futures, so as to continuously enhance the level of integration, multifunction, and intensiveness of operation and management.

Looking ahead, we will proactively adapt to the new normal, comprehensively promote the implementation of transformation and development plan, and continuously deepen the reform, to constantly improve the integrated operation and multi-functional service ability. We are striving to reward the shareholders, customers and the community for their trust and support with good business performance.

Wang Hongzhang

Chairman

27 March 2015

4 PRESIDENT'S REPORT

Dear shareholders,

In 2014, the Group persisted in stable operation, promoted comprehensive transformation and development, and maintained a good momentum of development on the whole as a result of constantly released endogenous power and strengthened innovation drives.

STABLE DEVELOPMENT AND EXPECTED BUSINESS PERFORMANCE

At the end of 2014, the Group's total assets increased by 8.99% to RMB16,744,130 million from 2013. Gross loans and advances to customers increased by 10.30% to RMB9,474,523 million; deposits from customers rose by 5.53% to RMB12,898,675 million. Operating income increased by 8.92% to RMB556,740 million over 2013. In this amount, net interest income increased by 12.28%, and net interest margin (NIM) was 2.80%. Net fee and commission income accounted for 19.49% of the operating income. Cost-to-income ratio stood at 28.92%. The Group achieved a profit before tax of RMB299,086 million, up by 6.89% over 2013. Net profit increased by 6.10% to RMB228,247 million. The total capital ratio was 14.87%, the NPL ratio was 1.19%, and the ratio of allowances for impairment losses to NPLs was 222.33%.

PROMOTED STRATEGIC TRANSFORMATION AND STEADILY IMPROVED OPERATING CAPABILITY

We granted loans in a steady and orderly manner. The Group supported major infrastructure projects of national strategic importance, and loans to infrastructure sectors reached RMB2,559,215 million, an increase of 11.87%. The Group largely promoted inclusive finance, and domestic retail loans accounted for 45.4% of domestic loans, up by 2.4 percentage points over 2013. Focusing on serving the real economy, the Bank proactively met the financial demands of small and micro enterprises that have market demand, technology and credibility, and environmental protection awareness and promote employment, by giving priority and attaching importance to small and micro enterprises. The Group supported demands in livelihood sectors such as housing, with residential mortgages increasing by 19.87% to RMB2,253,815 million, ranking first among peers in terms of both the balance and increase.

We maintained rapid development in strategic businesses. Underwriting volume of debt financing instruments totalled RMB398,983 million, ranking first among peers for four straight years. Pension financial products system, with "Yangyi" as its main brand, was further diversified. The pension assets under trusteeship in operation and the number of accounts of the pension assets increased by RMB18,832 million and 623,400 respectively. Assets under custody increased by 38.06% and the increase in the number of and the units of initial offering of securities investments funds under custody ranked first in the market. The number of customers of cross-border RMB settlement business exceeded 10,000, and the settlement volume reached RMB1.46 trillion. The Group issued 65.93 million credit cards, with the spending amount through credit cards reaching RMB1,658,081 million and multiple core indicators ranking first among peers. The Group made constant progress in private banking business, with an increase of 14.18% in the number of private banking customers and an increase of 18.21% in the amount of their financial assets.

We gradually improved the integrated financial service functions. The Group completed the purchase of the futures company and renamed it as CCB Futures, which officially opened, with the number of non-banking financial licences leading the market. The market position of various subsidiaries was greatly improved, with their business scales being in a leading position among industry peers. The volume of assets managed by CCB Trust ranked third among peers, premium income of CCB Life ranked first among bank-affiliated subsidiaries and the number of IPO projects of CCB International led the investment banking market in Hong Kong. At the end of 2014, total assets of the integrated operation subsidiaries increased by 34.30% and net profit increased by 31.63%.

We made breakthroughs in the transformation of internationalisation. The Group proactively engaged in the global market to participate in international competition. The number of tier-one overseas entities reached 21, preliminarily covering the major overseas markets. The Group established head office level agency bank relationship with a total of 1,470 overseas entities in 138 countries and regions, constantly expanding the service network. It was designated as the RMB clearing bank in London, and successfully issued Formosa bonds, dim sum bonds, Goethe bonds, and Oceania bonds.

REINFORCED FUNDAMENTAL CONSTRUCTION AND LARGELY ENHANCED SUSTAINED MOMENTUM OF DEVELOPMENT

We improved the risk management level. The Bank strengthened the unified risk management and proactively promoted the development of comprehensive risk management system that covered both on and off-balance sheet, domestic and overseas entities as well as the parent company and subsidiaries. The Bank launched activities including “Year of Credit Risk Prevention and Control” and “Governing Crucial Links and Preventing Outstanding Risks” aiming at addressing special cases throughout 2014. The Bank continuously improved the credit rating system, and enhanced control over key risk points in “three examinations”, collaterals, and unified risk monitoring. The Bank adopted differentiated credit policies and management and control approaches over high-risk industries, regions and products, introduced 63 industrial policies and 30 marketing guidelines, enhanced risk screening and eliminations, and organised orderly exit of high-risk customers.

We promoted the functional transformation of distribution channels. The Bank continued to promote the implementation of “three integrations” at outlets, building up 13,700 integrated outlets, and 17,500 integrated marketing teams, and gradually transforming outlets into platforms for customer marketing, customer experiencing and product exhibition. The Bank further improved application of electronic service channels. The ratio of the number of accounting transactions through electronic banking and self-service channels to the total number of accounting transactions through all channels rose to 88.03%, an increase of 2.63 percentage points over 2013. The number of online banking customers reached 182 million, up by 19.10%, and the number of mobile banking customers reached 147 million, up by 25.98%. The number of WeChat banking customers was 14 million, of which 8.73 million customers followed the Bank’s WeChat official account and attached their bank cards.

We continuously improved the capability of product innovation. Striving to be an innovative bank, the Bank promoted innovations in areas such as urbanisation, energy conservation and environmental protection, cultural industry, county finance, small and micro enterprises, people’s livelihood and consumer finance. Meanwhile, the Bank strengthened multi-generational product innovation in traditional advantageous areas, making innovation the endogenous power for transformation and development. In 2014, The Bank accomplished 1,370 product innovation projects and 223 product transplantation projects.

We promoted the development of “New Generation Core Banking System”. All 13 application projects in Phase I of the “New Generation Core Banking System” were launched, successfully migrating 340 thousand corporate cash management customers, 190 thousand collection and payment entities under custody and 2.52 million corporate online banking customers. Phase II of the “New Generation Core Banking System” released 34 functions of nine projects in advance such as customer channel, employee management, corporate cash management and personal loans, significantly improving the employee and customer experience and providing strong support for operation transformation.

OUTLOOK FOR 2015

In 2015, the Group will accelerate the transformation in five aspects to build a bank featuring integration, multifunctional service, intensive development, innovation and intelligence. The Group will grasp new opportunities in the new normal by deepening reform, optimising operation and strengthening management, in order to better serve the society and support the development of real economy, and achieve scientific and sustainable development.

Lastly, I would like to sincerely thank the Board and the Board of Supervisors for their tremendous support, as well as our customers for their trust and our staff for their great dedication.

張建国

Zhang Jianguo

Vice chairman, executive director and president

27 March 2015

5 MANAGEMENT DISCUSSION AND ANALYSIS

5.1 FINANCIAL REVIEW

The year of 2014 witnessed growing imbalance of economic growth around the world. The U.S. economy gained momentum of economic growth; the Euro zone slightly recovered with remaining recession risk; Japan faced insufficient driving force of economic growth; the emerging market economies were confronted with increasing pressure in economic growth. The global economy was under the intertwined influence of geopolitical risks, stronger US dollar and commodity price fluctuations. According to the report published by the International Monetary Fund, the global economic growth rate was 3.3% in 2014, an increase of 0.3 percentage points from 2013.

In 2014, despite increasing downward pressure, China's economy maintained steady growth on the whole. China had a large economic volume and a huge market, with relatively strong anti-risk competence. As the macro-control manner was constantly innovated and optimised in recent years, China made positive progress in economic restructuring, transformation and upgrading. The introduction of important policies such as "One Belt and One Road", "Coordinated Development of Beijing-Tianjin-Hebei", "Yangtze River Economic Belt" and the expansion of free trade zones paved the way for future development. In 2014, China's GDP was RMB63.6 trillion, up by 7.4% over 2013, while the consumer price index increased by 2.0% over the previous year.

In 2014, China's financial market continued to grow smoothly. Monetary policy adjusted slightly in time, and moderately loose market liquidity was accompanied with slightly decreased yet stable financing cost. The reform of interest rate liberalisation was pushed forward orderly. While the asymmetric interest rate cuts were introduced, the floating range of deposit interest rate was expanded to 1.2 times of the benchmark rate. The reform of exchange rate liberalisation was accelerated with more flexible floating regime of RMB exchange rate. At the end of 2014, the outstanding broad money supply M2 increased by 12.2% over the previous year to RMB122.8 trillion, and the narrow money supply M1 increased by 3.2% to RMB34.8 trillion. The amount of loans granted in RMB increased by 13.6% to RMB81.7 trillion. Deposits in RMB increased by 9.1% over 2013 to RMB113.9 trillion.

The Group closely monitored the trend of domestic and foreign economic development and changes in regulatory policies, insisted on transformation and development and sound operation, strengthened risk prevention and control, and timely adjusted operation strategies, achieving steady business development, stable asset quality and favourable core business indicators.

5.1.1 STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2014, the Group recorded profit before tax of RMB299,086 million, up by 6.89% over 2013. Net profit was RMB228,247 million, up by 6.10% over 2013. The steady growth of the Group's profitability was mainly due to the following factors: First, the interest-earning assets increased moderately, and NIM rose steadily, pushing up net interest income by RMB47,854 million, or 12.28% over 2013. Second, the Group actively carried out service and product innovations, and improved comprehensive service ability, with net fee and commission income increasing by RMB4,234 million, or 4.06% over the previous year. Third, the Group further improved its cost management and optimised its expenses structure, resulting in a significant decrease in the growth rate of operating expenses compared with that of last year, and cost-to-income ratio decreased by 0.73 percentage points to 28.92% over 2013. In addition, the Group made prudent and sufficient provisions for impairment losses on loans and advances to customers. The expense on impairment losses was RMB61,911 million, up by 43.28% over 2013.

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

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013	Change (%)
Net interest income	**437,398**	389,544	12.28
Net non-interest income	**119,342**	121,596	(1.85)
– Net fee and commission income	**108,517**	104,283	4.06
Operating income	**556,740**	511,140	8.92
Operating expenses	**(195,988)**	(188,185)	4.15
Impairment losses	**(61,911)**	(43,209)	43.28
Share of profits less losses of associates and joint ventures	**245**	60	308.33
Profit before tax	**299,086**	279,806	6.89
Income tax expense	**(70,839)**	(64,684)	9.52
Net profit	**228,247**	215,122	6.10
Other comprehensive income for the year, net of tax	**23,701**	(23,422)	(201.19)
Total comprehensive income for the year	**251,948**	191,700	31.43

Net interest income

In 2014, the Group's net interest income was RMB437,398 million, an increase of RMB47,854 million, or 12.28%, over the previous year. The net interest income accounted for 78.56% of the operating income.

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

	Year ended 31 December 2014			Year ended 31 December 2013		
(In millions of RMB, except percentages)	**Average balance**	**Interest income/ expense**	**Average yield/ cost (%)**	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Gross loans and advances to customers	**9,111,534**	**532,829**	**5.85**	8,104,173	469,049	5.79
Investments in debt securities	**3,204,444**	**129,237**	**4.03**	2,929,513	109,576	3.74
Deposits with central banks	**2,527,915**	**39,177**	**1.55**	2,417,929	37,589	1.55
Deposits and placements with banks and non-bank financial institutions	**551,451**	**25,522**	**4.63**	646,623	24,889	3.85
Financial assets held under resale agreements	**247,698**	**12,361**	**4.99**	122,041	5,150	4.22
Total interest-earning assets	**15,643,042**	**739,126**	**4.72**	14,220,279	646,253	4.54
Total allowances for impairment losses	**(247,757)**			(222,278)		
Non-interest-earning assets	**933,259**			523,820		
Total assets	**16,328,544**	**739,126**		14,521,821	646,253	
Liabilities						
Deposits from customers	**12,354,674**	**237,383**	**1.92**	11,690,720	220,588	1.89
Deposits and placements from banks and non-bank financial institutions	**1,473,193**	**48,039**	**3.26**	855,906	21,002	2.45
Financial assets sold under repurchase agreements	**15,683**	**448**	**2.86**	29,616	1,097	3.70
Debt securities issued	**409,369**	**14,223**	**3.47**	310,470	10,207	3.29
Other interest-bearing liabilities	**53,791**	**1,635**	**3.04**	105,706	3,815	3.61
Total interest-bearing liabilities	**14,306,710**	**301,728**	**2.11**	12,992,418	256,709	1.98
Non-interest-bearing liabilities	**840,682**			495,122		
Total liabilities	**15,147,392**	**301,728**		13,487,540	256,709	
Net interest income		**437,398**			389,544	
Net interest spread			**2.61**			2.56
Net interest margin			**2.80**			2.74

In 2014, the Group actively responded to challenges arising from interest rate liberalisation by constantly improving the pricing capability, optimising its assets and liabilities structure and adjusting structures of credit, customer mix and debt securities investment portfolios, which positively counteracted the negative impacts of interest rate liberalisation. As a result, net interest margin rose to 2.80%, up by six basis points over last year.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for 2014 versus 2013.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	58,871	4,909	63,780
Investments in debt securities	10,766	8,895	19,661
Deposits with central banks	1,588	–	1,588
Deposits and placements with banks and non-bank financial institutions	(3,978)	4,611	633
Financial assets held under resale agreements	6,125	1,086	7,211
Change in interest income	73,372	19,501	92,873
Liabilities			
Deposits from customers	13,126	3,669	16,795
Deposits and placements from banks and non-bank financial institutions	18,539	8,498	27,037
Financial assets sold under repurchase agreements	(438)	(211)	(649)
Debt securities issued	3,427	589	4,016
Other interest-bearing liabilities	(1,649)	(531)	(2,180)
Change in interest expense	33,005	12,014	45,019
Change in net interest income	40,367	7,487	47,854

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

Net interest income increased by RMB47,854 million over the previous year, in which an increase of RMB40,367 million was due to the movement of average balances of assets and liabilities, and an increase of RMB7,487 million was due to the movement of average yields or average costs.

Interest income

The Group's interest income in 2014 was RMB739,126 million, an increase of RMB92,873 million, or 14.37%, over 2013. In this amount, the proportions of interest income from loans and advances to customers, investments in debt securities, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements were 72.09%, 17.49%, 5.30%, 3.45% and 1.67%, respectively.

Interest income from loans and advances to customers

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

	Year ended 31 December 2014			Year ended 31 December 2013		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	**5,647,433**	**347,322**	**6.15**	5,155,270	316,540	6.14
Short-term loans	**2,049,635**	**119,580**	**5.83**	1,867,434	108,233	5.80
Medium to long-term loans	**3,597,798**	**227,742**	**6.33**	3,287,836	208,307	6.34
Personal loans and advances	**2,670,092**	**156,098**	**5.85**	2,245,054	129,438	5.77
Discounted bills	**125,927**	**7,002**	**5.56**	140,464	7,510	5.35
Overseas operations and subsidiaries	**668,082**	**22,407**	**3.35**	563,385	15,561	2.76
Gross loans and advances to customers	**9,111,534**	**532,829**	**5.85**	8,104,173	469,049	5.79

Interest income from loans and advances to customers rose by RMB63,780 million, or 13.60% year-on-year, to RMB532,829 million, mainly because the average balance of loans and advances to customers increased by 12.43% over 2013. The Group actively adjusted credit structure by increasing loans to retail trade and enhanced loan pricing management. The weighted average interest rate for newly granted loans maintained at a good level, and the average yield of loans and advances to customers increased by six basis points to 5.85% over the previous year.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB19,661 million, or 17.94% over 2013, to RMB129,237 million. This was mainly because the average balance and average yield of investments in debt securities increased over 2013, due to the structure optimisation of investments portfolio, and increased investments in debt securities by seizing favourable market opportunities.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB39,177 million, an increase of RMB1,588 million, or 4.22% over 2013. This was mainly because the average balance of deposits with central banks increased by 4.55% over 2013.

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

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB633 million to RMB25,522 million, an increase of 2.54% over 2013. This was primarily because the average yield of deposits and placements with banks and non-bank financial institutions increased by 78 basis points to 4.63% over 2013, which was partly offset by the decrease in average balance.

Interest income of financial assets held under resale agreements

Interest income of financial assets held under resale agreements was RMB12,361 million, an increase of RMB7,211 million, or 140.02%, over the previous year. This was mainly because the average balance and average yield of financial assets held under resale agreements increased by 102.96% and 77 basis points year-on-year, respectively.

Interest expense

The Group's interest expense in 2014 was RMB301,728 million, an increase of RMB45,019 million, or 17.54% year-on-year.

Interest expense on deposits from customers

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

	Year ended 31 December 2014			Year ended 31 December 2013		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	**6,354,834**	**114,241**	**1.80**	6,047,456	107,476	1.78
Demand deposits	**3,739,795**	**28,063**	**0.75**	3,591,410	25,741	0.72
Time deposits	**2,615,039**	**86,178**	**3.30**	2,456,046	81,735	3.33
Personal deposits	**5,657,331**	**116,152**	**2.05**	5,420,535	110,042	2.03
Demand deposits	**2,325,870**	**8,224**	**0.35**	2,255,075	8,079	0.36
Time deposits	**3,331,461**	**107,928**	**3.24**	3,165,460	101,963	3.22
Overseas operations and subsidiaries	**342,509**	**6,990**	**2.04**	222,729	3,070	1.38
Total deposits from customers	**12,354,674**	**237,383**	**1.92**	11,690,720	220,588	1.89

Interest expense on deposits from customers increased by RMB16,795 million to RMB237,383 million, up by 7.61% over 2013, mainly because the average balance increased by 5.68% over the previous year. The average cost increased by three basis points to 1.92% over 2013, mainly because the proportion of rising interest rate of deposits from customers increased with the deepening of interest rate liberalisation. From the second half of 2013, the Bank designated the newly issued principal-guaranteed wealth management products as financial liabilities at fair value through profit or loss, which pushed down the growth rate and cost of deposit balance to some extent.

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

Interest expense on deposits and placements from banks and non-bank financial institutions stood at RMB48,039 million, an increase of RMB27,037 million, or 128.74% over 2013, largely because the average balance of deposits and placements from banks and non-bank financial institutions increased by 72.12% and the average cost increased by 81 basis points to 3.26% over 2013.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by RMB649 million, or 59.16%, over 2013, to RMB448 million. This was primarily because the average balance of financial assets sold under repurchase agreements decreased by 47.05% and the average cost decreased by 84 basis points to 2.86% over 2013.

Net non-interest income

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

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013	Change (%)
Fee and commission income	**112,238**	107,432	4.47
Less: fee and commission expense	**(3,721)**	(3,149)	18.16
Net fee and commission income	**108,517**	104,283	4.06
Other net non-interest income	**10,825**	17,313	(37.47)
Total net non-interest income	**119,342**	121,596	(1.85)

In 2014, the Group's net non-interest income reached RMB119,342 million, a decrease of RMB2,254 million, or 1.85% over 2013.

Net fee and commission income

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

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013	Change (%)
Fee and commission income	**112,238**	107,432	4.47
Bank card fees	**30,569**	25,783	18.56
Consultancy and advisory fees	**18,640**	21,130	(11.78)
Settlement and clearing fees	**13,630**	12,422	9.72
Agency service fees	**13,204**	12,395	6.53
Wealth management service fees	**10,856**	10,680	1.65
Commission on trust and fiduciary activities	**8,837**	9,135	(3.26)
Electronic banking service fees	**6,407**	5,740	11.62
Credit commitment fees	**3,131**	2,741	14.23
Guarantee fees	**2,084**	1,886	10.50
Others	**4,880**	5,520	(11.59)
Fee and commission expense	**(3,721)**	(3,149)	18.16
Net fee and commission income	**108,517**	104,283	4.06

In 2014, the Group's net fee and commission income increased by 4.06% to RMB108,517 million over 2013. The ratio of net fee and commission income to operating income decreased by 0.91 percentage points to 19.49% over 2013.

Bank card fees grew by 18.56% to RMB30,569 million. In this amount, fees from credit cards increased by more than 30%, mainly because the Group actively developed high-quality customers and instalment transactions, and accelerated product innovation. Relying on strong customer base and service systems, debit cards maintained a steady growth in terms of transaction volume and income.

Consultancy and advisory fees decreased by 11.78% to RMB18,640 million, mainly due to the decrease in income from financial advisory services. Income from cost advisory service maintained steady growth.

Settlement and clearing fees increased by 9.72% to RMB13,630 million. This was because the Bank proactively promoted new settlement products such as self-service of statement of corporate account, all-in-one corporate account and corporate settlement card. The relevant business volume and income increased rapidly.

Agency service fees increased by 6.53% to RMB13,204 million, which was mainly because businesses such as agency fund sales and underwriting of debt securities grew well.

Wealth management service fees increased by 1.65% to RMB10,856 million. It was mainly because the Group adopted prudent and stable operating strategy, and introduced products that satisfied the needs of market and customers, with a steady growth of wealth management products in terms of both scale and sales volume.

Commission on trust and fiduciary activities was RMB8,837 million, down by 3.26%. It was mainly because the income from products such as “Safe Deal” custodial service for trading funds decreased.

Electronic banking service fees grew by 11.62% to RMB6,407 million, mainly due to the accelerated channel construction and product innovation. Customer base and trading volume of online banking, mobile banking and short message service (SMS) financial service gained rapid growth.

Going forward, the Group will continue to promote the structure optimisation of fee-based business, upgrade service abilities through products innovation and refined management, and maintain the market competitiveness of fee-based business products for the steady growth of income.

Other net non-interest income

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

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013	Change (%)
Net trading gain	**972**	3,092	(68.56)
Dividend income	**495**	446	10.99
Net gain arising from investment securities	**4,045**	1,395	189.96
Other operating income, net	**5,313**	12,380	(57.08)
Total other net non-interest income	**10,825**	17,313	(37.47)

Other net non-interest income of the Group decreased by RMB6,488 million, or 37.47% over last year, to RMB10,825 million. In this amount, net trading gain decreased by RMB2,120 million, or 68.56%, over 2013 to RMB972 million. This was mainly due to the decrease in gains from derivative transactions. Net gain arising from investment securities increased by RMB2,650 million, or 189.96%, over 2013 to RMB4,045 million. This was mainly due to the gains from the disposal of available-for-sale equity instruments. Other net operating income was RMB5,313 million, a decrease of 57.08%, which was mainly due to the increase of cost in the insurance business of CCB Life.

Operating expenses

The following table sets forth the composition of the Group’s business and administrative expenses during respective periods.

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013
Staff costs	**91,563**	86,830
Premises and equipment expenses	**30,545**	26,750
Business taxes and surcharges	**34,983**	31,648
Others	**38,897**	42,957
Total operating expenses	**195,988**	188,185
Cost-to-income ratio (%)	**28.92**	29.65

In 2014, the Group enhanced cost management, and optimised expenses structure. Cost-to-income ratio fell by 0.73 percentage points to 28.92% over the previous year. The operating expenses were RMB195,988 million, an increase of RMB7,803 million, or 4.15%. In this amount, staff costs were RMB91,563 million, an increase of RMB4,733 million, up by 5.45% over 2013. Premises and equipment expenses were RMB30,545 million, an increase of RMB3,795 million, up by 14.19% over 2013. This was mainly because the expenses on rent and premises management and maintenance increased with greater investments in outlets construction in recent years.

Impairment losses

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

(In millions of RMB)	Year ended 31 December 2014	Year ended 31 December 2013
Loans and advances to customers	**59,264**	42,666
Investments	**836**	(130)
Available-for-sale financial assets	**359**	(949)
Held-to-maturity investments	**281**	1,056
Debt securities classified as receivables	**196**	(237)
Others	**1,811**	673
Total impairment losses	**61,911**	43,209

In 2014, the Group's impairment losses were RMB61,911 million, an increase of RMB18,702 million, or 43.28% over 2013. In this amount, impairment losses on loans and advances to customers were RMB59,264 million, an increase of RMB16,598 million over 2013. Impairment losses on investments was RMB836 million, an increase of RMB966 million over 2013.

Income tax expense

In 2014, the Group's income tax expense reached RMB70,839 million, an increase of RMB6,155 million over 2013. The effective income tax rate was 23.69%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

5.1.2 STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Gross loans and advances to customers	**9,474,523**		8,590,057	
Allowances for impairment losses on loans	**(251,613)**		(228,696)	
Net loans and advances to customers	**9,222,910**	**55.08**	8,361,361	54.42
Investments[1]	**3,727,869**	**22.26**	3,414,617	22.23
Cash and deposits with central banks	**2,610,781**	**15.59**	2,475,001	16.11
Deposits and placements with banks and non-bank financial institutions	**514,986**	**3.08**	473,351	3.08
Financial assets held under resale agreements	**273,751**	**1.63**	281,447	1.83
Interest receivable	**91,495**	**0.55**	80,731	0.53
Others[2]	**302,338**	**1.81**	276,702	1.80
Total assets	**16,744,130**	**100.00**	15,363,210	100.00

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

As at 31 December 2014, the Group's total assets stood at RMB16,744,130 million, an increase of RMB1,380,920 million, or 8.99%, over 2013. This was mainly due to increases in loans and advances to customers, and investments. With the Group's active support for the development in the real economy and people's livelihood sectors, net loans and advances to customers accounted for 55.08% of total assets, an increase of 0.66 percentage points over 2013. The Group optimised the structure of investment portfolio and expanded investments in high-quality and high-yield debt securities at the high position of market interest rate, and investments increased by 0.03 percentage points, accounting for 22.26% of total assets. The Group adjusted the amounts of fund use in accordance with the liquidity situation in the market, and deposits and placements with banks and non-bank financial institutions accounted for 3.08% of total assets. Cash and deposits with central banks decreased by 0.52 percentage points, accounting for 15.59% of total assets.

Loans and advances to customers

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate loans and advances	**5,760,406**	**60.80**	5,399,631	62.86
Short-term loans	**1,907,304**	**20.13**	1,870,823	21.78
Medium to long-term loans	**3,853,102**	**40.67**	3,528,808	41.08
Personal loans and advances	**2,884,146**	**30.44**	2,464,654	28.69
Residential mortgages	**2,253,815**	**23.79**	1,880,219	21.89
Credit card loans	**329,164**	**3.47**	268,663	3.13
Personal consumer loans	**58,040**	**0.61**	71,490	0.83
Personal business loans	**75,002**	**0.79**	91,655	1.07
Other loans[1]	**168,125**	**1.78**	152,627	1.77
Discounted bills	**168,923**	**1.78**	116,962	1.36
Overseas operations and subsidiaries	**661,048**	**6.98**	608,810	7.09
Gross loans and advances to customers	**9,474,523**	**100.00**	8,590,057	100.00

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

As at 31 December 2014, the Group's gross loans and advances to customers rose by RMB884,466 million, or 10.30% over 2013, to RMB9,474,523 million.

Domestic corporate loans and advances of the Bank reached RMB5,760,406 million, an increase of RMB360,775 million, or 6.68% over 2013, mainly invested in infrastructure sectors, small and micro businesses and agriculture-related loans. In this amount, short-term loans increased by RMB36,481 million, or 1.95%, while medium to long-term loans increased by RMB324,294 million, or 9.19%.

Domestic personal loans and advances of the Bank increased by RMB419,492 million, or 17.02% over 2013, to RMB2,884,146 million. In this amount, residential mortgages rose by RMB373,596 million, or 19.87%, mainly to support the financing needs for residential purpose. Credit card loans maintained a rapid growth, with an increase of RMB60,501 million, or 22.52% over 2013. Personal consumer loans and personal business loans decreased as a result of the enhancement of loan risk control and adjustment of loan product structure.

Discounted bills increased by RMB51,961 million, or 44.43%, to RMB168,923 million over 2013, mainly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers of overseas entities and subsidiaries rose by RMB52,238 million, or 8.58% over 2013, to RMB661,048 million, largely attributable to the acquisition of BIC in Brazil and loan increase of domestic subsidiaries.

Distribution of loans by type of collateral

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	**2,544,820**	**26.86**	2,336,298	27.20
Guaranteed loans	**1,826,894**	**19.28**	1,652,755	19.24
Loans secured by tangible assets other than monetary assets	**4,223,844**	**44.58**	3,734,986	43.48
Loans secured by monetary assets	**878,965**	**9.28**	866,018	10.08
Gross loans and advances to customers	**9,474,523**	**100.00**	8,590,057	100.00

Allowances for impairment losses on loans and advances to customers

	Year ended 31 December 2014			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
(In millions of RMB)		which are collectively assessed	which are individually assessed	Total
As at 1 January	171,027	5,532	52,137	228,696
Charge for the year	13,995	4,975	50,039	69,009
Release during the year	–	39	(9,784)	(9,745)
Unwinding of discount	–	–	(1,943)	(1,943)
Transfers out	1,230	69	(15,475)	(14,176)
Write-offs	–	(3,168)	(18,317)	(21,485)
Recoveries	–	141	1,116	1,257
As at 31 December	**186,252**	**7,588**	**57,773**	**251,613**

The Group adhered to the prudent principle by fully considering the impact of changes in external environment including macro economy and government regulatory policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 31 December 2014, the allowances for impairment losses on loans and advances to customers were RMB251,613 million, an increase of RMB22,917 million over 2013. The ratio of allowances to NPLs was 222.33%, a decrease of 45.89 percentage points over 2013. The ratio of allowances to total loans stood at 2.66%, remaining unchanged over 2013.

Investments

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities investments	**3,475,683**	**93.24**	3,115,865	91.25
Equity instruments	**18,633**	**0.50**	19,249	0.56
Funds	**1,901**	**0.05**	937	0.03
Other debt instruments	**231,652**	**6.21**	278,566	8.16
Total investments	**3,727,869**	**100.00**	3,414,617	100.00

In 2014, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively dealt with regulatory and market changes, reasonably balanced risks and returns, and continuously optimised the structure of investment portfolio. As at 31 December 2014, the Group's investments totalled RMB3,727,869 million, an increase of RMB313,252 million, or 9.17% over 2013. In this amount, debt securities investments accounted for 93.24% of total investments, an increase of 1.99 percentage points over 2013. Other debt instruments accounted for 6.21% of total investments, a decrease of 1.95 percentage points over 2013.

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**332,235**	**8.91**	364,050	10.66
Available-for-sale financial assets	**926,170**	**24.85**	760,292	22.26
Held-to-maturity investments	**2,298,663**	**61.66**	2,100,538	61.52
Debt securities classified as receivables	**170,801**	**4.58**	189,737	5.56
Total investments	**3,727,869**	**100.00**	3,414,617	100.00

Debt securities investments

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
RMB	**3,398,644**	**97.78**	3,051,957	97.95
USD	**28,896**	**0.83**	36,066	1.16
HKD	**25,775**	**0.74**	15,604	0.50
Other foreign currencies	**22,368**	**0.65**	12,238	0.39
Total debt securities investments	**3,475,683**	**100.00**	3,115,865	100.00

As at 31 December 2014, total debt securities investments increased by RMB359,818 million, or 11.55% over 2013, to RMB3,475,683 million. In this amount, RMB debt securities increased by RMB346,687 million, or 11.36%, while the foreign currency debt securities increased by RMB13,131 million, or 20.55% over 2013.

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Government	**1,234,172**	**35.51**	1,075,428	34.51
Central banks	**188,152**	**5.41**	197,910	6.35
Policy banks	**537,148**	**15.45**	445,850	14.31
Banks and non-bank financial institutions	**1,030,907**	**29.66**	895,277	28.73
Public sector entities	**20**	**0.01**	98	0.01
Cinda	**–**	**–**	18,852	0.61
Other enterprises	**485,284**	**13.96**	482,450	15.48
Total debt securities investments	**3,475,683**	**100.00**	3,115,865	100.00

Interest receivable

As at 31 December 2014, the Group's interest receivable was RMB91,495 million, an increase of RMB10,764 million, or 13.33%, over 2013. This was mainly due to the growth in loans and debt securities investments.

Liabilities

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**12,898,675**	**83.26**	12,223,037	85.54
Deposits and placements from banks and non-bank financial institutions	**1,206,520**	**7.79**	848,012	5.94
Financial assets sold under repurchase agreements	**181,528**	**1.17**	61,873	0.43
Debt securities issued	**431,652**	**2.79**	357,540	2.50
Other liabilities[1]	**773,392**	**4.99**	798,419	5.59
Total liabilities	**15,491,767**	**100.00**	14,288,881	100.00

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

As at 31 December 2014, the Group's total liabilities were RMB15,491,767 million, an increase of RMB1,202,886 million, or 8.42% over 2013. In this amount, deposits from customers accounted for 83.26% of total liabilities, a decrease of 2.28 percentage points over 2013. The Group moderately absorbed funds from other banks, and deposits and placements from banks and non-bank financial institutions accounted for 7.79% of total liabilities, an increase of 1.85 percentage points. Debt securities issued accounted for 2.79% of total liabilities, up by 0.29 percentage points, mainly because the overseas branches and CCB Asia issued more certificates of deposit.

Deposits from customers

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate deposits	**6,616,671**	**51.30**	6,443,255	52.71
Demand deposits	**3,966,684**	**30.75**	4,064,038	33.25
Time deposits	**2,649,987**	**20.55**	2,379,217	19.46
Personal deposits	**5,877,014**	**45.56**	5,514,647	45.12
Demand deposits	**2,302,089**	**17.85**	2,510,525	20.54
Time deposits	**3,574,925**	**27.71**	3,004,122	24.58
Overseas operations and subsidiaries	**404,990**	**3.14**	265,135	2.17
Total deposits from customers	**12,898,675**	**100.00**	12,223,037	100.00

As at 31 December 2014, the Group's total deposits from customers reached RMB12,898,675 million, an increase of RMB675,638 million, or 5.53% over 2013. In this amount, domestic time deposits of the Bank increased by RMB841,573 million, or 15.63%, and accounted for 48.26% of total deposits from customers, an increase of 4.22 percentage points.

Shareholder's equity

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

(In millions of RMB)	As at 31 December 2014	As at 31 December 2013
Share capital	**250,011**	250,011
Capital reserve	**135,391**	135,523
Investment revaluation reserve	**4,562**	(19,290)
Surplus reserve	**130,515**	107,970
General reserve	**169,496**	153,835
Retained earnings	**558,705**	444,084
Exchange reserve	**(6,501)**	(6,182)
Total equity attributable to equity shareholders of the Bank	**1,242,179**	1,065,951
Non-controlling interests	**10,184**	8,378
Total equity	**1,252,363**	1,074,329

As at 31 December 2014, the Group's total equity reached RMB1,252,363 million, an increase of RMB178,034 million over last year. The ratio of total equity to total assets for the Group was 7.48%.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this annual report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes. The Group refined management over off-balance sheet activities and continued to adjust off-balance sheet items structure. Among these, credit commitments were the largest component, with a balance of RMB2,279,397 million as at 31 December 2014, a decrease of RMB30,830 million over 2013. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" in this annual report for details on commitments and contingent liabilities.

5.1.3 LOAN QUALITY ANALYSIS

Distribution of loans by the five-category classification

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	**9,079,893**	**95.84**	8,300,113	96.63
Special mention	**281,459**	**2.97**	204,680	2.38
Substandard	**55,059**	**0.58**	32,100	0.37
Doubtful	**48,239**	**0.51**	42,231	0.49
Loss	**9,873**	**0.10**	10,933	0.13
Gross loans and advances to customers	**9,474,523**	**100.00**	8,590,057	100.00
NPLs	**113,171**		85,264	
NPL ratio		**1.19**		0.99

In 2014, the Group continued to deepen credit structural adjustments, comprehensively strengthened post-lending management and risk prevention and mitigation, and expedited NPL disposal. As a result, credit asset quality remained stable. As at 31 December 2014, the Group's NPLs were RMB113,171 million, an increase of RMB27,907 million from 2013, while the NPL ratio was 1.19%, up by 0.20 percentage points over last year. The proportion of special mention loans was 2.97%, up by 0.59 percentage points over 2013.

Distribution of loans and NPLs by product type

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

	As at 31 December 2014			As at 31 December 2013		
(In millions of RMB, except percentages)	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	5,760,406	95,886	1.66	5,399,631	76,481	1.42
Short-term loans	1,907,304	66,894	3.51	1,870,823	50,142	2.68
Medium to long-term loans	3,853,102	28,992	0.75	3,528,808	26,339	0.75
Personal loans and advances	2,884,146	11,067	0.38	2,464,654	8,002	0.32
Residential mortgages	2,253,815	4,806	0.21	1,880,219	3,203	0.17
Credit card loans	329,164	2,783	0.85	268,663	1,772	0.66
Personal consumer loans	58,040	848	1.46	71,490	780	1.09
Personal business loans	75,002	1,535	2.05	91,655	1,449	1.58
Other loans	168,125	1,095	0.65	152,627	798	0.52
Discounted bills	168,923	–	–	116,962	–	–
Overseas operations and subsidiaries	661,048	6,218	0.94	608,810	781	0.13
Total	9,474,523	113,171	1.19	8,590,057	85,264	0.99

As at 31 December 2014, the NPL ratio for domestic corporate loans was 1.66%, an increase of 0.24 percentage points from 2013, and the NPL ratio for personal loans and advances was 0.38%, an increase of 0.06 percentage points over 2013. Driven by the consolidation of BIC in Brazil, the NPL ratio for overseas entities and subsidiaries increased by 0.81 percentage points over 2013.

Distribution of loans and NPLs by industry

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

	As at 31 December 2014				As at 31 December 2013			
(In millions of RMB, except percentages)	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	5,760,406	60.80	95,886	1.66	5,399,631	62.86	76,481	1.42
Manufacturing	1,305,595	13.78	48,490	3.71	1,322,660	15.40	38,083	2.88
Transportation, storage and postal services	1,046,282	11.04	4,839	0.46	956,597	11.14	5,297	0.55
Production and supply of electric power, heat, gas and water	606,342	6.40	1,850	0.31	571,028	6.65	2,030	0.36
Real estate	520,107	5.49	5,737	1.10	500,428	5.83	3,807	0.76
Leasing and commercial services	581,267	6.14	868	0.15	473,877	5.52	982	0.21
– Commercial services	559,033	5.90	864	0.15	460,398	5.36	977	0.21
Wholesale and retail trade	378,880	4.00	23,130	6.10	392,744	4.57	19,302	4.91
Water, environment and public utility management	327,176	3.45	197	0.06	272,453	3.17	197	0.07
Construction	263,854	2.78	4,111	1.56	238,601	2.78	2,049	0.86
Mining	227,711	2.40	3,789	1.66	217,448	2.53	843	0.39
– Exploitation of petroleum and natural gas	6,015	0.06	–	–	4,888	0.06	4	0.08
Education	79,375	0.84	57	0.07	71,637	0.83	261	0.36
Information transmission, software and information technology services	21,744	0.23	1,111	5.11	29,569	0.34	950	3.21
– Telecommunications, broadcast and television, and satellite transmission services	14,367	0.15	495	3.45	22,369	0.26	462	2.07
Others	402,073	4.24	1,707	0.42	352,589	4.10	2,680	0.76
Personal loans	2,884,146	30.44	11,067	0.38	2,464,654	28.69	8,002	0.32
Discounted bills	168,923	1.78	–	–	116,962	1.36	–	–
Overseas operations and subsidiaries	661,048	6.98	6,218	0.94	608,810	7.09	781	0.13
Total	9,474,523	100.00	113,171	1.19	8,590,057	100.00	85,264	0.99

In 2014, in line with the "12th Five-Year Plan" and changes in other external policies, the Group duly optimised credit policies, re-examined credit systems, and refined customer risk selection criteria. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. The loan quality in infrastructure sectors remained stable. The new NPLs mainly arose from manufacturing, and wholesale and retail trade.

Rescheduled loans and advances to customers

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Rescheduled loans and advances to customers	**3,073**	**0.03**	1,009	0.01

As at 31 December 2014, rescheduled loans and advances to customers increased by RMB2,064 million over 2013, to RMB3,073 million, and accounted for 0.03% of gross loans and advances, an increase of 0.02 percentage points over 2013.

Overdue loans and advances to customers

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Overdue for no more than 3 months	**54,405**	**0.58**	25,077	0.30
Overdue for 3 months to 1 year	**49,012**	**0.52**	26,103	0.30
Overdue for 1 to 3 years	**22,991**	**0.24**	26,552	0.31
Overdue for over 3 years	**6,808**	**0.07**	8,972	0.10
Total overdue loans and advances to customers	**133,216**	**1.41**	86,704	1.01

As at 31 December 2014, overdue loans and advances to customers increased by RMB46,512 million to RMB133,216 million over 2013, mainly because delinquencies increased as certain customers experienced difficulty in liquidity with the slowdown of domestic economy.

5.1.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The major areas affected by the estimates and judgements include: impairment losses on loans and advances to customers, available-for-sale debt securities and held-to-maturity investments, impairment of available-for-sale equity instruments, fair value of financial instruments, reclassification of held-to-maturity investments, income taxes, employee retirement benefit obligations and scope of consolidation. Please refer to Note "Significant Accounting Policies and Accounting Estimates" in the "Financial Statements" of this annual report.

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

There is no difference in the net profit for the year ended 31 December 2014 or total equity as at 31 December 2014 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

5.2 BUSINESS REVIEW

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

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

	Year ended 31 December 2014		Year ended 31 December 2013	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate banking	**151,886**	**50.79**	145,939	52.16
Personal banking	**80,553**	**26.93**	64,635	23.10
Treasury business	**64,696**	**21.63**	69,107	24.70
Others	**1,951**	**0.65**	125	0.04
Profit before tax	**299,086**	**100.00**	279,806	100.00

5.2.1 CORPORATE BANKING

The following table sets forth, for the periods indicated, the major operating information and changes related to corporate banking:

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013	Change (%)
Net interest income	**235,656**	202,965	16.11
Net fee and commission income	**42,032**	42,119	(0.21)
Other operating income	**(6,647)**	(855)	677.43
Operating income	**271,041**	244,229	10.98
Operating expenses	**(73,419)**	(66,997)	9.59
Impairment losses	**(45,736)**	(31,293)	46.15
Profit before tax	**151,886**	145,939	4.07
	As at 31 December 2014	As at 31 December 2013	
Segment assets	**6,106,160**	5,585,454	9.32

Profit before tax from corporate banking segment increased by RMB5,947 million, or 4.07%, over 2013 to RMB151,886 million, and accounted for 50.79% of the Group's profit before tax, a decrease of 1.37 percentage points over last year. Operating income increased by 10.98% year-on-year. In this amount, net interest income from corporate banking increased by 16.11% over the previous year, driven by the development of corporate deposit and loan businesses; net fee and commission income decreased by 0.21% over 2013, due to the decline of income from products including domestic factoring and "Safe Deal" custodial service for trading funds. The impairment losses increased by 46.15% over last year, as the Group made full provisions for impairment losses on loans and advances to customers in light of the prudent principle.

Corporate deposits

While strengthening the retention of existing customers, the Bank also focused on the application and innovation of deposit products portfolio to promote the steady growth of corporate deposits. At the end of 2014, domestic corporate deposits of the Bank amounted to RMB6,616,671 million, an increase of RMB173,416 million, or 2.69% over 2013.

Corporate loans

The Bank's corporate loans were granted at a stable and balanced pace to mainly support the development of the real economy. At the end of 2014, domestic corporate loans and advances of the Bank amounted to RMB5,760,406 million, an increase of RMB360,775 million, or 6.68%. Loans to infrastructure sectors totalled RMB2,559,215 million, an increase of RMB271,482 million over last year, and accounted for 75.25% of the increase in corporate loans. Agriculture-related loans amounted to RMB1,796,642 million, an increase of RMB197,485 million, or 12.35%. In this amount, loans to new countryside construction amounted to RMB129,152 million, an increase of RMB12,603 million, or 10.81%. The accumulated amount of loans granted to internet banking business since 2007 reached RMB137,125 million, extending to over 16,800 customers. The Bank further expanded cooperation with 84 high quality e-commerce platforms.

The Bank strictly implemented list management. Loans to the five industries with severe overcapacity, including iron and steel, cement, electrolytic aluminium, plate glass, as well as the shipbuilding sector, decreased by RMB4,986 million over last year to RMB140,707 million. The Bank strictly controlled the total amount of loans to government financing vehicles, and continuously optimised cash flow structures. The outstanding balance of those classified under the regulated category decreased by RMB28,638 million over last year. In this amount, loans fully covered by cash flows accounted for 95.60%. Property development loans were mainly extended to high quality real estate developers and the general residential projects with high credit rating, good business performance and proper closed management of project funds. The outstanding balance of property development loans was RMB471,338 million, an increase of RMB26,688 million over 2013.

Small enterprise business

The Bank regards small and micro enterprise business as its important strategic business in support of the real economy. The Bank constantly pushed forward the transformation of business subdivision, standardisation, batch operation and intensification. In 2014, focusing on serving the real economy, the Bank proactively met the financial demands of small and micro enterprises that had market demand, technology, credibility and environmental protection awareness and promoted employment, by giving priority and attaching importance to small and micro enterprises. The Bank expanded the "Credit Cooperation Loan" business model and promoted cluster service. It continued to optimise systems and business procedures by adopting retailed scorecard tool to support the credit rating of small and micro enterprises, which largely improved the availability of loans for small and micro enterprises. The Bank expanded the application of the electronic channel, resulting in a huge increase in "E-banking revolving loan" characterised by self-service in application, withdrawal and repayment. Leveraging on standardised and intensified management of the small business operation centres, the Bank further expanded service coverage by recommending and handling small enterprise business for customers at outlets. At the end of 2014, according to the categorisation policy of small and medium-sized enterprises (SMEs) jointly issued by four ministries and commissions including the Ministry of Industry and Information Technology in 2011 as well as the CBRC's latest regulatory requirements, loans to small and micro enterprises were RMB1,142,928 million, an increase of RMB153,468 million or 15.51% over 2013, and the number of credit customers for small and micro business reached 249,737, an increase of 17,776.

Feature Article: "Credit Cooperation Loan" boosts the development of small and micro enterprises

The Bank innovatively launched "Credit Cooperation Loan" in recent years, which significantly eased the difficulty and reduced the high cost of financing for small and micro enterprises. "Credit Cooperation Loan" is a kind of credit business, under which, a "small and micro enterprises pool" is formed of enterprises jointly selected by the government and the Bank, and a "Credit Cooperation Funding Pool" is comprised of risk compensation funds from the government and guarantees paid by enterprises to mitigate risks. The Bank offers loans, multiples of the risk compensation funds, to enterprises in the pool to support their production and business operation. Relying on the tripartite cooperation among government, the Bank and enterprises, "Credit Cooperation Loan" business eased the problems of information asymmetry between the Bank and enterprises and lack of effective credit support for small and micro enterprises, and well controlled the credit risk of small and micro enterprises.

"Credit Cooperation Loan" has been unanimously recognised by regulators, governments of all levels and small and micro enterprises since its launch, winning "Featured Financial Service Product of National Banking Financial Institutions for Small and Micro Enterprises" awarded by the CBRC, and "Most Innovative Financial Service Product for Enterprises" awarded by China Association of Small and Medium Enterprises. By the end of 2014, among the 37 tier-one branches of the Bank, 36 branches had launched "Credit Cooperation Loan" business, and jointly established over 700 "Credit Cooperation Loan" platforms with governments of all levels, offering loans of approximate RMB80 billion to more than 10,000 small and micro enterprises and indirectly bringing along over 300,000 jobs. At the end of 2014, the number of "Credit Cooperation Loan" customers exceeded 5,000, with the loan balance of over RMB25 billion. The asset quality remained sound.

On the basis of "Credit Cooperation Loan", the Bank further extended the cooperation and jointly launched "Quasi-Credit Cooperation Loan" with various parties. For instance, the Bank collaborated on the "Cai Yuan Dai" business with the Department of Finance and Industrial Park Committee of Jiangxi Province, on "Shen Yin Tong" business with Shenzhen Stock Exchange, and on "Hui Qi Dai" business with Commission of Industry and Information Technology of Guangxi Zhuang Autonomous Region.

The Bank will continue to promote financial innovation for small and micro enterprises by strengthening service functions, optimising service meanings and enriching service products, so as to "build a future with sincerity through loans" for small and micro enterprises.

Cost advisory service

Cost advisory service is the Bank's unique fee-based business product with a strong brand. It has a history of 60 years since it emerged and developed along with the Bank's long-term practices of investing in fixed assets and being the agency of the state financial functions. The Bank's 36 tier-one branches have grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, and 223 tier-two branches set up specialised units for cost advisory service. The Bank reinforced fundamental management, improved specialised institutions and innovated businesses and products. All these led to a steady expansion in cost advisory service, with continuously improved industry position and brand image. In 2014, income from cost advisory service amounted to RMB9,318 million.

Institutional business

The Bank vigorously promoted its updated "Minben Tongda" comprehensive financial services brand. With a focus on areas of education, health, culture and environmental protection, the Bank further expanded the range of comprehensive services. The Bank further deepened the close cooperative relationship with key and high quality customers such as Beijing Foreign Studies University, Zhejiang University, Xiamen University, Peking Union Medical College Hospital, China Broadcasting and Television Network Co., Ltd. etc. The Bank studied and formulated comprehensive financial service guide for scientific research industry and tourist attractions and comprehensive financial service plan on air pollution control. The Bank obtained the qualification to act as the agency bank for the central finance non-tax revenue collection, and as the agency bank for multiple fiscal businesses in places at the provincial, municipal and county levels in the provinces of Hunan, Guangdong and Yunnan, etc. It ranked first among peer banks in terms of the number of customers of the central finance authorised payment and non-tax revenue collection agency service. The Bank was successfully shortlisted as the cooperation bank of the "Southbound Trading", and concluded the Strategic Cooperation Agreement with Shenzhen Stock Exchange, Dalian Commodity Exchange and Shanghai Clearing House. At the end of 2014, the number of "Xincunguan" customers whose securities deposits managed by the Bank as a third party totalled 24.18 million, and assets under management amounted to RMB299,991 million, leading the market. The number of contracted futures investment customers accounted for nearly 50% market share, maintaining the leading position among peers, and the number of futures companies with through-train banking services reached 155, nearly 100% coverage.

International business

International business maintained the momentum of rapid development. In 2014, international settlement volume of the Bank reached US$1.18 trillion, up by 7.64%; cross-border RMB settlement volume totalled RMB1.46 trillion, up by 61.94%. The balance of foreign letters of guarantee reached US$27,246 million, up by 21.20%; the balance of sub-loan reached US$2,940 million, up by 21.99%. The Bank took the lead to largely support the "go-global" project of enterprises, by disbursing a record export syndicated loan of US$1,280 million to the construction of large-scale power transmission and transformation station in Ethiopia, the largest single contracted amount of US dollar-denominated export financing project of the Bank. The Bank established the sub-brand of "trade finance" with over 40 kinds of trade financing products and the accumulated volume of trade financing reached RMB1.4 trillion, up by 2.43%. The Bank was designated as the RMB clearing bank in London, the first time such a title has been granted by the PBOC outside of Asia. It was also the first time for the Bank to be nominated as an overseas RMB clearing bank. The Bank actively engaged in business trials in special economic areas, took the lead in establishing a sub-branch in Khorgas, Xinjiang, became one of the first pilot banks in Shanghai Free Trade Zone, and set up China-ASEAN cross-border RMB business centre in Guangxi and China-Singapore cross-border financial centre in Suzhou, respectively. The Bank steadily expanded agency bank network and established head office level agency bank relationship with a total of 1,470 commercial banks, covering 138 countries and regions.

Asset custodial business

The Bank strengthened the direct management at the headquarters level on the asset custodial business, facilitated the development of cross-border custodial business and improved the ability of intensive operation and service. At the end of 2014, the Bank's assets under custody increased by RMB1.18 trillion or 38.06% to RMB4.28 trillion. Securities investments funds under custody totalled RMB949,099 million, commanding the second largest market share. The number of securities investments funds under custody increased by 63 and the units of initial offering funds were 76.8 billion, both ranking first in the market. Insurance assets under custody totalled RMB947,626 million, an increase of RMB361,275 million or 61.61%. The volume of assets under custody from RMB Qualified Foreign Institutional Investor (RQFII) was RMB35,549 million, an increase of RMB29,526 million or 490.22%. The Bank was awarded "Best Custody Bank in China" by the UK magazine Global Custodian for five consecutive years.

Pension business

Pension business developed well with positive progress in product innovation. The Bank innovatively launched the supplementary medical plan product named "Yangyiwuyou", urbanisation pension plan for farmers named "Yangyiankang", housing subsidy plan named "Yangyilejia" and Employee Stock Ownership Plan named "Yangyipuhui", further diversifying the Bank's "Yangyi" pension financial products series as its main brand and effectively extending into the multiple subdivided markets of pension and benefit plans including supplementary medical insurance and new-type urbanisation. At the end of 2014, the pension assets under trusteeship in operation amounted to RMB55,323 million, up by RMB18,832 million or 51.61%; the pension assets under custody in operation amounted to RMB134,776 million, up by RMB50,478 million or 59.88%; the number of personal pension accounts in operation amounted to 3,841,900, up by 623,400 or 19.37%.

Treasury management and settlement business

The treasury management and settlement business developed rapidly. At the end of 2014, the Bank had 4,860,000 corporate RMB settlement accounts, an increase of 680,600 over last year. The Bank had 953,900 active cash management customers, an increase of 351,700. The Bank was the first among peers to launch UnionPay corporate settlement card, and comprehensively promoted the application of self-service and intelligentised corporate settlement and cash management business. The advantages of products such as all-in-one corporate account and "integrated collection solution" were further consolidated. The Bank introduced innovative products such as virtual equal cash pool, intelligent wealth management cash pool and bank notes pool, which further satisfied the customer demands for financial resources sharing, investment and wealth management and bank notes management. The market influence of the Bank's cash management service branded as "Yudao" further expanded.

5.2.2 PERSONAL BANKING

The following table sets forth, for the periods indicated, the major operating information and changes related to personal banking:

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013	Change (%)
Net interest income	**161,824**	134,452	20.36
Net fee and commission income	**44,679**	40,870	9.32
Other operating income	**(5,571)**	374	(1,589.57)
Operating income	**200,932**	175,696	14.36
Operating expenses	**(106,506)**	(101,111)	5.34
Impairment losses	**(13,873)**	(9,950)	39.43
Profit before tax	**80,553**	64,635	24.63
	As at 31 December 2014	As at 31 December 2013	
Segment assets	**3,005,155**	2,590,881	15.99

Personal banking segment achieved profit before tax of RMB80,553 million, a year-on-year increase of 24.63%, and accounted for 26.93% of the Group's profit before tax, up by 3.83 percentage points over 2013. Operating income increased by 14.36% over last year. In this amount, net interest income increased by 20.36% over the previous year as a result of continuous optimising of credit structure and increase of personal loans; net fee and commission income increased by 9.32% over last year, benefiting from the growth of income from fee-based businesses including credit card transactions and agency fund sales. Impairment losses increased by 39.43% over the previous year, mainly because the impairment losses in residential mortgages increased along with the business development.

Personal deposits

The Bank enhanced the capacity to attract deposits through high quality and highly effective products and services, maintaining a steady growth of personal deposits. At the end of 2014, domestic personal deposits of the Bank rose by RMB362,367 million, or 6.57%, to RMB5,877,014 million. In this amount, demand deposits decreased by 8.30%, and time deposits increased by 19.00%.

Personal loans

The Bank's personal loans proactively met credit demands in people's livelihood sectors. It strengthened product innovation and procedure optimisation, and strove to improve customer service ability. At the end of 2014, domestic personal loans of the Bank increased by RMB419,492 million, or 17.02%, to RMB2,884,146 million. Residential mortgages were primarily granted to support customers to buy ordinary apartments for residential purpose, amounting to RMB2,253,815 million, an increase of RMB373,596 million or 19.87%, with the balance and the increment both ranking first in the market. By proactively responding to the development trend and demand of internet finance, the Bank was the first among its peers to introduce the one-stop personal online self-service loan product – CCB "Quick Credit". It enabled customers to apply for the one-stop online loan quickly without going to outlets and met customer needs of quick financing through internet. Personal consumer loans were RMB58,040 million, personal business loans were RMB75,002 million and personal agriculture-related loans totalled RMB7,285 million.

Bank cards business

Credit card business

Credit card business maintained sound and rapid development with core business indicators leading the market among peers. Its brand influence, market competitiveness, risk control ability, profitability and customer satisfaction were further improved. At the end of 2014, the Bank recorded 65.93 million credit cards with an increase of 13.92 million. The spending amount through credit cards reached RMB1,658,081 million, an increase of 30.23%; and the loan balance was RMB329,164 million. The asset quality remained sound. The Bank ranked first among peers in multiple indicators such as the number of new credit card issuance, new merchants, and consumer transactions. The Bank accelerated the implementation of innovation and transformation, introduced innovative products such as global payment credit card and hot purchase Long card, and integrated merchant resources to conduct sales promotion activities such as "Delicacies from Long Card", to earnestly build up the customers' favourite credit card brand. The Bank deepened the application of new internet technologies with the marketing and card issuance covering electronic channels such as mobile phone, WeChat, pad, and QR code. The Bank conducted WeChat interactive marketing activities such as "Credit Card Talent" through social platforms, which attracted more than 100 million participants. The Bank was the first among peers to introduce Long Card electronic payment wallet and realised "one-click payment" of cross-border internet purchase. The Bank introduced the "Mobile Long Card" APP exclusively to card owners, with the first batch of preferential merchants approaching 10,000 and covering nearly 100 cities. The Bank made great efforts to increase profit by developing consumption revolving credit business featuring low risk and high yield, such as instalment plans. The Bank made steady progress in instalment purchase of vehicles, and signed cooperative agreements with all major domestic car brands. The Bank accelerated the construction of "Smart Customer Service" platform to form an all-round service system covering customer life cycle, and upgraded the interactive service channels of SMS and online banking to improve customer experience.

Debit card business

The Bank vigorously strengthened cooperation with key industries in social security, medical and health care, public transport, community finance and culture and education. It accelerated product innovation in mobile payment, launched innovative mobile financial products and new financial IC cards such as unique-shaped cards, carried out diversified marketing activities and continuously enhanced the development base of bank cards business. At the end of 2014, the number of debit cards issued increased by 99.96 million to 632 million. The spending amount through debit cards reached RMB5,091,522 million, up by 40.14%. By focusing on pushing forward the development of financial IC debit cards, the Bank issued 185 million financial IC debit cards in total, an increase of 89.91 million. The Bank issued 15.71 million express settlement cards, an increase of 8.69 million, targeted at individual business proprietors for their payment and settlement demands.

Private banking

With a focus on asset management, private banking comprehensively improved value creation for customers by means of integrated solutions and diversified portfolio of products and services. The Bank continuously carried out product innovation in asset management such as family trust financial advisory business, reference service for asset allocation strategy and fund evaluation and portfolio allocation. The Bank pushed forward the implementation of innovated integrated financial products and services such as "Jinguanjia", "Sixianglianlian", "Caifubao", "Suixiangjin", "Caifuyi", etc. The Bank innovated consultancy and advisory as well as reporting services in investment immigration, marital property preservation, family wealth inheritance and assets and liabilities comprehensive report, providing professional and dedicated services in the whole process of customers wealth management. At the end of 2014, the number of private banking customers with financial assets above RMB10 million grew by 14.18%, and the total amount of customers' financial assets increased by 18.21%. The number of contracted customers of "Jinguanjia" personal customer (family) cash management services reached nearly one million. The Bank issued totally 274,900 private banking cards and wealth management cards, an increase of 64,100.

Entrusted housing finance business

Adhering to the philosophy of "supporting housing reform and serving common people", the Bank proactively responded to customer needs by further strengthening the building and promotion of technology system, to provide comprehensive and high quality entrusted housing finance service. At the end of 2014, housing fund deposits were RMB717,081 million, while individual housing provident fund loans amounted to RMB1,183,333 million. The Bank accelerated the expansion of provident fund co-branded card, by issuing 32 million cards in total. The Bank steadily intensified loan support for indemnificatory housing to meet low and middle-income residents' housing demands. The Bank accumulatively provided housing provident fund project loans of RMB47,001 million to 207 trial projects of indemnificatory housing, and accumulatively granted indemnificatory housing loans of over RMB90 billion to nearly 600,000 low and middle-income residents.

Feature article: Comprehensive Financial Service for Personal Customers

Adhering to the "customer-centric" business concept, the Bank innovatively launched a series of comprehensive financial service solutions for personal customers, which comprehensively showcased the preferential policies, promotion products, marketing activities and value-added services of the Bank, and satisfied personalised and differentiated financial service needs of different customers by integrating traditional and featured financial products.

"Funong Express" comprehensive financial service solution provides seven types of products and services, including personal savings, payment and settlement, agency deduction and payment, investment and wealth management, withdrawing money through EPOS in rural areas, electronic banking and personal credit, to five categories of customers, i.e. civil servants and public sector and enterprise employees in rural areas, migrant workers, individual business proprietors, persons engaged in characteristic economy and relocated households. It better satisfies the financial needs of rural customers in savings and wealth management as well as value maintenance and appreciation.

"Xinxiang Express" comprehensive financial service solution provides personal customers with full life cycle management and maintenance in payroll service, as well as exclusive, convenient and safe comprehensive financial services including payroll service, payment and settlement, investment and wealth management, consumer financing and non-financial value-added service.

"Settlement Express" comprehensive financial service solution, relying on the flexible payment mode and discounts in account transfer and remittance of express settlement card, provides comprehensive financial services, including payment and settlement, loan financing, investment and wealth management, family insurance and credit card instalment, for customers engaged in individual business, private business and chain enterprises. It caters for customers with frequent needs in payment and settlement, vigorous financial demands and a large residue of daily capital, and better satisfies the financial needs of customers in the specialised markets and related customers in their upper and lower ends.

"Abroad Benefit" comprehensive financial service solution provides overall, convenient, beneficial and professional one-stop comprehensive financial services including settlement, wealth management, financing, agency and value-added service in personal foreign exchange business, for overseas students, outbound tourists and family visitors, overseas immigrants, business visitors, overseas workers and their family members, foreigners and foreign exchange investors.

"Financial Social Security Card" and "Provident Fund Long Card" comprehensive financial service solutions provide card owners with a series of specialised package services and preferential policies in account opening and subscription, payment and settlement, investment guarantee and personal credit, to better improve customers experience.

5.2.3 TREASURY BUSINESS

The following table sets forth, for the periods indicated, the major operating information and changes related to treasury business:

(In millions of RMB, except percentages)	**Year ended 31 December 2014**	Year ended 31 December 2013	Change (%)
Net interest income	**35,651**	51,095	(30.23)
Net fee and commission income	**18,855**	18,909	(0.29)
Net trading gain	**13,308**	5,763	130.92
Net gain arising from investment securities	**876**	557	57.27
Other operating gain/(loss), net	**3,795**	(1,207)	(414.42)
Operating income	**72,485**	75,117	(3.50)
Operating expenses	**(6,852)**	(6,374)	7.50
Impairment losses	**(937)**	364	(357.42)
Profit before tax	**64,696**	69,107	(6.38)
	As at 31 December 2014	As at 31 December 2013	
Segment assets	**6,588,297**	6,505,051	1.28

Profit before tax arising from treasury business achieved RMB64,696 million, down by 6.38% over the previous year, and accounted for 21.63% of the Group's profit before tax, a decrease of 3.07 percentage points over last year. Operating income decreased by 3.50% over last year. In this amount, net interest income decreased by 30.23% over last year, due to the changes in the market interest rate curves. As a result of the decrease in income from financial advisory services, net fee and commission income decreased by 0.29% over last year. Impairment losses increased by RMB1,301 million mainly because impairment losses of available-for-sale debt securities increased.

Financial market business

In 2014, the Bank proactively promoted the transformation and development of financial market business, resulting in remarkable operation and management achievements, constantly consolidated market position, increased profitability and further improved ability of risk management and control.

Money market business

With regard to the use of RMB fund, the Bank actively strengthened the research and estimation on market liquidity, established liquidity reserve, properly adjusted the scale of investment in the money market, and optimised the structure of fund recycling to effectively mitigate position fluctuation. At the same time, the Bank strengthened medium and long-term lending to improve gains on money market by tracking high positions of interest rates. With regard to the use of foreign currency fund, the Bank ensured the liquidity safety of foreign currency through various measures and expanded channels of fund utilisation, resulting in better efficiency in fund utilisation.

Investments in debt securities

With regard to investments in RMB debt securities, the Bank faithfully implemented risk policy and investment strategy, accurately tracked the interest rate movements, reasonably arranged investment progress, and constantly optimised variety and term structure of investment portfolio. As a result, the yield of RMB debt securities investments continued to rise. With regard to investments in debt securities denominated in foreign currencies, the Bank proactively reduced high-risk mortgage bonds and extra-long-term credit bonds to mitigate the credit risk of investment portfolio denominated in foreign currencies.

Customer-driven treasury business

The Bank proactively responded to changes of the market and regulatory policies, enhanced products innovation and market competitiveness, provided more available traded currencies, and strengthened capabilities of quoting as a market maker and credit risk management. In 2014, the trading volume of customer-driven treasury business reached US$478,835 million. The Bank introduced innovative products including online banking foreign exchange transactions, promoted Rouble exchange transactions within the scope of the whole bank and launched quoting for five foreign currencies including Pound and Euro versus RMB as a market maker in the interbank market.

Precious metals

The Bank proactively responded to changes in the precious metals market, constantly consolidated customer base, and strengthened products innovation and promotion. In 2014, the total trading volume of precious metals of the Bank reached 32,324.26 tonnes, the number of customers with the Account Precious Metals totalled 16,103,300. The Bank proactively explored Precious Metals Trading (Shanghai Gold Exchange) Agency business and the number of contracted customers of Individual Precious Metals Trading (Shanghai Gold Exchange) Agency business amounted to 2,160,700. It introduced innovative products including silver leasing for enterprises and PC client for Individual Precious Metals Trading (Shanghai Gold Exchange) Agency business.

Assets management and investment banking

The Bank enhanced the refined, standardised and comprehensive risk management over the assets management and investment banking, in order to promote the sound and sustainable development in this arena. In 2014, the underwriting amount of debt financing instruments of the Bank was RMB398,983 million, ranking first among peers for four consecutive years. Breakthroughs were made in innovative business areas such as perpetual bond, local government bond and financial bond. Income from financial advisory services of the Bank reached RMB7,485 million. In this amount, income from new financial advisory services totalled RMB5,991 million, contributing to the further optimisation of business structure.

The Bank promoted product innovation, with innovative products covering various investment banking businesses including wealth management, underwriting of debt securities, financial advisory services, securitisation and so on. It continuously optimised the functions of open-ended products, enriched business channels and product models of the new industrial fund, innovated financing structure of credit assets, and strengthened business compliance management to proactively prevent and eliminate business risks. The Bank promoted optimisation and integration of current systems to accelerate progress of business online integration.

Wealth management business

The Bank actively widened assets allocation channels and increased allocations of debt assets and equity assets with high yield, resulting in further optimisation of assets variety and structure. In 2014, the Bank independently issued 7,783 batches of wealth management products with a total amount of RMB7,010,670 million to effectively meet the investment needs of customers. At the end of 2014, the balance of wealth management products was RMB1,146,739 million. In this amount, the balance of non-principal-guaranteed wealth management products was RMB909,099 million and the balance of principal-guaranteed wealth management products was RMB237,640 million.

5.2.4 OVERSEAS COMMERCIAL BANK BUSINESS

In 2014, the Group made positive progress in the laying-out of overseas outlets. Macau Branch, New Zealand subsidiary bank, Brisbane Branch (Tier-two branch) and Toronto Branch opened successfully. The applications for the establishment of Paris Branch, Amsterdam Branch and Barcelona Branch under CCB Europe and London Branch were officially approved. The Bank's purchase 72% of the total share capital of BIC in Brazil was completed. Applications for the establishment of Milan Branch under CCB Europe, Chile Branch and Zurich Branch were smoothly pushed forward. At the end of 2014, the Group had overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Brisbane, Taipei, Luxembourg, Macau and Toronto, and wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai, CCB Europe and CCB New Zealand, and held 72% of the total share capital of BIC in Brazil. Its overseas entities covered 20 countries and regions. At the end of 2014, the Group's total assets of overseas commercial banks were RMB948,092 million, an increase of 32.67% over 2013, and profit before tax was RMB6,006 million, an increase of 68.99%.

** CCB Asia*

China Construction Bank (Asia) Corporation Limited is one of the 21 licenced banks registered in Hong Kong with a registered capital of HK$6,703.50 million and RMB17.60 billion.

CCB Asia is the Group's service platform for retail and SMEs businesses in Hong Kong and Macau, with 45 operating outlets in the areas. CCB Asia is also specialised in wholesale banking services for customers mainly from Hong Kong, Macau, Taiwan as well as Mainland China, especially for the Blue-Chip, large Red-Chip companies, large Chinese conglomerates, multinational corporations and local premium customers in these areas. The Bank has rich experience and traditional advantages in providing professional financial services in overseas syndicated loans and structured finance, and achieved rapid growth in comprehensive corporate financial services in international settlements, trade finance, treasury business, large structured deposit and financial advisory. At the end of 2014, total assets of CCB Asia amounted to RMB400,231 million, and shareholders' equity was RMB34,638 million. Net profit was RMB1,368 million.

** CCB London*

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank registered in the UK. In March 2009, CCB London obtained the banking licence issued by the UK financial regulatory authorities. It has a registered capital of US$200 million and RMB1.50 billion, and is mainly engaged in corporate deposits and lending, international settlement and trade finance, RMB and British pound clearing, and treasury financial products.

As the Group's British pound clearing centre, CCB London proactively served the Chinese institutions in the UK, British companies with investment in China, corporate customers involved in bilateral trade, expanding CCB's service channels in the UK and Europe. In June 2014, CCB London was appointed as RMB clearing bank in London. CCB London would seize the opportunity of RMB internationalisation to proactively expand the service channels in the UK and Europe, promote the development of various software and hardware infrastructure, and provide convenient, fast and efficient multi-currency clearing service for its customers. It intensified risk management and control, actively consolidated customer base, developed new products and broadened development channels. At the end of 2014, total assets of CCB London amounted to RMB41,574 million, and shareholders' equity was RMB2,916 million. Net profit was RMB101 million.

** CCB Russia*

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

CCB Russia, holding the comprehensive banking license issued by the Central Bank of Russia, is mainly engaged in syndicated loan, bilateral loan, trade finance, international settlement, treasury business, financial institutional business, clearing business, cash business, deposits business, and safe deposit box services, etc. At the end of 2014, total assets of CCB Russia amounted to RMB2,100 million, and shareholders' equity amounted to RMB482 million. Net profit amounted to RMB29,162,800.

** CCB Dubai*

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

In April 2013, CCB Dubai obtained the "level-one banking license" issued by Dubai Financial Service Authority (DFSA), which allowed it to provide the widest business range of commercial banking in this area. It is specialised in wholesale business, including deposits and loans, proprietary/agency investment transaction, credit or investment arrangement, financial products or credit advisory and custody services. CCB Dubai has proactively expanded various assets and liabilities activities, providing commercial bank businesses including syndicated loans, trade finance, international settlement and customer-driven foreign exchange trading for corporate customers since its opening. At the end of 2014, total assets of CCB Dubai amounted to RMB4,661 million, and shareholders' equity amounted to RMB608 million. Net profit reached RMB11,922,300.

** CCB Europe*

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

Focusing on corporate finance and financial market businesses, CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe and European multinational enterprises in China. At the end of 2014, total assets of CCB Europe amounted to RMB2,036 million, and shareholders' equity amounted to RMB1,516 million. Net profit reached RMB13,705,000.

** CCB New Zealand*

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

CCB New Zealand has license of wholesale and retail businesses and focuses on wholesale business at present, offering integrated and high quality financial services including corporate loans, trade financing, RMB clearing and cross-border fund transactions to Chinese enterprises in New Zealand and local customers. It will actively explore and launch retail business in the future. At the end of 2014, total assets of CCB New Zealand amounted to RMB449 million, and shareholders' equity amounted to RMB282 million.

** BIC in Brazil*

Banco Industrial e Comercial S.A., founded in 1938 and headquartered in Sao Paulo, Brazil, is a relatively large medium-sized bank with a registered capital of BRL2,012,809,865.25. Regarding corporate loan business as its core business, BIC is engaged in other banking businesses including treasury fund and personal credit, and non-banking financial businesses including leasing and securities. BIC has been listed on BOVESPA since 2007.

At the end of 2014, BIC had 37 domestic branches in Brazil and one Cayman branch, with outlets covering most states and main cities in Brazil. BIC had five wholly-owned subsidiaries and one joint venture (BIC held 40% share). Subsidiaries were engaged separately in equipment leasing, personal loan, securities, VISA group credit card, prepaid card issuance and data processing, and the main business of the joint venture was factoring and forfaiting business. At the end of 2014, total assets of BIC amounted to RMB36,294 million, and shareholders' equity amounted to RMB3,007 million. Net profit was a negative value of RMB290 million covering the period from the delivery date to the end of 2014.

5.2.5 INTEGRATED OPERATION SUBSIDIARIES

The Group has preliminarily established an integrated operating framework and progressively optimised its comprehensive financial services. At the end of 2014, the Group owned domestic subsidiaries in non-banking financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures and CCB International and set up several banking entities providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks. The overall business development of integrated operation subsidiaries was in a good shape with steady business expansion and sound asset quality. At the end of 2014, total assets of integrated operation subsidiaries were RMB189,545 million, an increase of 34.30% year-on-year. Net profit reached RMB2,464 million, an increase of 31.63%.

** CCB Trust*

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

At the end of 2014, the trust assets under management amounted to RMB665,835 million, ranking third among its peers. Total assets of CCB Trust were RMB8,095 million, and shareholders' equity was RMB7,305 million. Net profit was RMB869 million.

** CCB Life*

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

In 2014, premium income of CCB Life ranked first among the bank-affiliated insurance companies with further broadened business areas and steadily improved investment income. At the end of 2014, total assets of CCB life were RMB40,587 million, and shareholders' equity was RMB7,649 million. Net profit was RMB172 million.

** CCB Financial Leasing*

CCB Financial Leasing Corporation Limited is a wholly-owned subsidiary of the Bank with a registered capital of RMB4.50 billion. CCB Financial Leasing mainly engages in finance leasing, transferring and buying finance leasing assets, investment of securities with fixed gains, receiving security deposits from lessees, interbank lending, borrowing from financial institutions, borrowing from overseas, sales and disposal of lease, economic advisory, establishing project company to operate finance leasing in domestic bonded areas, providing guarantee for subsidiaries and project companies in external financing and other businesses approved by the CBRC.

In 2014, relying on strengthening the strategic synergy, CCB Financial Leasing achieved transformation of operating mode. It established overseas aircraft leasing business platform, making new progress in professional operation of aircraft leasing. At the end of 2014, total assets of CCB Financial Leasing reached RMB77,128 million, and shareholders' equity totalled RMB6,220 million. Net profit was RMB505 million.

** CCB International*

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

In 2014, CCB International continued to push forward strategic transformation with sound development of businesses. The number of projects it involved as bookrunner was in the forefront of Chinese and foreign investment banks. CCB International completed several M&A projects for Chinese conglomerates as exclusive financial consultant and made significant progress in bonds underwriting. It smoothly pushed forward assets management business and expanded RQFII business to the European market. CCB International constantly optimised its platform construction and was approved as the first trial batch of enterprises in Shanghai Free Trade Zone to conduct centralised operation and management of funds denominated in foreign currencies for the headquarters of multi-national investment corporations. At the end of 2014, total assets of CCB International amounted to RMB22,318 million, and shareholders' equity reached RMB7,400 million. Net profit reached RMB458 million.

** CCB Principal Asset Management*

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

In 2014, benefiting from the bull markets in both stocks and bonds, CCB Principal Asset Management achieved a great leap forward in various businesses. At the end of 2014, total volume of funds managed by CCB Principal Asset Management was RMB361.3 billion. In this amount, public offering fund was RMB121.6 billion and non-public offering fund was RMB112.5 billion. Total assets of CCB Principal Asset Management were RMB1,016 million, and shareholders' equity was RMB882 million. Net profit was RMB165 million.

** CCB Futures*

In April 2014, the Bank finished equity settlement for former Shanghai Liangmao Futures Brokerage Co., Ltd. and formally renamed it as CCB Futures Co., Ltd. CCB Futures has a registered capital of RMB436 million, of which the Bank and Shanghai Liangyou (Group) Co., Ltd contribute 80% and 20%, respectively. CCB Futures is mainly engaged in commodity futures brokerage, financial futures brokerage and other businesses permitted by regulatory authorities.

In 2014, M&A and integration process of CCB Futures progressed smoothly and all businesses maintained stable development. At the end of 2014, total assets of CCB Futures were RMB979 million, and shareholders' equity was RMB495 million.

** Sino-German Bausparkasse*

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

In 2014, Sino-German Bausparkasse realised fast development in its housing savings business with the amount of housing savings products sales exceeding RMB10 billion. At the end of 2014, total assets of Sino-German Bausparkasse were RMB25,135 million, and shareholders' equity was RMB2,470 million. Net profit was RMB177 million.

** Rural banks*

At the end of 2014, the Bank sponsored the establishment of 27 rural banks in Hunan Taojiang and many other places. The registered capital of these rural banks totalled RMB2,785 million, of which RMB1,377 million was contributed by the Bank.

Rural Banks persisted in offering efficient financial services for "agriculture, farmers and rural areas" and small and micro enterprises in county regions, achieving good operating results. At the end of 2014, total assets of 27 rural banks were RMB15,266 million, total liabilities reached RMB12,159 million and shareholders' equity of the rural banks was RMB3,107 million. Loans were primarily extended for "the agriculture and small and micro enterprises", and the loan balance was RMB10,908 million, of which agriculture and small and micro enterprises related loans accounted for 88.47%. Net profit was RMB119 million.

5.2.6 ANALYSED BY GEOGRAPHICAL SEGMENT

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

	Year ended 31 December 2014		Year ended 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	41,471	13.87	36,768	13.14
Pearl River Delta	36,709	12.27	38,469	13.75
Bohai Rim	48,212	16.12	45,019	16.10
Central	46,186	15.44	42,191	15.08
Western	50,240	16.80	46,375	16.57
Northeastern	14,931	4.99	15,597	5.57
Head office	54,996	18.39	51,492	18.40
Overseas	6,341	2.12	3,895	1.39
Profit before tax	299,086	100.00	279,806	100.00

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	2,839,279	13.23	2,639,135	13.18
Pearl River Delta	2,230,031	10.40	2,158,746	10.78
Bohai Rim	3,030,726	14.13	2,737,198	13.67
Central	2,590,457	12.08	2,411,147	12.04
Western	2,579,135	12.02	2,500,348	12.49
Northeastern	995,140	4.64	910,474	4.55
Head office	6,252,529	29.14	5,934,221	29.63
Overseas	935,564	4.36	731,878	3.66
Total assets[1]	21,452,861	100.00	20,023,147	100.00

1. Total assets exclude elimination and deferred tax assets.

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

	As at 31 December 2014				As at 31 December 2013			
(In millions of RMB, except percentages)	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	1,877,906	19.82	39,321	2.09	1,781,649	20.74	40,844	2.29
Pearl River Delta	1,299,615	13.72	17,719	1.36	1,220,420	14.21	10,680	0.88
Bohai Rim	1,633,965	17.25	10,860	0.66	1,442,213	16.79	6,695	0.46
Central	1,552,809	16.39	14,671	0.94	1,358,192	15.81	12,052	0.89
Western	1,641,394	17.32	13,039	0.79	1,461,129	17.01	7,221	0.49
Northeastern	562,403	5.94	8,471	1.51	507,751	5.91	4,551	0.90
Head office	342,476	3.61	3,250	0.95	280,597	3.27	2,645	0.94
Overseas	563,955	5.95	5,840	1.04	538,106	6.26	576	0.11
Gross loans and advances to customers	9,474,523	100.00	113,171	1.19	8,590,057	100.00	85,264	0.99

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

	As at 31 December 2014		As at 31 December 2013	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	**2,401,640**	**18.62**	2,310,251	18.90
Pearl River Delta	**1,873,077**	**14.52**	1,878,995	15.37
Bohai Rim	**2,344,928**	**18.18**	2,245,632	18.37
Central	**2,457,370**	**19.05**	2,268,111	18.56
Western	**2,457,312**	**19.05**	2,388,492	19.54
Northeastern	**932,976**	**7.23**	855,591	7.00
Head office	**43,358**	**0.34**	25,671	0.21
Overseas	**388,014**	**3.01**	250,294	2.05
Total deposits from customers	**12,898,675**	**100.00**	12,223,037	100.00

5.2.7 DISTRIBUTION CHANNELS AND TRANSFORMATION OF OUTLETS

Channels Construction

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

At the end of 2014, the Bank had a total of 14,856 domestic operating outlets, including the head office, 37 tier-one branches, 324 tier-two branches, 11,751 sub-branches, 2,742 entities under the sub-branches and a specialised credit card centre at the head office. The number of operating outlets increased by 206 over the previous year. The operating outlets were mainly distributed in large and central cities. The Bank accumulatively started 2,224 renovation projects of outlets, further improving physical environment and customer experience at the outlets.

In 2014, the total number of private banking centres and wealth management centres in operation reached 338. There were 288 small business operating centres in the form of "Credit Factory". More than 1,500 personal loan centres were built, and the overall layout was improved with growing brand influence. Drawing on the operation experience of smart banks opened in Qianhai, Shenzhen, the Bank started up the promotion and establishment of 11 pilot branches with a focus on offering brand-new customer experience featuring "self-service, intelligence and wisdom".

The Bank strove to develop electronic banking under the principle of "being intelligent, ubiquitous and cross-industry", and accelerated channel construction and product innovation. As a result, both customer scales and transaction volumes of all channels grew steadily, customer quality was improved continuously, and channel application level and value creation ability were further improved. At the end of 2014, the volume of accounting transactions through electronic banking and self-service channel accounted for 88.03% of that through all channels, up by 2.63 percentage points over last year. The life service payment platform of "Joy Life" helped customers easily complete daily payments and scenario applications without leaving home, contributing to 29,492,000 transactions. "Student Benefit" was mainly targeted at college students, benefiting 6.44 million contracted customers from 2,846 colleges all over the country.

** Online banking*

For personal online banking, the Bank optimised the function of overseas foreign exchange remittance, realised the intelligent routing control over cross-bank transfer, and launched services such as fast transfer, application for adjusting credit card limit and changing billing address. For corporate online banking, the Bank completed the migration of existing customers to new generation corporate online banking, and accomplished promotion of overseas online banking service for nine overseas entities including Dubai, Taipei, Sydney, Tokyo, Johannesburg, London, etc., thus further expanding service channels of overseas business.

At the end of 2014, the number of personal online banking customers increased by 19.12% to 178.69 million over the previous year; the transaction volume was RMB39.60 trillion, an increase of 21.76% over the previous year; the number of transactions was 6,249 million, an increase of 19.80%. The number of corporate online banking customers reached 3.30 million, an increase of 18.15%; the transaction volume was RMB128.80 trillion, an increase of 23.53%; the number of transactions was 2,300 million, an increase of 18.34%.

** E.ccb.com e-commerce platform*

The Bank continued to enrich its e.ccb.com e-commerce platform and improved customer experience. The Bank redesigned the home page of the retail mall, highlighting “elegant, exclusive, exquisite and excellent” products and high-quality merchants. The Bank launched the “instalment preference” minisite, realising the comprehensive integration of the Long Card mall and e.ccb.com’s retail mall. The corporate mall prioritised the development of high-quality merchants, further explored selected industries, released the function of enquiry for purchase, and upgraded the comprehensive home page of specialised market. In 2014, the transaction volume of e.ccb.com totalled RMB46,279 million, with 14,500 active internet merchants at the end of the year.

** Telephone banking*

The Bank’s customer service hotline is 95533. With the optimisation of the menu function and channel service process, as well as the rapidly growing use of emerging customer service channels such as SMS and online customer service, the service efficiency and quality continuously improved. At the end of 2014, the number of telephone banking customers was 174.02 million, an increase of 24.32 million, or 16.24%, over the previous year.

** Mobile banking*

The Bank launched its new mobile banking APP to provide services in five major functions, namely Mobile Banking, Joy Life, My Favourites, Shake to Transfer and QR Code Scanning. The Bank also launched its SMS banking APP where customers can directly enquire account balances, transfer and remit funds, pay bills and recharge credit, and conduct other credit card related services, which greatly improved customer experience.

At the end of 2014, the number of mobile banking customers was 146.79 million, up 25.98% over last year; the transaction volume was RMB7.38 trillion, a year-on-year increase of 101.35%; the number of transactions was 3,042 million, a year-on-year increase of 155.10%. The number of SMS financial service customers reached 243.20 million, an increase of 21.93% over last year. The number of WeChat banking customers was 14 million, of which 8.73 million customers followed the Bank’s WeChat official account and attached their bank accounts.

** Self-service banking*

The Bank continued to expand its self-service channels and network, improved the layout of existing channels, strengthened refinement management, and optimised equipment functions. At the end of 2014, there were 81,067 ATMs with cash services in operation, an increase of 12,054 ATMs, or 17.47% over last year. There were 21,274 self-service banks in operation, an increase of 3,396 self-service banks, or 19.00%.

Transformation of Outlets

The Bank vigorously pushed forward the building of integrated outlets, and innovated comprehensive management over the outlets, to effectively enhance resources utilisation efficiency and improve comprehensive financial services ability of outlets.

With a focus on customers, the Bank strove to develop a platform of outlets with comprehensive services. The Bank elevated convenient and efficient services to customers by vigorously transforming the single-function outlets and implementing integrated teller systems. At the end of 2014, the number of integrated outlets reached 13,700, and the proportion of integrated tellers rose to 80%. Customers can enjoy the convenience and comfort brought by the Bank’s one-stop comprehensive services.

With a determination on innovation, the Bank strove to develop intensive processing platforms with high-efficiency services. On the basis of completing the separation between the bank counters and back offices of over 100 non-real time businesses at the outlets, the Bank independently developed intensive operation platforms for over-the-counter businesses, and achieved real-time centralised business processing at the head office level. At the end of 2014, 14,523 outlets of the Bank achieved centralised processing of 30 types of over-the-counter businesses including cheque, remittance and credit card application at the head office’s level. The daily centralised business peak volume was approximately 920,000, demonstrating the remarkably improved operation efficiency and intensive processing capability at outlets.

With its coordination mechanism as a guarantee, the Bank developed an outlets service system featuring “targeted marketing, collaborative services, and integrated solutions”. At the end of 2014, the Bank established 17,544 integrated marketing teams to carry out collaborative marketing and established the foundational collaborative marketing mechanism among posts within outlets, teams, outlets and their supervising authorities, and specialised centres. As a result, the comprehensive marketing service ability was significantly strengthened at the outlets; customers can enjoy the thoughtful, “all-round” and “high-quality” services at the outlets.

5.2.8 INFORMATION TECHNOLOGY AND PRODUCT INNOVATION

Information Technology

In 2014, the Bank intensified its efforts in information technology with a focus on ensuring safe operation and the building of the "New Generation Core Banking System", to support the development of its businesses.

Successive deployment of Phase II and kick-off of phase III projects of the "New Generation Core Banking System". Functions of Phase II projects were released in two batches, of which the first batch went live in January 2015 and the second batch was under test and scheduled to go-live in July 2015. The 34 new functions from nine Phase II projects such as customer channels, employee management, corporate cash management and personal loan project, were released ahead of schedule, to promptly respond to customers' demands and significantly improve customers and employees experience. The 19 new application projects of phase III, as well as projects of phase II under continued construction and optimisation had been approved.

Safe operations security level was in a leading position among peers with improved capability in information technology. In 2014, all information system operated securely. The availability rate of key systems exceeded 99.99%, and that of critical systems such as online banking system reached 100%. There was no grade three or higher-level operation incidents. While impact and frequency of all operational incidents were under effective control, the Bank remained in the industry leader position in operations security level. The core banking business system processed a peak transaction volume of 10,364 transactions per second and 412 million transactions in a day, breaking the industry record. Technical indicators such as system processing capacity, successful transaction rate and average response time ranked first in the industry. The Bank intensified full life cycle management of information technology service, independently researched and developed, and continuously optimised and promoted cloud management platform, thus continuously upgrading service level of automatic detection, automatic positioning and automatic business recovery.

Optimising existing systems and satisfying business development requirements. The Bank optimised functions of system in accordance with the requirements of Shanghai Clearing House to support the issuance of policy bond products. Smart banks were established in certain outlets to create a brand new customer feeling and user experience that focused on "self-service, intelligence and wisdom". The Bank launched various services on its e.ccb.com e-commerce platform such as the One-click Purchase, Purchasing Agency, Cross-border Purchase and QR Code Purchase. Moreover, the Bank continued to strengthen the development of a globally unified payment and clearing system, to realise an end-to-end, cross-border and cross-bank one-stop processing system. Overseas core banking system and peripheral systems were deployed in 20 overseas tier-one institutions including Macau, Russia, New Zealand and Toronto.

Product Innovation

In 2014, adhering to the goal of establishing an "innovative bank", the Bank insisted on innovation from multiple dimensions including "customer, market, technology, globalisation and regulation", contributing to the initial establishment of a product innovation system featuring smooth process, efficient collaboration and organic integration. With respect to corporate business, the Bank promoted various financial service solutions such as "One Belt and One Road" and Coordinated Development of Beijing-Tianjin-Hebei, launched the electronic platform of centralised payment of treasury to improve customer experience, and researched and developed four new pension products of "Yangyi" series to enrich the pension product system. With respect to retail and electronic banking businesses, the Bank introduced personal financial IC card named "Chip Card Payment" to open the channel of online self-service, issued Hot Purchase Long Card to effectively satisfy differentiated demands of customers, and carried out innovation of mobile finance by realising new functions such as electronic form filling application. With respect to investment and financial market business, the Bank introduced innovative products such as sales of physical precious metals to corporates, bonds secured by third parties, ultra-short-term financing bonds of local state-owned enterprises and financial wealth management products of supply chains. At the end of 2014, the Bank finished 1,370 product innovation projects and 223 product transplantation projects.

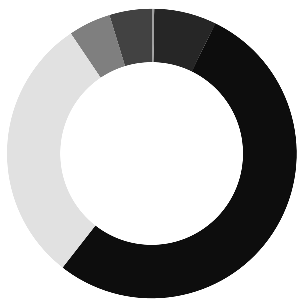
5.2.9 HUMAN RESOURCES AND INSTITUTIONAL MANAGEMENT

At the end of 2014, the Bank had 372,321 staff members, an increase of 1.06% compared with the previous year (in addition, the Bank had 6,275 workers dispatched by labour leasing companies, a decrease of 24.58% over the previous year). The number of staff members with academic qualifications of bachelor's degree or above was 224,992, or 60.43%, and the number of local employees in overseas entities was 473. In addition, the Bank assumed the expenses of 52,286 retired employees. The compositions of the Bank's employees by age, academic qualification and responsibilities are as follows:

BY AGE

- below 30 years old, 29.97%
- 31 to 40 years old, 22.18%
- 41 to 50 years old, 37.44%
- 51 to 59 years old, 10.36%
- over 60 years old, 0.05%

BY ACADEMIC QUALIFICATION



- doctor's degree, 0.13%
- master's degree, 6.81%
- bachelor's degree, 53.49%
- associate degree, 30.21%
- post-secondary, 4.77%
- high school and below, 4.59%

BY RESPONSIBILITIES

- operating outlets and integrated tellers, 45.54%
- personal banking, 14.65%
- corporate banking, 13.69%
- information technology, 6.86%
- risk management, internal audit, legal and compliance, 4.89%
- management, 3.72%
- finance and accounting, 2.28%
- financial market business, 0.12%
- others, 8.26%

At the end of 2014, the Bank had 14,880 institutions, among which, there were 14,856 domestic institutions and 24 overseas institutions.

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

	As at 31 December 2014			
	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	**2,462**	**16.55**	**57,510**	**15.45**
Pearl River Delta	**1,885**	**12.67**	**47,289**	**12.70**
Bohai Rim	**2,427**	**16.31**	**60,584**	**16.27**
Central	**3,588**	**24.11**	**83,036**	**22.30**
Western	**3,031**	**20.37**	**70,451**	**18.92**
Northeastern	**1,460**	**9.81**	**37,440**	**10.06**
Head office	**3**	**0.02**	**15,391**	**4.13**
Overseas	**24**	**0.16**	**620**	**0.17**
Total	**14,880**	**100.00**	**372,321**	**100.00**

Staff remuneration policies

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

The Bank's major allocation policies and other significant matters relating to remuneration management need to be reviewed by the Nomination and Remuneration Committee under the Board and the Board. Material proposals relating to remuneration allocation are required to be voted and approved by the shareholders' general meeting, or be reported to the competent authorities of the State for approval and filing. Pursuant to relevant government policies, the annual remuneration standard of the Bank's directors, supervisors and senior executives needs to be reviewed and approved by the competent authorities at a higher level; deferred payment for their performance remuneration has also been implemented. The vesting period of deferred payment of performance remuneration needs to match the business and risk cycles, so as to make remuneration an accurate reflection of the Bank's performance. If a risk is exposed or business performance deteriorates within the vesting period, the deferred payment of performance remuneration can be retrospectively deducted.

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

Staff training programme

Closely following its development strategies, the Bank increased investments in training by organising training programmes for all staff members with specific focuses and at different levels and groups of employees. It focused on training for employees at all levels in accordance with the employee competence requirements of different categories, levels and posts, including job-related post certificates training for frontline employees, qualification certificates trainings for professional staff, and overall capability enhancement trainings for managerial staff. The Bank also promoted full coverage of online training and provided rich self-training resources for employees. In 2014, the Bank conducted 36,574 on-site training sessions, with a total enrolment of 1,895,300.

Profiles of institutions and staff in subsidiaries

The Bank had 41 subsidiaries with a total of 236 branches. In this amount, the number of domestic and overseas branches reached 134 and 102 respectively. The subsidiaries had 9,843 staff members (in addition, the subsidiaries had 366 workers dispatched by labour leasing companies). In this amount, the number of domestic and overseas staff members reached 6,093 and 3,750 respectively. In addition, the subsidiaries assumed the expenses of 26 retired employees.

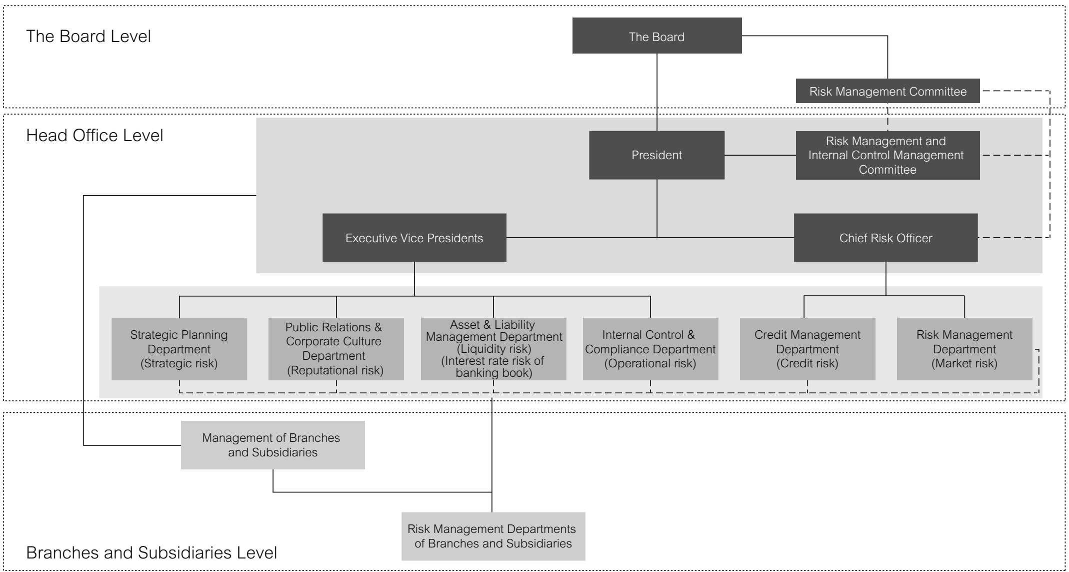
The subsidiaries determined their remuneration and human resources management rules independently in compliance with local legislations and regulatory requirements, based on the nature of their business. They made training plans for their staffs in line with their own business needs.

5.3 RISK MANAGEMENT

In 2014, the Bank effectively strengthened the comprehensive risk management, promoted the transmission and implementation of risk appetite, and improved the unified risk management at the Group level by taking the opportunity of pushing forward the implementation of advanced capital measurement approaches.

5.3.1 RISK MANAGEMENT STRUCTURE

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



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

The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The Risk Management Committee under the Board is responsible for making risk management strategies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. As the core component of the risk management structure, the Board deliberates and approves the statements of risk appetite regularly, and delivers and communicates its risk appetite through corresponding capital management policies, risk management policies and business policies, to ensure that the business operation of the Bank adheres to its risk appetite. The Board of Supervisors oversights the establishment of the comprehensive risk management system as well as the performance of the Board and the senior management in assuming their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategy established by the Board and organising the implementation of the comprehensive risk management of the Group.

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

The Bank attaches importance to executing, monitoring and re-examining risk appetite. The Bank strengthens the policy guidance of risk selection and allocation of risky assets by implementing communication mechanism of risk appetite. It monitors, analyses and reports execution of risk appetite quarterly. Taking into consideration the change of risk trend under the “new normal” of the macro-economy, the Bank initiates the re-examining and revising of risk appetite of the Group. Subsidiaries implement risk management requirements of the Group through corporate governance mechanism, establish and improve internal risk appetite, risk management system and risk policies.

5.3.2 CREDIT RISK MANAGEMENT

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

In 2014, the Bank actively responded to the complex and volatile economic situation, largely strengthened efforts to prevent and control credit risks, timely adjusted and optimised credit policies, improved and optimised credit systems and processes, reinforced the fundamental management on pre-lending evaluations, credit approval and post-lending monitoring, and enhanced credit risk management capability and level.

Carrying out the event of "Year of Credit Risk Prevention and Control" to strengthen the fundamental credit management. The Bank implemented the "Looking Back" work for the loans granted last year. By inspecting and assessing specific risks of high-risk industries, customer groups and products, the Bank eliminated potential risks in time. The Bank strengthened authenticity check and due diligence work during the pre-lending evaluations, reinforced the intensive management of credit approval process, and optimised the post-lending and collateral management systems. The Bank refined the policy systems of credit risk management of overseas entities.

Timely adjusting and optimising credit policies to improve the refinement level of policies. In compliance with the national industrial policies, regulatory requirements, and its own development strategy and risk appetite, the Bank re-examined and improved the credit policy systems, worked out detailed customer selection criteria, identified its key areas of credit lending, and strictly controlled credit increases in high-risk industries. In response to the changing economic situations both at home and abroad, the Bank timely adjusted and improved its credit policies, further tightened credit access and rigorously controlled the extension of new credits to areas with prominent risks, and implemented precise management and control.

Reinforcing the disposal of NPLs to practically support the stability of asset quality. With a focus on key projects, key branches, and key products, the Bank used various measures to improve the efficiency of the disposal of NPLs. The Bank emphasized on increasing the proportion of cash recoverability, revitalising and upgrading NPLs, made full use of batch disposal and market-oriented disposal, set a reasonable total amount of disposal, and actively pushed forward the resolution of risky assets and the disposal of write-offs. The Bank complied with laws and regulations and strengthened fundamental management while valuing experience and case studies, to ensure the constant improvement in business process and management system.

Optimising credit processes to take the initiative in credit granting. The Bank adjusted credit management methods for large and medium-sized corporate customers, established and improved comprehensive credit granting re-examining mechanism, further optimised the regulations on credit risk exposure measurement, and strengthened the monitoring over the total credit granted to group customers in order to prevent excessive credit granting risks. The Bank proactively took the initiative in credit granting to prevent risks from earlier stages and further improve service efficiency. It strengthened the management of authorisation over credit approval, implemented dynamic adjustment to authorisation, and enhanced supervision and inspection over credit approval, in order to effectively control credit granting risks.

Innovating risk early-warning and pre-control techniques by developing and optimising measurement models and tools. The Bank established a credit rating system covering the credit rating of corporate and retail customers models, and applied these measurement tools and results in a wide range of activities such as credit control, post-lending management, fraud detection, intelligent loans recovery, integrated financial services solutions, product innovation and so on, contributing to the in-depth and broadened application of the risk management tools. The Bank carried out multi-dimensional comprehensive and specialised stress tests, and enhanced the level of systemic risk prevention. It established and improved the system of risk limit management over regions and products, effectively communicated its risk appetite and guided structural adjustments.

Concentration of credit risks

In line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, revitalising existing credit assets and innovating products, etc. At the end of 2014, the Group's gross loans to the largest single borrower accounted for 5.05% of the total capital after deductions, while those to the top ten customers accounted for 13.42% of the total capital after deductions.

Concentration of loans

Concentration indicator	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
Proportion of loans to the largest single customer (%)	**5.05**	4.51	3.86
Proportion of loans to top ten customers (%)	**13.42**	14.80	14.76

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

(In millions of RMB, except percentages)	Industry	As at 31 December 2014	
		Amount	**% of total loans**
Customer A	Transportation, storage and postal services	**76,640**	**0.81**
Customer B	Transportation, storage and postal services	**18,828**	**0.20**
Customer C	Transportation, storage and postal services	**16,094**	**0.17**
Customer D	Transportation, storage and postal services	**14,327**	**0.15**
Customer E	Transportation, storage and postal services	**14,227**	**0.15**
Customer F	Transportation, storage and postal services	**13,016**	**0.14**
Customer G	Water, environment and public utility management	**12,982**	**0.14**
Customer H	Transportation, storage and postal services	**12,680**	**0.13**
Customer I	Water, environment and public utility management	**12,549**	**0.13**
Customer J	Transportation, storage and postal services	**12,291**	**0.13**
Total		**203,634**	**2.15**

5.3.3 LIQUIDITY RISK MANAGEMENT

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

In 2014, the liquidity of the banking industry was adequate. However, market funds denominated in RMB experienced seasonal fluctuations due to increasing cash demand during the Spring Festival, purchase of new shares, concentrated corporate tax payment and other factors. The PBOC made appropriate adjustments by directionally reducing the statutory deposit reserve ratio, and using open market operations, Pledged Supplementary Lending (PSL), Short-term Liquidity Operations (SLO) and Medium-term Lending Facility (MLF), to ease the money supply in the market. The Bank responded to the liquidity situation with timely measures, conducted coordinated liquidity management at the Group level, adjusted the usage of products that largely affected liquidity such as debt securities investments, financial assets held under resale agreements, and deposits and placements with banks and non-bank financial institutions, and strengthened large fund flow alert. The Bank maintained liquidity at a reasonable level and ensured normal payments and clearings.

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

The following table sets forth the liquidity ratios of RMB and foreign currency of the Group as at the date indicated:

(%)		Regulatory standard	**As at 31 December 2014**	As at 31 December 2013	As at 31 December 2012
Liquidity ratio[1]	RMB	≥25	**48.88**	46.57	56.73
	Foreign currency	≥25	**57.03**	55.20	58.81

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBRC.

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

	As at 31 December 2014							
(In millions of RMB)	**Indefinite**	**Repayable on demand**	**Within one month**	**Between one and three months**	**Between three months and one year**	**Between one and five years**	**More than five years**	**Total**
Assets								
Cash and deposits with central banks	**2,456,736**	**154,045**	**–**	**–**	**–**	**–**	**–**	**2,610,781**
Deposits and placements with banks and non-bank financial institutions	**–**	**67,172**	**119,649**	**153,727**	**162,134**	**12,058**	**246**	**514,986**
Financial assets held under resale agreements	**–**	**–**	**179,452**	**58,804**	**35,495**	**–**	**–**	**273,751**
Loans and advances to customers	**55,547**	**356,911**	**273,474**	**566,001**	**2,298,193**	**2,521,847**	**3,150,937**	**9,222,910**
Investments	**27,994**	**–**	**124,847**	**192,391**	**426,082**	**1,799,990**	**1,159,649**	**3,730,953**
Other assets	**213,384**	**29,532**	**26,090**	**47,340**	**66,041**	**6,952**	**1,410**	**390,749**
Total assets	**2,753,661**	**607,660**	**723,512**	**1,018,263**	**2,987,945**	**4,340,847**	**4,312,242**	**16,744,130**
Liabilities								
Borrowings from central banks	**–**	**–**	**15,381**	**67,477**	**8,358**	**–**	**–**	**91,216**
Deposits and placements from banks and non-bank financial institutions	**–**	**585,618**	**277,699**	**108,671**	**224,925**	**6,549**	**3,058**	**1,206,520**
Financial liabilities at fair value through profit or loss	**–**	**18,052**	**111,383**	**98,289**	**68,285**	**–**	**–**	**296,009**
Financial assets sold under repurchase agreements	**–**	**–**	**181,079**	**295**	**154**	**–**	**–**	**181,528**
Deposits from customers	**–**	**6,748,886**	**888,992**	**1,143,267**	**2,658,778**	**1,442,869**	**15,883**	**12,898,675**
Debt securities issued	**–**	**–**	**27,976**	**71,261**	**128,214**	**102,294**	**103,907**	**431,652**
Other liabilities	**401**	**115,239**	**33,723**	**45,916**	**135,031**	**53,092**	**2,765**	**386,167**
Total Liabilities	**401**	**7,467,795**	**1,536,233**	**1,535,176**	**3,223,745**	**1,602,804**	**125,613**	**15,491,767**
Long/(short) position in 2014	**2,753,260**	**(6,860,135)**	**(812,721)**	**(516,913)**	**(235,800)**	**2,738,043**	**4,186,629**	**1,252,363**
Long/(short) position in 2013	2,531,094	(6,711,273)	(610,116)	(427,828)	3,773	2,493,591	3,795,088	1,074,329

The Group regularly monitors the gap between its assets and liabilities under various maturities classes in order to assess its liquidity risk during different periods. As at 31 December 2014, the accumulated gap of various maturities classes of the Group was RMB1,252,363 million, an increase of RMB178,034 million over 2013. Despite the negative gap for repayment on demand totalling RMB6,860,135 million, the Group was expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and expansive deposit customer base, relatively stable core demand deposits, and steady growth in deposits.

5.3.4 MARKET RISK MANAGEMENT

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

In 2014, the Bank continued to refine its policy system of market risk management, innovated management methods, and improved market risk management and control tools, constantly enhancing its market risk management capability.

Refining the policy system of market risk management. The Bank enacted market risk policies and limit management schemes for the year 2014, and clarified the orientation of market risk policies and the risk tolerance limits. The Bank amended contingency plans and detailed rules for significant risks and strengthened emergency management. The Bank formulated the guidance for price controls over transactions, and revised management procedures and regulations for counterparty credit risk, traders, new products, important parameters of trading system and risk management manual for financial market business, with steadily improved market risk systems.

Enhancing monitoring and reporting on market risk. The Bank integrated proactive risk management into the process, strengthened management of trading business at the Group level, and reinforced risk management and control for financial market business of overseas institutions. The Bank traced and monitored the implementation of credit approval, authorisation and risk limits of the financial market business, and achieved automatic monitoring of the exposure of foreign exchange and precious metals. Pursuant to the steps of "assessment, inspection, improvement", the Bank carried out specialised inspection on gold leasing, foreign exchange and precious metals quoting, account checking between the bank counters and back offices and credit approval and authorisation of overseas institutions.

Promoting the development of measurement system and tools of market risk. With a focus on capital measurement of market risk, the Bank re-examined the stress range of market risk, optimised counterparty capital measurement methods and strengthened the development of IT management tools. The Bank conducted independent research and development on market risk measurement engine, and re-examined current overall system structure. The Bank actively promoted the implementation of counterparty risk management system for derivative products, enhanced the utilisation, optimisation, inspection and overseas promotion of the transaction management system of financial market business, and effectively boosted the support of system to business.

Value at Risk analysis

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

The VaR analysis on the Bank's trading portfolio as at the balance sheet date and during the respective years is as follows:

	2014				2013			
(In millions of RMB)	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	189	67	194	17	128	64	148	29
– Interest rate risk	173	31	173	9	117	36	134	17
– Foreign exchange risk	36	54	119	12	94	53	107	17
– Commodity risk	1	1	21	–	7	2	18	–

Interest rate risk management

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

In 2014, the Bank actively responded to the challenge of interest rate liberalisation, continuously improved the ability of making market-oriented, independent and differentiated pricing, and further pushed forward the application of Loan Prime Rate (LPR). The Bank measured interest rate risk by comprehensively using multiple tools such as interest rate sensitivity gap, net interest income sensitivity analysis and stress testing, conducted regular analysis and net interest income prediction, and reasonably designed the term structure and product structure of asset and liability portfolios, in order to maintain the overall interest rate risk within the set tolerable range.

Interest rate sensitivity gap analysis

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

	As at 31 December 2014					
(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets						
Cash and deposits with central banks	128,271	2,482,510	–	–	–	2,610,781
Deposits and placements with banks and non-bank financial institutions	–	343,959	161,608	9,419	–	514,986
Financial assets held under resale agreements	–	238,256	35,495	–	–	273,751
Loans and advances to customers	–	5,008,405	4,059,338	83,238	71,929	9,222,910
Investments	23,619	489,216	528,865	1,585,263	1,103,990	3,730,953
Other assets	390,749	–	–	–	–	390,749
Total assets	542,639	8,562,346	4,785,306	1,677,920	1,175,919	16,744,130
Liabilities						
Borrowings from central banks	–	82,858	8,358	–	–	91,216
Deposits and placements from banks and non-bank financial institutions	–	978,962	221,176	6,382	–	1,206,520
Financial liabilities at fair value through profit or loss	18,052	209,672	68,285	–	–	296,009
Financial assets sold under repurchase agreements	–	181,374	154	–	–	181,528
Deposits from customers	132,430	8,685,836	2,650,532	1,421,910	7,967	12,898,675
Debt securities issued	–	115,280	116,058	95,854	104,460	431,652
Other liabilities	386,167	–	–	–	–	386,167
Total Liabilities	536,649	10,253,982	3,064,563	1,524,146	112,427	15,491,767
Interest rate sensitivity gap in 2014	5,990	(1,691,636)	1,720,743	153,774	1,063,492	1,252,363
Accumulated interest rate sensitivity gap in 2014		(1,691,636)	29,107	182,881	1,246,373	
Interest rate sensitivity gap in 2013	59,802	(1,963,877)	1,761,438	241,112	975,854	1,074,329
Accumulated interest rate sensitivity gap in 2013		(1,963,877)	(202,439)	38,673	1,014,527	

As at 31 December 2014, the repricing gap of the Group's assets and liabilities for a period less than one year was RMB29,107 million, which turned from negative to positive due to the increase of re-pricing loans for a period less than one year and the slower increase of short-term deposits from customers. The Group's positive gap for a period more than one year was RMB1,217,266 million, which remained approximately flat compared with last year.

Net interest income sensitivity analysis

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

The interest rate sensitivity of the Group's net interest income as at the balance sheet date is set out below:

	Change in net interest income			
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points (demand deposit rates being constant)	Fall by 100 basis points (demand deposit rates being constant)
As at 31 December 2014	**(38,702)**	**38,702**	**30,346**	**(30,346)**
As at 31 December 2013	(40,135)	40,135	31,468	(31,468)

Foreign exchange rate risk management

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

In 2014, the Bank completed the optimisation on exchange rate risk module in Asset and Liability Management System (ALM), and refined the statistical functions of exchange rate risk exposure to improve the accuracy of exchange rate risk measurement.

Currency concentrations

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

	As at 31 December 2014				As at 31 December 2013			
(In millions of RMB)	US$ (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	US$ (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**741,109**	**186,089**	**120,360**	**1,047,558**	731,627	141,255	71,352	944,234
Spot liabilities	**(713,853)**	**(207,223)**	**(141,626)**	**(1,062,702)**	(540,063)	(174,454)	(117,234)	(831,751)
Forward purchases	**778,919**	**46,628**	**91,559**	**917,106**	740,072	57,311	105,430	902,813
Forward sales	**(802,482)**	**(19,482)**	**(60,739)**	**(882,703)**	(924,064)	(11,030)	(55,931)	(991,025)
Net options position	**747**	**–**	**(152)**	**595**	200	–	–	200
Net long position	**4,440**	**6,012**	**9,402**	**19,854**	7,772	13,082	3,617	24,471

As at 31 December 2014, the net exposure of the Group's foreign exchange rate risk was RMB19,854 million, a decrease of RMB4,617 million compared to 2013. The overall foreign exchange rate risk was controllable.

5.3.5 OPERATIONAL RISK MANAGEMENT

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

In 2014, in accordance with the regulatory requirements and the trend of operational risk, the Bank effectively conducted risk monitoring, assessment and inspection on key businesses and important processes, continued to improve and optimise the functions of the operational risk management information system, and established and promoted business continuity management system by comprehensively applying tools and methods such as operational risk self-assessment, key risk indicators, and key risk points monitoring and inspection, to ensure the safety of all business operations.

Strengthening the check and balance mechanism across departments and positions. The Bank actively promoted and continuously optimised information technology controls of incompatible positions (responsibilities), constantly re-examined and dynamically adjusted incompatible positions (responsibilities) pursuant to risk changes, business innovations and process adjustments.

Constantly refining the platform of operational risk management system. The Bank continuously optimised operational risk management information system, integrated and constantly improved its support functions in self-assessment of risk and control, internal or external loss event, key risk indicators, scenario analysis, capital measurement and business continuity management, in order to play an active role in risk identification, control improvement and monitoring and early warning.

Continuing to promote the construction of business continuity management system. The Bank specified the business continuity contingency plans and emergency drills workflow, established the contingency plans review mechanism and promoted the establishment of standardised contingency plans. The Bank set up the supervision and assessment mechanism on business continuity management, improved the assessment indicators and criteria, and conducted self-assessment at the bank level, to effectively implement business continuity management work.

Anti-money Laundering

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

In 2014, to prevent and control the AML compliance risk effectively, the Bank implemented AML centralised operation scheme, revised money laundering risk assessment system, strengthened AML training, and continuously improved the compliance management ability required by anti-terrorism financing and international financial sanctions.

5.3.6 REPUTATIONAL RISK MANAGEMENT

Reputational risk is the risk of negative impacts or damages to the Bank’s overall image, reputation and brand value, arising when the Bank’s operational, managerial and other behaviours or contingencies are noticed or reported by the media.

In 2014, the Bank further strengthened reputational risk management, continuously improved the system of reputational risk management and conducted reputational risk identification, evaluation, monitoring, control and mitigation. The Bank organised reputational risk trainings open for all employees and strengthened employees’ awareness and response capacity of reputational risk, constantly enhanced the mechanism building of the public sentiment work, and improved capabilities of responding to public sentiment and guiding public opinion. The Bank steadily improved reputational risk management and effectively maintained the Bank’s good image and reputation by always adhering to promoting positive image while reducing negative impacts and gathering positive energy.

5.3.7 CONSOLIDATED MANAGEMENT

Consolidated management is the comprehensive and continuous management that the Bank imposes over the Group’s capital, finance and risks, based on the single legal person, in order to identify, measure, monitor and assess the overall risk profile of the Group.

In 2014, the Bank continued to strengthen consolidated management planning, improved the management mechanism, and enhanced consolidated management over capital adequacy ratio, large risk exposure, internal transaction and other factors. The Bank promoted comprehensive risk management and prevented risks arising from the Group’s cross-border and cross-industry operation.

Optimising the consolidated management mechanism. The Bank refined the framework of consolidated management, optimised the building of comprehensive risk management system, strengthened communication of the Group’s risk appetite and other policies and systems, and improved firewall and the Group’s internal risk isolation mechanism, to prevent risk contagion effects. It refined the building of information system of consolidated management, and improved the Group’s information reporting and monitoring.

Reinforcing the consolidated management for capital adequacy ratio. The Bank enhanced capital management guidance to subsidiaries, and continuously monitored the capital adequacy ratio of the Group. The Bank coordinated prediction and planning of the Group's capital use and deepened intensive operation of the Group's capital.

Improving the consolidated management of large risk exposure. The Bank constantly promoted the unified credit management at the Group level with a clear mandate of consolidated credit management and reinforced the monitoring and management and control of the same counterparty's credit risk exposure. The Bank optimised the industry limit guidance of subsidiaries and strengthened the management of risk concentration at the Group level.

Strengthening the consolidated management of internal transactions. The Bank improved the internal transaction management policies and conducted regular monitoring, analysis and reporting on the Group's internal transactions. It constantly strengthened the building of internal control system planning so as to improve and implement the internal control measures of the year.

Enhancing the consolidated management of other risks. The Bank optimised the consolidated management of overseas institutions, improved the credit risk management and promoted the compliance operation of overseas institutions. The Bank enhanced the liquidity management and quarterly organised and conducted liquidity risk stress testing at the Group level. The Bank strengthened legal guidance and trainings for subsidiaries and prevented legal risks at the Group level.

5.3.8 INTERNAL AUDIT

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

In 2014, the Bank's Audit Department adopted the risk-orientated philosophy, clarified the audit priorities, optimised audit techniques, improved audit quality, promoted the application of audit results, and earnestly performed the audit supervisory duty.

Steadily launching audit projects with a focus on core tasks. The Audit Department focused on core tasks for the Bank's transformation, operation and management, organised and carried out 29 categories of systemic audit projects, including dynamic audit investigation of credit business, bank acceptance draft, domestic letter of credit, international settlement and trade finance, credit card, protection of consumers' rights and interests, capital adequacy ratio management, main business operation and management of some overseas institutions and subsidiaries, and economic responsibility within tenure. Audit offices conducted selected audit projects based on the specific operation, management and risk characteristics of respective branches, further broadening the coverage and improving the pertinence of audit projects. The audit department continuously strengthened follow-up auditing, and proactively pushed forward related rectification, to promote the continuous improvement of the Bank's related rules, processes and IT systems and enhance audit efficiency.

Continuously reinforcing audit quality control by optimising the mechanism. The audit department re-examined, amended and enacted a number of internal audit policies and procedures, improved the working mechanism and process, and reinforced audit resources allocation and coordination among different audit offices. Focusing on audit quality management, the Bank arranged relevant trainings and experience sharing workshops to further improve the audit quality.

Building solid foundation to continuously improve the ability of fulfilling audit responsibility. The audit department constantly strengthened the specialisation of audit division and research, and improved the level of scientific and precise management. It developed audit technologies and promoted the application of off-site audit technologies. It raised the internal audit team quality through various means including personnel training and exchanges.

5.4 CAPITAL MANAGEMENT

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

In 2014, the Group continuously strengthened the fundamental capability of capital management and proactively promoted its business transformation towards more intensive utilisation of capital. As a result, the guiding and restraint functions of capital on business development were further upgraded.

The Group promoted the implementation of the advanced capital measurement approaches, and enhanced capital management capabilities. In April 2014, the Bank was officially approved by the CBRC to implement the advanced measurement approach for capital management, being one of the first batch of banks in China to implement the advanced measurement approach. The Bank would complete the parallel information disclosure for both the new and old capital management methods in accordance with regulatory requirements during the transition period, in order to achieve continuous regulatory compliance.

The Group reinforced restraints of capital on business and accelerated the business transformation towards more intensive utilisation of capital. The Group performed in-depth analysis on the items of capital occupation and risk-weighted assets, pushed forward business structural optimisation and refined capital management, reduced ineffective capital occupation, and constantly improved capital utilisation efficiency by taking the opportunity of implementing the advanced measurement approach for capital management.

5.4.1 CAPITAL ADEQUACY RATIO

Scope for calculating capital adequacy ratios

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

Capital adequacy ratio

The CBRC officially approved the Bank to implement the advanced measurement approach for capital management in 2014. The capital requirements of corporate credit risk exposure that meet regulatory requirements are calculated with the foundation internal rating-based approach, the capital requirements of retail credit risk exposure are calculated with the internal rating-based approach, the capital requirements of market risk are calculated with the internal models approach, and the capital requirements of operational risk are calculated with the standardised approach. Pursuant to the regulatory requirements, the Bank calculates capital adequacy ratios simultaneously with advanced capital measurement approaches and other methods, and complies with the relevant capital floors.

As at 31 December 2014, considering relevant rules in the transition period, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 14.87%, 12.12% and 12.12%, respectively, and were in compliance with the regulatory requirements. The total capital ratio, tier 1 ratio and common equity tier 1 ratio increased by 1.53, 1.37 and 1.37 percentage points respectively compared with those as at 31 December 2013.

The increases in the Group's capital adequacy ratios were mainly due to the following factors. First, the Group continued to push forward the improvement of business structure, and enhanced the capital refinement management, with the growth rate of internal capital accumulated from profit outpacing that of risk-weighted assets. Second, the implementation of the advanced capital measurement approaches was favourable to the increases of capital adequacy ratios. Third, the Group proactively conducted capital instruments innovation, and the issuance of new eligible capital instruments effectively replenished the capital base.

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

	As at 31 December 2014		As at 31 December 2013[1]	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	The Group	The Bank
Capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Total capital after deductions:				
Common Equity Tier 1	**1,236,730**	**1,166,760**	1,061,684	998,380
Tier 1 capital	**1,236,767**	**1,166,760**	1,061,700	998,380
Total capital	**1,516,928**	**1,445,219**	1,316,724	1,249,850
Capital adequacy ratios:				
Common Equity Tier 1 ratio	**12.12%**	**11.78%**	10.75%	10.44%
Tier 1 ratio	**12.12%**	**11.78%**	10.75%	10.44%
Total capital ratio	**14.87%**	**14.59%**	13.34%	13.06%
Capital adequacy ratios in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*				
Core capital adequacy ratio	**12.09%**	**12.02%**	11.14%	11.05%
Capital adequacy ratio	**14.71%**	**14.39%**	13.88%	13.53%

1. From the half-year report 2014 onwards, the Group calculates capital adequacy ratios based on the advanced capital measurement approaches and applies the rules in the transition period.

Composition of capital

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

(In millions of RMB)	As at 31 December 2014	As at 31 December 2013
Common Equity Tier 1 capital		
Qualifying common share capital	**250,011**	250,011
Capital reserve[1]	**139,761**	116,321
Surplus reserve	**130,515**	107,970
General reserve	**169,478**	153,825
Retained earnings	**556,756**	442,554
Minority interest given recognition in Common Equity Tier 1 capital	**4,456**	3,729
Others[2]	**(6,262)**	(5,948)
Deductions for Common Equity Tier 1 capital		
Goodwill[3]	**2,501**	1,415
Other intangible assets (excluding land use right)[3]	**1,592**	1,609
Cash-flow hedge reserve	**(10)**	(148)
Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	**3,902**	3,902
Additional Tier 1 capital		
Minority interest given recognition in Additional Tier 1 capital	**37**	16
Tier 2 capital		
Directly issued qualifying Tier 2 instruments including related stock surplus	**149,839**	144,000
Provisions in Tier 2[4]	**127,878**	110,918
Minority interest given recognition in Tier 2 capital	**2,444**	106
Common Equity Tier 1 capital after deductions[5]	**1,236,730**	1,061,684
Tier 1 capital after deductions[5]	**1,236,767**	1,061,700
Total capital after deductions[5]	**1,516,928**	1,316,724

1. The investment revaluation reserve is included in capital reserve.
2. Others mainly contain foreign exchange reserve.
3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
4. As at 31 December 2013, provisions in Tier 2 were calculated in accordance with the related requirements under the regulatory weight approach.
5. Common Equity Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deductions is calculated by netting off the corresponding deduction items from the total capital.

Risk-weighted assets

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

(In millions of RMB)	**As at 31 December 2014**	As at 31 December 2013[1]
Credit risk-weighted assets	**8,739,574**	8,984,419
Market risk-weighted assets	**54,302**	43,685
Operational risk-weighted assets	**915,727**	844,686
Additional risk-weighted assets arising due to the application of capital floors	**494,040**	N/A
Total risk-weighted assets	**10,203,643**	9,872,790

1. As at 31 December 2013, the Group's credit risk-weighted assets were calculated with the regulatory weight approach, the market risk-weighted assets were calculated with the standardised approach, and the operational risk-weighted assets were calculated with the basic indicator approach.

5.4.2 LEVERAGE RATIO

As at 31 December 2014, the Group's leverage ratio, calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks*, was 6.51%, above the regulatory requirements. Compared with that as at 31 December 2013, the Group's leverage ratio rose by 0.50 percentage points, which was mainly because the growth rate of Tier 1 capital after deductions accumulated from profit outpaced that of on and off-balance sheet assets.

(In millions of RMB, except percentages)	**As at 31 December 2014**	As at 31 December 2013
Leverage Ratio[1]	**6.51%**	6.01%
Tier 1 capital	**1,244,752**	1,068,478
Deductions from tier 1 capital	**(7,985)**	(6,778)
Tier 1 capital after deductions	**1,236,767**	1,061,700
On-balance sheet assets after adjustment[2]	**16,727,212**	15,361,296
Off-balance sheet items after adjustment[3]	**2,279,397**	2,310,227
On and off-balance sheet assets after adjustment[4]	**18,998,623**	17,664,745

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. The tier 1 capital after deductions is consistent with that used in the calculation of capital adequacy ratio by the Group.
2. On-balance sheet assets after adjustment include derivatives calculated using the current risk exposure approach and other on-balance sheet assets.
3. Off-balance sheet items after adjustment include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet items.
4. On and off-balance sheet assets after adjustment = On-balance sheet assets after adjustment + Off-balance sheet items after adjustment – Deductions from tier 1 capital.

5.5 PROSPECTS

In 2015, the global economy will continue its imbalanced slow recovery as a whole. While the US economy is on the track of strong recovery with a solid basis, the Euro zone and Japan is in weak recovery with prominent structural conflicts, and the growth of emerging economies slows down in face of various risks such as sharp fall of bulk commodity prices, currency devaluation and capital outflow. Domestically, China's GDP growth remains within a reasonable range in spite of insufficient economic restructuring and de-capacity.

Against the backdrop of the economic "new normal", the banking industry enters into a new stage featuring slow growth of profit, reconstitution of growth power and transformation of development pattern, facing the coexistence of challenges and opportunities. The slowdown of economy accompanies rising credit default risk; the fund distribution trend challenges banks' ability of sound operation; interest rate liberalisation is further promoted, resulting in huge transformation pressure on profit model which mainly focuses on interest spreads of deposit and loan; increasing fluctuations of exchange rate impact banks' foreign exchange and overseas business development; and the further tightened regulatory policies intensify the competition of the banking industry. On the other hand, the implementation of China's major strategies and reforms creates vast potential and new opportunities for the banking industry; RMB internationalisation provides new opportunities for development of international business; the upgrading of consumption ushers in a golden age of personal business; and financial market-oriented reforms create opportunities for banks' financial services in innovative asset management, comprehensive financing and assets securitisation.

In 2015, the Group will seize new opportunities to explore new pattern and continuously create new value. Efforts will be made in the following areas. First, the Group will deepen reforms and accelerate the implementation of transformation and development strategy. By establishing comprehensive business management system, strengthening comprehensive marketing and service and improving comprehensive operation, the Group will provide customers with comprehensive financial services. Second, the Group will optimise operations and proactively support the development of real economy. The Group will actively support national development strategy by giving full play to traditional advantages, and accelerate credit structure adjustment to satisfy credit needs of key national projects and emerging service industry, as well as the credit needs of agriculture-related enterprises and small and micro enterprises. Moreover, the Group will provide comprehensive financial services for the upgrading of consumption, and solidify the brand advantages in internet financial businesses such as the e-commerce platform of "e.ccb.com", "Credit Card Mall" and "ehome" and optimise the coordination mechanism of on and off-line channels, to bring efficient and convenient services to customers. Third, the Group will strengthen management to further exploit internal growth potential. The Group will improve service ability by optimising organisational structure under the principal of intensification, realise sustainable development of businesses by intensifying capital management, and contribute to the decrease of social financing cost by improving self-pricing capability. Furthermore, the Group will comprehensively improve risk prevention and control capability to ensure stable credit asset quality, and strengthen refined management by continuously controlling expenses.

Feature Article: Transformation and Development Plan

To adapt to the requirements of new situations and new trends, the Board of the Bank reviewed and approved the *Transformation and Development Plan of China Construction Bank* in October 2014, and put forward the transformation requirements of "being equipped with adequate capital, reasonable structure, efficient management, strict risk control, comprehensive functions, solid foundation, and being domestically best and globally first-class". It aims to build the Bank with the strongest value creation capacity, make the brand image "**China Construction Bank – Your Value Creation Bank**" widely recognised by the society, and better serve the development of real economy.

The Bank will strengthen capability, upgrade standard and build up advantages through transformation and development. **First, the Bank will strengthen the capability to serve the national development.** Through transformation, the Bank will strongly support the national development and the economic and social progress in a more efficient way, actively serve and promote transformation of economic growth pattern, further improve services for regional development and key national projects, and continuously strengthen the support to small and micro enterprises and "agriculture, farmers and rural areas". **Second, the Bank will strengthen the capability to prevent financial risks.** To strengthen the capability of risk management is not only a guarantee for stable operation and sound development, but also an important means of value creation and efficiency improvement. The Bank will reinforce overall risk management, highlight risk management priorities, improve system management of risks, carry forward the tradition of stable operation, and enhance risk control ability in the process of transformation and development. **Third, the Bank will strengthen the capability to respond to international competition.** Through transformation and development, the Bank will accelerate the upgrading of overseas business, expand international network, improve comprehensive contribution of international and overseas businesses and enhance international competitiveness under the customer-centred principle and based on integrated operation and group management of domestic and overseas businesses as well as RMB and foreign currency businesses. **Fourth, the Bank will improve customer service capability.** Building on comprehensive financial service solutions, the Bank will improve comprehensive service ability to rapidly and effectively respond to customer needs, and improve customer experience. Moreover, the Bank will set up a differentiated comprehensive financial service mode, strengthen customer marketing and management, establish an efficient, collaborative and complementary channel system, and accelerate the operation of "three integrations" at outlets and layout optimisation. **Fifth, the Bank will build up advantages of business development.** The Bank will rebuild the leading advantages of traditional businesses, and consolidate and expand advantages in such businesses as medium and long-term projects financing, housing finance and certain retail banking businesses, and engineering cost advisory service. At the same time, the Bank will forge unique advantages of emerging businesses by consolidating preliminary advantages in investment banking, credit card, electronic banking, private banking and consumer finance.

As China has stepped into the new historical era of transforming development model and comprehensively deepening reform, the Bank will advance reform and development simultaneously, integrate transformation into business operation, accelerate transformation and development, stimulate innovative vitality, and strive to make greater contribution to the economic and social development.

6 CORPORATE SOCIAL RESPONSIBILITIES

In 2014, the Bank constantly promoted the implementation of the strategic goals of corporate social responsibilities, and strove to "become a bank that serves the general public, promotes people's livelihood, facilitates low carbon and environmental protection, and achieves sustainable development".

SUPPORT TO GREEN CREDIT

In 2014, the Bank continuously increased credit investment in areas of green environmental protection, energy conservation and emission reduction, while strictly controlling credit lending to industries with high energy-consumption, high pollution and excess capacity. The Bank gave support to customers and projects that had commercial sustainability and good market prospects and satisfied the requirements of circular economy and green economy. Meanwhile, the Bank insisted on "environmental protection veto" policy, pursuant to which, the Bank refused to grant credit to enterprises that failed to meet the environmental protection standards, regardless of their operating conditions and financial indicators. At the end of 2014, the balance of green credit was RMB487,077 million, equivalent to 19,695,800 tonnes of standard coal reduction, 46,533,900 tonnes of carbon dioxide emission reduction, and 899,100 tonnes of water saving.

EMPHASIS ON LOW CARBON OPERATION

In its daily operation and management, the Bank vigorously promoted mobile banking, Wechat banking, telephone banking and other mobile financial services to reduce customer cost, save social resources, and reduce the negative impact on the environment. In addition, the Bank made great efforts in energy consumption reduction and carbon emission reduction by cutting down business travels, encouraging video conferences in lieu of on-site meetings, practising paperless office work, controlling the temperature in office areas and using energy and water saving equipment in the office premises.

INVOLVEMENT IN ENVIRONMENTAL PROTECTION ACTIVITIES

The Bank launched various environmental protection and social welfare campaigns. For example, as part of the "Beautiful Guangxi" rural construction programme, Guangxi Branch of the Bank donated RMB333,000 to Rongshui County, a designated poverty-alleviation county, to support the building of refuse incinerators, road hardening, and construction of environmental protection facilities and school infrastructure, winning wide recognition from the local government and community. Prior to the Tree-planting Day, Sichuan Branch of the Bank launched "Planting Trees for Clearer Air and Better Life" with its customers, a tree planting activity for young people wearing blue ribbon, creating a tree planting rush to clean up the environment and beautify the hometown.

ACTIVE CONTRIBUTION TO THE SOCIETY

In 2014, the Bank actively contributed to the society and continued to support social welfare activities by implementing 14 new important public welfare projects and making donations totalling RMB35.93 million.

- Financial Support for Disaster Relief and Post-disaster Reconstruction in Ludian, Yunan Province. In 2014, Ludian in Yunnan province experienced severe earthquakes. The Bank donated RMB5.66 million to help people in disaster-stricken areas fight against earthquakes and rebuild their homes.
- Continued Implementation of CCB Sponsorship Programme "Healthy Mother Express". In 2014, the Bank donated RMB7 million to purchase 45 vehicles departing from Beijing under "Healthy Mother Express" Programme. To date, the Bank has donated accumulatively RMB22 million to purchase 146 vehicles under the Programme, which have been used in poor counties and towns in Xinjiang, Tibet, Gansu, Qinghai, Yunnan, Guangxi, Guizhou, Inner Mongolia, Hebei and Liaoning provinces and autonomous regions to provide services including health check, medical treatment and maternal health care for local women. These vehicles were called "life-saving vehicles" by local residents.
- Continuous Promotion of Long-term Public Welfare Programmes. By the end of 2014, the Bank had donated accumulatively RMB140 million under long-term public welfare programmes. "CCB Scholarships and Grants for College Students from Ethnic Minorities Programme" had extended scholarships and grants of RMB60 million to 20,000 impoverished college students from ethnic minorities. "CCB Sponsorship Programme of Impoverished Mothers of Heroes and Exemplary Workers" had accumulatively sponsored 12,800 people with RMB35.39 million. "Tibet in Our Heart-CCB and Jianyin Investment Scholarship (Bursary) Foundation" had granted scholarships (bursaries) of RMB1.61 million to 770 students from impoverished families in Tibet. The Bank continued to sponsor 44 CCB Hope Primary Schools and provided trainings for 308 teachers from rural areas.

- Innovative Social Welfare Programmes Combined with the Banks' Own Advantages. In 2014, the Bank continued the programme of "Credit Card Points Help Fulfill Dreams, Micro Public Welfare", and established a new platform for Long Credit Card holders of the Bank to convert their credit card points into charity donations, innovatively exploring a new way of making charity donations with credit card points. The Bank also paid close attention to the mental health of students in poverty-stricken areas and launched various activities under the programme, including Music Season with Love, Summer Camp for Intelligence Development, Inspirational Growth Class, Art Class, Experience Class on Finance and Class on New Development. By the end of 2014, nearly one billion Long credit card points had been donated, which were converted into charity donations of nearly RMB2 million and helped build 24 Happy Music Classrooms in total.

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Bank improved the mechanism of consumer rights and interests protection. To ensure coordinated and orderly protection of the consumer rights and interests within the Bank, the Bank formulated the *Guidelines on Protection of Consumer Rights and Interests (Trial)* to further optimise the management system of the consumer rights and interests protection. In celebration of the "3.15" World Consumer Rights Day, the Bank launched special programmes including providing services for the elderly and special communities and taking precautions against and dealing with complaints. The Bank attached great importance to publicity and education on consumer rights and interests protection, and launched the campaign of publicity service month with the theme of "Fly Youth Dream, Grow with Finance". Consumer rights and interests protection became an underlying goal for all business sectors and procedures within the bank.

The Bank constantly monitored and improved its customer service quality. A peer-leading monitoring and evaluation system of consumer service quality was gradually taking shape. The Bank constantly monitored customer satisfaction, implemented special inspections by the "Mystery Shopping", and made targeted optimisation of products and services, thus achieving constant improvement in customer experience. According to the monitoring results in 2014, the overall satisfaction of individual customers reached 75.3%, a year-on-year increase of 6.6 percentage points and 2.5 percentage points higher than the industry average; the overall satisfaction of corporate customers reached 93.5%, an increase of 0.8 percentage points over last year.

7 CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

7.1 CHANGES IN SHARES

Unit: share

	1 January 2014		Increase/(Decrease) during the reporting period					31 December 2014	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	91,967,394,499	36.78	–	–	–	138,644,000	138,644,000	92,106,038,499	36.84
3. Others[1]	148,449,925,381	59.38	–	–	–	(138,644,000)	(138,644,000)	148,311,281,381	59.32
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

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

7.2 DETAILS OF SECURITIES ISSUANCE AND LISTING

Pursuant to the resolution of the first extraordinary general meeting of 2011 and upon approval of the CBRC and the PBOC, the Bank issued subordinated bonds of RMB40 billion with a term of 15 years and a fixed coupon rate of 4.99% in November 2012. At the end of the tenth year, the issuer has an option to redeem the bonds subject to pre-conditions. All proceeds raised from the issuance of subordinated bonds were used to replenish the supplementary capital of the Bank. Pursuant to the resolution of the 2012 annual general meeting and upon approval of the CBRC and the PBOC, the Bank issued Tier 2 capital bonds of RMB20 billion in the national interbank bond market with a term of 15 years and a fixed coupon rate of 5.98% in August 2014. At the end of the tenth year, the issuer has an option to redeem the bonds. All proceeds raised from the issuance of bonds were used to replenish the Tier 2 capital of the Bank. In November 2014, the Bank issued Tier 2 capital bonds of RMB2 billion to overseas institutional investors, with a term of 10 years and a fixed coupon rate of 4.90% for the first five years. At the end of the fifth year, the issuer has an option to redeem the bonds. All proceeds raised from the issuance of bonds were used to replenish the Tier 2 capital of the Bank.

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

7.3 NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

At the end of the reporting period, the Bank had a total of 698,999 shareholders, of whom 51,038 were holders of H-shares and 647,961 were holders of A-shares. As at 23 March 2015, the Bank had a total of 723,424 shareholders, of whom 50,551 were holders of H-shares and 672,873 were holders of A-shares.

Unit: share

Total number of shareholders		**698,999 (Total number of registered holders of A-shares and H-shares as at 31 December 2014)**			
Particulars of shareholding of the top ten shareholders					
Name of shareholder	**Nature of shareholder**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares subject to selling restrictions**	**Number of shares pledged or frozen**
Huijin	State	57.03	142,590,494,651 (H-shares)	None	None
	State	0.23	570,941,976 (A-shares)	None	None
HKSCC Nominees Limited[1]	Foreign legal person	30.46	76,161,402,476 (H-shares)	None	Unknown
Temasek[1,2]	Foreign legal person	5.79	14,473,825,216 (H-shares)	None	None
State Grid[1,3]	State-owned legal person	1.08	2,705,173,730 (H-shares)	None	None
Baosteel Group	State-owned legal person	0.80	2,000,000,000 (H-shares)	None	None
	State-owned legal person	0.10	246,560,498 (A-shares)	None	None
Ping An Life Insurance Company of China, Ltd. – Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.86	2,143,438,329 (A-shares)	None	None
Yangtze Power[1]	State-owned legal person	0.41	1,015,613,000 (H-shares)	None	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None
Ping An Life Insurance Company of China, Ltd. – Traditional – High interest rate insurance policy products	Domestic non-state-owned legal person	0.17	419,776,970 (A-shares)	None	None
Hong Kong Securities Clearing Company Limited[4]	Foreign legal person	0.04	112,112,047 (A-shares)	None	None

1. On 31 December 2014, Temasek held a total of 14,473,825,216 H-shares of the Bank. State Grid and Yangtze Power held 2,705,173,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save for the aforesaid H-shares of the Bank held by Temasek, State Grid and Yangtze Power, 76,161,402,476 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
2. On 16 January 2015, Temasek declared its interests to Hong Kong Stock Exchange. Please refer to the "Report of the Board of Directors" of this annual report for details.
3. As at 31 December 2014, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 795,687,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 582,204,000 shares, and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.
4. On 31 December 2014, foreign shareholders held 112,112,047 A-shares of the Bank through the Northbound trading under the name of Hong Kong Securities Clearing Company Limited.
5. Some of the shareholders mentioned above are managed by the same entity. Apart from this, the Bank is not aware of any connected relations or concerted action among the shareholders.

7.4 SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.26% of the shares of the Bank as at the end of the reporting period. Huijin is a wholly state-owned company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Both of its registered capital and paid-in capital are RMB828,209 million. Its legal representative is Mr. Ding Xuedong and its organisation code is 71093296-1. Huijin makes equity investment in key state-owned financial institutions as authorised by the State, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities, nor does it intervene in daily operations of the key state-owned financial institutions in which it holds controlling shares.

Considering the audited financial report of Huijin for the year 2014 will be provided when all the institutions in which Huijin holds interests finish the audits of their financial statements, the following financial data are the audited data for the year 2013. As at 31 December 2013, total assets of Huijin were RMB2,650,373,613 thousand, total liabilities were RMB135,993,548.5 thousand, and total shareholders' equity was RMB2,514,380,064.5 thousand. Net profit for 2013 was RMB450,150,738.8 thousand. Net cash flows from operating activities, investing activities and financing activities for 2013 were RMB41,743,761.4 thousand.

As at 31 December 2014, the basic information on the enterprises whose shares were directly held by Huijin is as follows:

No.	Institution Name	Shareholding percentage held by Huijin (%)
1	China Development Bank Corporation	47.63
2	Industrial and Commercial Bank of China Limited[1,2]	35.12
3	Agricultural Bank of China Limited[1,2]	40.28
4	Bank of China Limited[1,2]	65.52
5	China Construction Bank Corporation[1,2]	57.26
6	China Everbright Group Ltd.[3]	55.67
7	China Everbright Bank Company Limited[1,2]	41.24
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation	84.91
10	New China Life Insurance Company Limited[1,2]	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holdings Co., Ltd.	78.57
13	Shenyin & Wanguo Securities Co., Ltd.[4]	55.38
14	China International Capital Corporation Limited	43.35
15	China Securities Co., Ltd.	40.00
16	China Investment Securities Co., Ltd.	100.00
17	China Everbright Industry Group Limited	100.00
18	Jiantou Zhongxin Assets Management Co., Ltd.	70.00
19	Guotai Junan Investment Management Co., Ltd.	14.54

1. As at 31 December 2014, the A-share listed companies held by Huijin, the controlling shareholder of the Bank.
2. As at 31 December 2014, the H-share listed companies held by Huijin, the controlling shareholder of the Bank.
3. On 8 December 2014, China Everbright Group was restructured as China Everbright Group Ltd., and Huijin held 55.67% of share capital of China Everbright Group Ltd.. Huijin treated its nine billion shareholding of China Everbright Bank Company Limited and the 100% equity of China Everbright Industry Group Limited as its investment in China Everbright Group Ltd., and related transfer procedures were in progress.
4. On 26 January 2015, Shenwan Hongyuan Group Co., Ltd., established by the merger of Shenyin & Wanguo Securities Co., Ltd. and Hong Yuan Securities Co., Ltd., was listed on the Shenzhen Stock Exchange. Huijin held 25.03% equity of Shenwan Hongyuan Group Co., Ltd.. In addition, China Jianyin Investment Limited held 32.89% equity of Shenwan Hongyuan Group Co., Ltd..

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

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

8 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

8.1 PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Hongzhang	Chairman, executive director	Male	60	January 2012 to 2014 annual general meeting
Zhang Jianguo	Vice chairman, executive director, president	Male	60	June 2013 to 2015 annual general meeting
Chen Yuanling	Non-executive director	Female	51	June 2013 to 2015 annual general meeting
Xu Tie	Non-executive director	Male	61	September 2013 to 2015 annual general meeting
Guo Yanpeng	Non-executive director	Male	52	January 2014 to 2015 annual general meeting
Dong Shi	Non-executive director	Male	49	June 2014 to 2016 annual general meeting
Zhang Long	Independent non-executive director	Male	49	January 2014 to 2015 annual general meeting
Elaine La Roche	Independent non-executive director	Female	65	September 2012 to 2014 annual general meeting
Chung Shui Ming Timpson	Independent non-executive director	Male	63	October 2013 to 2015 annual general meeting
Wim Kok	Independent non-executive director	Male	76	October 2013 to 2015 annual general meeting
Murray Horn	Independent non-executive director	Male	60	December 2013 to 2015 annual general meeting
Margaret Leung Ko May Yee	Independent non-executive director	Female	62	December 2013 to 2015 annual general meeting
Resigned directors				
Zhu Hongbo	Executive director, executive vice president	Male	52	July 2013 to March 2015
Hu Zheyi	Executive director, executive vice president	Male	60	July 2013 to January 2015
Qi Shouyin	Non-executive director	Male	63	July 2013 to October 2014
Zhang Yanling	Non-executive director	Female	63	January 2014 to May 2014
Zhao Xijun	Independent non-executive director	Male	51	June 2013 to March 2014

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Guo You	Chairman of the board of supervisors	Male	57	June 2014 to 2016 annual general meeting
Liu Jin	Shareholder representative supervisor	Female	50	June 2013 to 2015 annual general meeting
Li Xiaoling	Shareholder representative supervisor	Female	57	June 2013 to 2015 annual general meeting
Jin Panshi	Employee representative supervisor	Male	50	June 2013 to 2015 annual general meeting
Zhang Huajian	Employee representative supervisor	Male	59	June 2013 to 2015 annual general meeting
Wang Lin	Employee representative supervisor	Male	59	January 2014 to 2016 annual general meeting
Wang Xinmin	External supervisor	Male	63	June 2013 to 2015 annual general meeting
Bai Jianjun	External supervisor	Male	59	June 2013 to 2015 annual general meeting
Resigned supervisors				
Zhang Furong	Chairman of the board of supervisors	Male	62	June 2013 to June 2014
Li Weiping	Employee representative supervisor	Male	61	June 2013 to January 2014
Huang Shuping	Employee representative supervisor	Female	61	June 2013 to April 2014

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Zhang Jianguo	President	Male	60	July 2006 to
Pang Xiusheng	Executive vice president	Male	56	February 2010 to
Zhang Gengsheng	Executive vice president	Male	54	April 2013 to
Yang Wensheng	Executive vice president	Male	48	December 2013 to
Huang Yi	Executive vice president	Male	51	April 2014 to
Yu Jingbo	Executive vice president	Male	56	December 2014 to
Zeng Jianhua	Chief risk officer	Male	56	September 2013 to
Xu Yiming	Chief financial officer	Male	55	June 2014 to
Chen Caihong	Secretary to the Board	Male	57	August 2007 to
Resigned senior management				
Zhao Huan	Executive vice president	Male	51	May 2011 to January 2014

Shareholding of directors, supervisors and senior management

During the reporting period, Mr. Zhang Long, director of the Bank, held 235,400 A-shares of the Bank, and Ms. Margaret Leung Ko May Yee, director of the Bank, held 100,000 H-shares of the Bank. Some of the Bank's supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan before they assumed their current positions. Mr. Zhang Huajian held 18,999 H-shares, Mr. Wang Lin held 19,304 H-shares, Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Yang Wensheng held 10,845 H-shares, Mr. Zeng Jianhua held 25,838 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Xu Yiming held 17,925 H-shares, and Mr. Chen Caihong held 19,417 H-shares. For the resigned ones, Mr. Li Weiping held 20,446 H-shares, Ms. Huang Shuping held 21,910 H-shares and Mr. Zhao Huan held 18,292 H-shares.

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

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

In accordance with the resolution at the first extraordinary general meeting of the Bank in 2013 and upon approval of the CBRC, from January 2014, Ms. Zhang Yanling and Mr. Guo Yanpeng commenced their positions as non-executive directors of the Bank, and Mr. Zhang Long commenced his position as independent non-executive director of the Bank.

Upon election at the 2013 annual general meeting of the Bank, from June 2014, Mr. Dong Shi was re-elected non-executive director of the Bank, with his term of office extended to the 2016 annual general meeting.

On 28 March 2014, Mr. Zhao Xijun ceased to serve as independent non-executive director of the Bank due to his personal work. On 7 May 2014, Ms. Zhang Yanling ceased to serve as non-executive director of the Bank due to change of job. On 8 October 2014, Mr. Qi Shouyin ceased to serve as non-executive director of the Bank due to change of job.

The Bank published an announcement on 6 January 2015, pursuant to which, Mr. Hu Zheyi tendered his resignation to the Board as executive director and executive vice president of the Bank due to his age.

The Bank published an announcement on 9 March 2015, pursuant to which, Mr. Zhu Hongbo tendered his resignation to the Board as executive director and executive vice president of the Bank due to change of job.

Supervisors of the Bank

In accordance with the resolution at the third session of the third employee representative congress of the Bank, Mr. Wang Lin commenced his position as employee representative supervisor of the Bank from January 2014.

In accordance with the resolution at the 2013 annual general meeting of the Bank, Mr. Guo You commenced his position as shareholder representative supervisor of the Bank from June 2014. In accordance with the resolution at the fourth meeting of the board of supervisors of the Bank in 2014, Mr. Guo You commenced his position as chairman of the board of supervisors of the Bank from June 2014.

From January 2014, Mr. Li Weiping resigned from his position as employee representative supervisor of the Bank due to work arrangement.

From April 2014, Ms. Huang Shuping resigned from her position as employee representative supervisor of the Bank due to change of job.

From June 2014, Mr. Zhang Furong resigned from his position as chairman of the board of supervisors and shareholder representative supervisor of the Bank in accordance with relevant regulations and due to his age.

Senior management of the Bank

Upon appointment at the first meeting of the Board of the Bank in 2014 and approval of the CBRC, Mr. Huang Yi commenced his position as executive vice president of the Bank from April 2014.

From June 2014, Mr. Pang Xiusheng ceased to concurrently serve as chief financial officer of the Bank. Upon appointment at the second meeting of the Board of the Bank in 2014 and approval of the CBRC, Mr. Xu Yiming commenced his position as chief financial officer of the Bank from June 2014.

Upon appointment at the sixth meeting of the Board of the Bank in 2014 and approval of the CBRC, Mr. Yu Jingbo commenced his position as executive vice president of the Bank from December 2014. From February 2015, Mr. Yu Jingbo ceased to concurrently serve as chief audit officer of the Bank.

From January 2014, Mr. Zhao Huan ceased to serve as executive vice president of the Bank.

8.3 BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

WANG HONGZHANG

Chairman, executive director

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

ZHANG JIANGUO

Vice chairman, executive director, president

Mr. Zhang has served as vice chairman and executive director of the Bank since October 2006, and as president of the Bank since July 2006. Mr. Zhang was vice chairman of the board of directors and president of Bank of Communications Co., Ltd. from May 2004 to July 2006, executive vice president of Bank of Communications Co., Ltd. from September 2001 to May 2004. From September 1984 to September 2001, Mr. Zhang served several positions in Industrial and Commercial Bank of China, including deputy general manager and general manager of the international banking department, and deputy general manager of Tianjin Branch. From November 1987 to December 1988, Mr. Zhang studied international financial business in Canadian Imperial Bank of Commerce and Ryerson Institute of Technology. Mr. Zhang graduated from Tianjin College of Finance and Economics with a bachelor's degree in finance in 1982 and a master's degree in economics in 1995.

CHEN YUANLING

Non-executive director

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

XU TIE

Non-executive director

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

GUO YANPENG

Non-executive director

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

DONG SHI

Non-executive director

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

ZHANG LONG

Independent non-executive director

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

ELAINE LA ROCHE

Independent non-executive director

Ms. Elaine La Roche has served as director of the Bank since September 2012. She currently serves as the Senior Advisor of the China International Capital Corporation Limited (US). From March 2012, she has served as independent non-executive director of Marsh and McLennan Companies, a global risk management and human resources professional services company. Ms. Elaine La Roche served as independent non-executive director of Harsco Corporation, a diversified, worldwide industrial services company in 2014, independent non-executive director of the Bank from June 2005 to June 2011, and vice chairperson of J.P. Morgan (China) Securities from 2008 to 2010. From 1978 to 2000, Ms. Elaine La Roche consecutively held several positions in Morgan Stanley. In 1998, she was assigned from Morgan Stanley to serve as chief executive officer of China International Capital Corporation Limited (Beijing). Thereafter, she served as chief executive officer of Salisbury Pharmacy Group and non-executive chairperson of the board of Linktone, a NASDAQ listed company. Ms. Elaine La Roche graduated from Georgetown University School of Foreign Service with a bachelor's degree in international affairs and from the American University with a master's degree in business administration in finance.

CHUNG SHUI MING TIMPSON

Independent non-executive director

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

WIM KOK

Independent non-executive director

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

MURRAY HORN

Independent non-executive director

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

MARGARET LEUNG KO MAY YEE

Independent non-executive director

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

Supervisors of the Bank

GUO YOU

Chairman of the board of supervisors

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

LIU JIN

Shareholder representative supervisor

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

LI XIAOLING

Shareholder representative supervisor

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

JIN PANSHI

Employee representative supervisor

Mr. Jin has served as employee representative supervisor of the Bank since June 2010. He served as shareholder representative supervisor from September 2004 to June 2010. He has been general manager of the information technology management department of the Bank since January 2010. Mr. Jin was general manager of the audit department of the Bank from December 2007 to January 2010. Mr. Jin was deputy general manager of the audit department of China Construction Bank from June 2001 to September 2004. Mr. Jin is a senior engineer and a Certified Information Systems Auditor and graduated from Jilin University of Technology with a bachelor's degree in computer application in 1986, and a master's degree in computer application from the same university in 1989. Mr. Jin graduated from Tsinghua University with an EMBA degree in 2010.

ZHANG HUAJIAN

Employee representative supervisor

Mr. Zhang has served as employee representative supervisor of the Bank since June 2013. Mr. Zhang served as shareholder representative supervisor from August 2011 to May 2013. He has served as general manager of the disciplinary and supervisory department of the Bank since March 2007. He served as deputy general manager of the human resources department of the Bank from June 2005 to March 2007(general manager level at the head office), deputy general manager of the human resources department of China Construction Bank from February 2001 to June 2005, and deputy general manager of the personnel and education department of China Construction Bank from December 1996 to February 2001. Mr. Zhang is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor's degree in infrastructure finance and credit in 1984.

WANG LIN

Employee representative supervisor

Mr. Wang has served as supervisor of the Bank since January 2014. Mr. Wang has served as executive vice chairman of the Trade Union of the Bank since May 2014. Mr. Wang served as general manager of the executive office (the party committee office) of the Bank from April 2009 to May 2014, general manager of the procurement department of the Bank from March 2007 to April 2009, general manager of the disciplinary and supervisory department of the Bank from January 2001 to March 2007, and deputy director of supervisory office of the Bank from February 1998 to January 2001. Before joining China Construction Bank in September 1996, Mr. Wang worked in the central government departments and the Beijing Municipal Committee of CPC. Mr. Wang is currently deputy director of the editorial board of Review of Investment Studies. He graduated from Renmin University of China with a bachelor's degree in Chinese literature in 1984.

WANG XINMIN

External supervisor

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

BAI JIANJUN

External supervisor

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

Senior management of the Bank

ZHANG JIANGUO

Vice chairman, executive director, president

See "Directors of the Bank".

PANG XIUSHENG

Executive vice president

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

ZHANG GENGSHENG

Executive vice president

Mr. Zhang has served as executive vice president of the Bank since April 2013. Mr. Zhang served as a member of senior management of the Bank from December 2010 to April 2013. Mr. Zhang was general manager of the group clients department (banking business department) and deputy general manager of Beijing Branch of the Bank from October 2006 to December 2010, general manager of the banking business department at the head office and the group clients department (banking business department) of the Bank from March 2004 to October 2006, deputy general manager of the banking business department at the head office of the Bank from June 2000 to March 2004 (in charge of overall management from March 2003), general manager of the Three Gorges Branch of the Bank from September 1998 to June 2000, and deputy general manager of the Three Gorges Branch of the Bank from December 1996 to September 1998. Mr. Zhang is a senior economist. He obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1984 and an Executive MBA degree from Peking University in 2010.

YANG WENSHENG

Executive vice president

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

HUANG YI

Executive vice president

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

YU JINGBO

Executive vice president

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

ZENG JIANHUA

Chief risk officer

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

XU YIMING

Chief financial officer

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

CHEN CAIHONG

Secretary to the Board

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

8.4 REMUNERATION

Remuneration of directors, supervisors and senior management in 2014

Unit: RMB'000

Name	Fees	Remuneration paid	Contribution by the employer to compulsory insurances, housing allowances, etc.	Total (before tax)[1]	Remuneration from corporate shareholders
Wang Hongzhang	–	799	351	1,150	–
Zhang Jianguo	–	761	371	1,132	–
Chen Yuanling[2]	–	–	–	–	
Xu Tie[2]	–	–	–	–	
Guo Yanpeng[2]	–	–	–	–	
Dong Shi[2]	–	–	–	–	
Zhang Long	405	–	–	405	–
Elaine La Roche	410	–	–	410	–
Chung Shui Ming Timpson	440	–	–	440	–
Wim Kok	360	–	–	360	–
Murray Horn	420	–	–	420	–
Margaret Leung Ko May Yee	410	–	–	410	–
Guo You	–	612	310	922	–
Liu Jin	–	518	283	801	–
Li Xiaoling	–	518	283	801	–
Jin Panshi[3]	50	–	–	50	–
Zhang Huajian[3]	50	–	–	50	–
Wang Lin[3]	46	–	–	46	–
Wang Xinmin	192	–	–	192	–
Bai Jianjun	250	–	–	250	–
Pang Xiusheng	–	680	322	1,002	–
Zhang Gengsheng	–	680	322	1,002	–
Yang Wensheng	–	680	322	1,002	–
Huang Yi	–	624	296	920	–
Yu Jingbo	–	658	294	952	
Zeng Jianhua	–	647	284	931	–
Xu Yiming	–	323	144	467	
Chen Caihong	–	647	284	931	–
Resigned directors, supervisors and senior executives					
Zhu Hongbo	–	680	322	1,002	–
Hu Zheyi	–	680	322	1,002	–
Qi Shouyin[2]	–	–	–	–	
Zhang Yanling[2]	–	–	–	–	
Zhao Xijun	103	–	–	103	–
Zhang Furong	–	734	371	1,105	–
Li Weiping[3]	4	–	–	4	–
Huang Shuping[3]	17	–	–	17	–
Zhao Huan	–	57	26	83	–

1. In accordance with the relevant national policies, remuneration payable to chairman of the Board, president, chairman of the board of supervisors, some directors, supervisors and senior management members in 2014 were paid pursuant to the old practice and subject to final confirmation. Further details will be disclosed when determined. From 2015 onwards, remuneration of the Bank's leaders administered by central authorities will be paid in accordance with policies relating to the central remuneration reform, and specifics of their remuneration will be disclosed in the 2015 annual report.
2. Non-executive directors of the Bank receive remuneration from Huijin, its corporate shareholder.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.

9 CORPORATE GOVERNANCE REPORT

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

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

During the reporting period, the Bank recorded and registered information of relevant insiders who possessed inside information. Neither illegal insider dealing nor unusual movement in the stock price caused by leaks of inside information were identified.

9.1 SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

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

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meeting convened

On 26 June 2014, the Bank held the 2013 annual general meeting, which reviewed and approved the 2013 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2014 fixed assets investment budget, appointment of external auditors for 2014, election of directors and supervisors, and plan on authorisation of the shareholders' general meeting to the Board. The executive directors, namely Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Zhu Hongbo and Mr. Hu Zheyi, the non-executive directors, namely Mr. Qi Shouyin, Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi, the independent non-executive directors, namely Mr. Zhang Long, Ms. Elaine La Roche, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee attended the meeting. The attendance rate of directors was 100%. The domestic and international auditors of the Bank also attended the meeting. The shareholders' general meeting was held in compliance with relevant legal procedures, the resolutions of which were published on the websites of Hong Kong Stock Exchange and the Shanghai Stock Exchange on 26 June 2014, on the designated newspaper on 27 June 2014 for information disclosure.

9.2 BOARD OF DIRECTORS

Responsibilities of the Board

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

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

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

In 2014, the Board strictly implemented the resolutions of shareholders' general meeting and matters authorised by the shareholders' general meeting to the Board, earnestly implementing the proposals approved by the shareholders' general meeting, including the profit distribution plan for 2013, fixed assets investment budget for 2014, appointment of auditors for 2014, and election of directors.

Composition of the Board

Currently the Board comprises 12 directors, including two executive directors, namely Mr. Wang Hongzhang and Mr. Zhang Jianguo; four non-executive directors, namely Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi; and six independent non-executive directors, namely Mr. Zhang Long, Ms. Elaine La Roche, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee.

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

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

Chairman and president

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

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

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

Operation of the Board

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

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

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

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

The Bank effected directors' liability insurance policy for all directors in 2014.

Board meetings

In 2014, the Board convened seven meetings in total on 28 March, 28 April, 16-21 May, 27 June, 29 August, 23 October, and 12 December respectively. Major resolutions reviewed and approved by the board meetings included the plan on authorisation to special committees and president granted by the Board, fixed assets investment budget, financial reports, profit distribution, nomination of director candidates and appointment of senior executives, issuance of preference shares. Relevant information was disclosed pursuant to the provisions under the relevant laws, regulations and listing rules of the listing venues. Individual attendance records of the directors in board meetings in 2014 are set out as follows:

Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Executive directors			
Mr. Wang Hongzhang	6/7	1/7	100
Mr. Zhang Jianguo	6/7	1/7	100
Non-executive directors			
Ms. Chen Yuanling	7/7	0/7	100
Mr. Xu Tie	7/7	0/7	100
Mr. Guo Yanpeng	7/7	0/7	100
Mr. Dong Shi	7/7	0/7	100
Independent non-executive directors			
Mr. Zhang Long	7/7	0/7	100
Ms. Elaine La Roche	6/7	1/7	100
Mr. Chung Shui Ming Timpson	6/7	1/7	100
Mr. Wim Kok	6/7	1/7	100
Mr. Murray Horn	7/7	0/7	100
Ms. Margaret Leung Ko May Yee	7/7	0/7	100
Resigned directors			
Mr. Zhu Hongbo	6/7	1/7	100
Mr. Hu Zheyi	7/7	0/7	100
Mr. Qi Shouyin	5/5	0/5	100
Ms. Zhang Yanling	0/2	2/2	100
Mr. Zhao Xijun	1/1	0/1	100

Performance of duties by independent directors

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

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

In 2014, the independent directors of the Bank actively attended the board meetings and relevant special committees meetings, receiving reports on operational and management situations; conducting on-site investigations and research on promotion of intensive operation and innovation of system and mechanism, and enhancement of credit management and product innovation; providing forward-looking ideas and constructive suggestions on strategic transformation, risk management, capital adequacy ratio, internal control formation, new generation core banking system construction and related party transactions control and management; and playing an important role in the decision-making of the Board. During the reporting period, the Bank's independent non-executive directors did not raise any objection to the relevant matters reviewed by the Board.

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

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

The external guarantee business provided by the Bank has been approved by the PBOC and the CBRC, and is part of the ordinary business of the Bank. With respect to the risks arising from external guarantee business, the Bank formulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The external guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2014, the balance under the letters of guarantees issued by the Group was approximately RMB665,234 million.

Accountability of the directors in relation to financial statements

The directors are responsible for overseeing the preparation of the financial report for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flow for that period. In preparing the financial report for the year ended 31 December 2014, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that were prudent and reasonable.

During the reporting period, the Bank published the 2013 annual report, the report for the first quarter of 2014, half-year report 2014, and the report for the third quarter of 2014 within the prescribed time set out under the provisions of relevant laws, regulations and listing rules of the listing venues.

Training of directors

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

In 2014, all directors of the Bank participated in trainings on corporate governance, regulatory policies, etc. organised by the Bank; Mr. Qi Shouyin, Mr. Xu Tie, Mr. Guo Yanpeng, and Mr. Dong Shi took part in the trainings organised by the China securities regulatory authorities.

Training of company secretary

In 2014, Ma Chan Chi, company secretary of the Bank, participated in trainings on compliance, operation and risk management organised by The Hong Kong Institute of Chartered Secretaries, The Hong Kong Institute of Bankers, and The Hong Kong Institute of Certified Public Accountants.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2014.

Independent operating capability

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

Internal transactions

The internal transactions of the Bank include credit and guarantees, asset transfer, receivables and payables, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in compliance with regulatory requirements, and did not give rise to negative impact on the Group's sound operation.

9.3 COMMITTEES UNDER THE BOARD

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

Strategy development committee

The strategy development committee consists of ten directors. Mr. Wang Hongzhang, chairman of the Bank, currently serves as chairman of the strategy development committee. Members include Mr. Zhang Jianguo, Ms. Chen Yuanling, Ms. Elaine La Roche, Mr. Wim Kok, Mr. Murray Horn, Mr. Xu Tie, Mr. Guo Yanpeng, Ms. Margaret Leung Ko May Yee and Mr. Dong Shi. Among them, two are executive directors, four are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

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

In 2014, the strategy development committee convened seven meetings in total, and considered, reviewed and discussed agenda items including: making in-depth analysis of macroeconomic situation, market tendencies and significant strategic issues; devising plans for transformation and development, and steadily pushing forward strategic transformation; strengthening capital management and conducting research on effective channels for additional capital; adjusting the network of overseas institutions while grasping investment and M&A opportunities; strengthening management of subsidiaries and improving platforms for comprehensive operation; promoting and implementing risk management system reform and enhancing the capability of risk prevention and control; strengthening information technology infrastructure to solidify business foundations.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Wang Hongzhang	6/7	1/7	100
Mr. Zhang Jianguo	6/7	1/7	100
Ms. Chen Yuanling	7/7	0/7	100
Ms. Elaine La Roche	6/7	1/7	100
Mr. Wim Kok	6/7	1/7	100
Mr. Murray Horn	7/7	0/7	100
Mr. Xu Tie	7/7	0/7	100
Mr. Guo Yanpeng	7/7	0/7	100
Ms. Margaret Leung Ko May Yee	7/7	0/7	100
Mr. Dong Shi	7/7	0/7	100
Resigned members			
Mr. Zhu Hongbo	6/7	1/7	100
Mr. Hu Zheyi	7/7	0/7	100
Mr. Qi Shouyin	5/5	0/5	100
Ms. Zhang Yanling	0/2	2/2	100

In 2015, the strategy development committee will continue to adhere to comprehensive, multi-functional and intensive development strategy, conduct in-depth analysis of macroeconomic and financial situation, strengthen the implementation and evaluation of plans for transformation and development of the Bank, accelerate the transformation of operation and profit model, optimise resource allocation, support the development of real economy, improve relevant systems, mechanisms and organisational structure, enhance product innovation and financial services ability of the Bank, and consolidate its core competitiveness.

Audit committee

The audit committee consists of six directors. Mr. Chung Shui Ming Timpson, independent non-executive director of the Bank, currently serves as chairman of the audit committee. Members include Mr. Zhang Long, Ms. Elaine La Roche, Mr. Murray Horn, Mr. Xu Tie and Mr. Dong Shi. Among them, two are non-executive directors and four are independent non-executive directors.

The primary responsibilities and authorities of the audit committee include:

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

In 2014, the audit committee convened six meetings in total, and held two separate meetings with external auditors. The audit committee supervised and reviewed the financial reports for 2013, the first half of 2014, and the first and third quarter of 2014; monitored and assessed the internal auditing work; supervised and evaluated the external auditing work; supervised the rectification of problems identified by the internal and external audits; and strengthened the supervision and evaluation of internal control.

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

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Chung Shui Ming Timpson	6/6	0/6	100
Mr. Zhang Long	6/6	0/6	100
Ms. Elaine La Roche	6/6	0/6	100
Mr. Murray Horn	6/6	0/6	100
Mr. Xu Tie	6/6	0/6	100
Mr. Dong Shi	6/6	0/6	100
Resigned members			
Ms. Zhang Yanling	0/2	2/2	100
Mr. Zhao Xijun	1/1	0/1	100

In 2015, the audit committee will continue to monitor the preparation, audit and disclosure of regular financial reports, and provide professional advice to the Board; review and evaluate the independence and objectivity of external audits and the effectiveness of audit procedures, and facilitate the improvement of the quality of external audits. The audit committee will monitor and guide the internal audits, and improve communication and coordination between internal and external auditors. The audit committee will push forward the rectification of problems identified in internal and external audits, and strengthen the application of audit results; enhance the supervision and evaluation of internal control, and further improve internal control system and mechanism. The audit committee will assist the Board in relevant work under the authorisation of the Board.

Risk management committee

The risk management committee consists of six directors. Ms. Margaret Leung Ko May Yee[1], independent non-executive director of the Bank, served as chairperson of the risk management committee. Members include Mr. Zhang Long, Mr. Zhang Jianguo, Ms. Chen Yuanling, Mr. Chung Shui Ming Timpson, and Mr. Murray Horn. Among them, one is executive director, one is non-executive director, and four are independent non-executive directors.

The primary responsibilities of the risk management committee include:

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

1 Effective from 1 January 2015, Ms. Margaret Leung Ko May Yee no longer served as chairperson of the risk management committee due to personal reasons. Mr. Murray Horn has served as chairman of the risk management committee since the same date. Please refer to the *Announcement on the Resolutions of the Meeting of the Board of Directors* dated 12 December 2014 published by the Bank for details.

In 2014, the risk management committee convened four meetings in total. It expressed opinions and suggestions on various areas including strengthening the management of credit assets, promoting the adjustment and optimisation of credit policy, intensifying the liquidity management of wealth management products, and improving the ability of comprehensive risk management. The risk management committee paid close attention to the impact of international and domestic economic and financial situations on the Bank, actively promoted the implementation of the advanced method on capital management, and assessed the overall risk conditions of the Group regularly. It attached great importance to the risk management in the areas related to loans to industries with excess capacity, loans to government financing vehicles, liquidity, key regions, overseas business and information technology. It also enhanced the compliance risk management and strengthened prevention and control over non-compliance cases.

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

In 2015, the risk management committee will continue to conscientiously perform its duties, promote the fulfilment of various regulatory requirements, further improve comprehensive risk management system, and continue to strengthen the management of various risks including credit risk, market risk, operational risk and compliance risk. It will also steadily promote the implementation of the advanced method on capital management to improve risk management.

Nomination and remuneration committee

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

The primary responsibilities of the nomination and remuneration committee include:

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

- proposing advice on the remuneration plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors and submitting to the Board for deliberation;
- monitoring the implementation of the Bank's performance assessment and remuneration systems; and
- other duties and powers authorised by the Board.

In 2014, the nomination and remuneration committee convened five meetings in total. Regarding nomination, the committee reviewed proposals in relation to newly elected director candidates and re-election of directors, to ensure the director nominees are eligible for the position, in compliance with laws, administrative regulations, rules and the Articles of Association of the Bank, and able to perform their duties in a diligent manner. The nomination and remuneration committee held that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the *Diversity Policy for the Board of Directors*. Regarding remuneration and performance assessment, the nomination and remuneration committee organised the settlement scheme of the remuneration for directors, supervisors and senior management for 2013, worked out performance assessment plans for executive directors and senior management for 2014, and discussed relevant regulations and status of allowances for independent directors.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Ms. Elaine La Roche	5/5	0/5	100
Mr. Chung Shui Ming Timpson	4/5	1/5	100
Mr. Wim Kok	4/5	1/5	100
Mr. Murray Horn	5/5	0/5	100
Mr. Guo Yanpeng	5/5	0/5	100
Ms. Margaret Leung Ko May Yee	5/5	0/5	100
Mr. Dong Shi	5/5	0/5	100

In 2015, the nomination and remuneration committee will strengthen self-improvement efforts, continue to accomplish the work in connection with nomination, and further advance the remuneration and performance assessment measures in accordance with the national remuneration policies. The committee will put forward the proposal of the settlement of remuneration for 2014 according to the operation results of the Bank after comprehensive consideration of various factors, and pay attention to the remuneration system and the personnel training of the Bank.

Social responsibilities and related party transactions committee

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

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

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

In 2014, the social responsibilities and related party transactions committee convened four meetings in total. The committee paid close attention to the development of domestic and overseas supervisory regulations and standards, and strengthened the identification of related parties and the review and disclosure of related party transactions; promoted the formation of related party transactions system, and improved the management capability of related party transactions. It promoted the Bank to assume social responsibilities as a large bank, supervised and assessed the performance of the Bank in consumer rights and interests protection and the implementation of green credit. It pushed forward the development and operation of the related party transactions programme of the new generation core banking system, and improved the refinement and informationisation level in the management of related party transactions.

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

In 2015, the social responsibilities and related party transactions committee will continue to pay close attention to the development of supervisory regulations and accounting standards, and improve the building of the related party transaction system. It will promote the construction and functions release of the related party transactions programme of the new generation core banking system, and enhance the management level of related transactions; strengthen the application of audit results of the related party transactions, and supervise the implementation of the rectification measures. It will monitor and review the implementation of duties related to the protection of consumer rights and interests and green credit. The social responsibilities and related party transactions committee will assist the Board in relevant work under the authorisation of the Board.

9.4 BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

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

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

Composition of the board of supervisors

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

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

Chairman of the board of supervisors

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

Operation of the board of supervisors

The board of supervisors convenes regular meetings, not less than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in written ten days prior to the convening of the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

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

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

The Bank effected supervisors' liability insurance policy for all the supervisors in 2014.

Meetings of the board of supervisors

In 2014, the board of supervisors convened seven meetings in total on 13 March, 28 March, 25 April, 26 June, 29 August, 23 October, and 26 December respectively. Major resolutions reviewed and approved by the board of supervisors meetings included report of the board of supervisors, supervisory working plan, periodic financial reports of the Bank, profit distribution plan, election of chairman of the board of supervisors, etc.. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. The following table sets forth the attendance records of each of the supervisors in the meetings of the board of supervisors in 2014:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Shareholder representative supervisors			
Mr. Guo You	4/4	0/4	100
Ms. Liu Jin	6/7	1/7	100
Ms. Li Xiaoling	7/7	0/7	100
Employee representative supervisors			
Mr. Jin Panshi	7/7	0/7	100
Mr. Zhang Huajian	6/7	1/7	100
Mr. Wang Lin	5/7	2/7	100
External supervisors			
Mr. Wang Xinmin	7/7	0/7	100
Mr. Bai Jianjun	7/7	0/7	100
Resigned members			
Mr. Zhang Furong	0/3	3/3	100
Ms. Huang Shuping	2/2	0/2	100
Mr. Li Weiping	0/0	0/0	–

The performance of duties by external supervisors

In 2014, Mr. Wang Xinmin and Mr. Bai Jianjun, the external supervisors of the Bank, attended all the meetings of the board of supervisors and special committees thereof in person, and were involved in the decision-making of major issues of the board of supervisors. They proactively attended the meetings of the Board, the special committees under the Board and the senior management as non-voting delegates, and participated in the discussion of the transformation plan of the Bank and other major issues. They participated in the specific research on the implementation of strategic plans and the risk management and control in wealth management business, and actively provided suggestions and opinions based on their expertise. The external supervisors duly performed their duties and contributed to the supervisory role played by the board of supervisors.

9.5 COMMITTEES UNDER THE BOARD OF SUPERVISORS

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

Performance and due diligence supervision committee

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

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

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

In 2014, the performance and due diligence supervision committee convened four on-site meetings in total. The performance and due diligence supervision committee reviewed the qualifications of supervisor candidates; reviewed evaluation reports on the performance of the Board, senior management and their members, and self-evaluation reports on the performance of the board of supervisors and supervisors; studied and discussed the amendments to the corporate governance documents; studied and formulated the work plan for performance supervision and evaluation; and debriefed with special reports on the implementation of transformation plan and remuneration management.

Members of the Performance and Due Diligence Supervision Committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Guo You	2/2	0/2	100
Ms. Liu Jin	4/4	0/4	100
Ms. Li Xiaoling	4/4	0/4	100
Mr. Wang Lin	3/4	1/4	100
Mr. Wang Xinmin	4/4	0/4	100
Resigned members			
Mr. Zhang Furong	0/2	2/2	100
Mr. Li Weiping	0/0	0/0	–

In 2015, the performance and due diligence supervision committee will give full support to the implementation of transformation plan and selectively organise the supervision of performance of duties and responsibilities. The performance and due diligence supervision committee will continue to explore effective ways of supervision in light of actual situation, and ensure proper performance and due diligence supervision and evaluation of the Board, senior management and their members.

Finance and internal control supervision committee

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

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

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

In 2014, the finance and internal control supervision committee convened five on-site meetings in total, reviewed the periodic financial reports, profit distribution plans and internal control evaluation report; debriefed reports on credit asset quality, comprehensive risk management, internal control and compliance work, internal audit findings, internal control evaluation; conducted supervision on the internal control, acquisition and disposal of material assets, related party transactions and implementation of the registration management system of the insiders of inside information; strengthened the communication between the headquarters departments and external auditors and improved the efficiency of meetings via various measures; took an active part in specific surveys, analysed the materials, conducted interviews and discussions with the headquarters departments and the branches, put forward constructive suggestions, and further strengthened the supervision of the Bank's finance, internal control and risk management.

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

In 2015, the finance and internal control supervision committee will pay close attention to the key issues and areas of the Bank's finance, internal control and risk management, make more efforts in research and investigation as well as analysis, and continue to refine the supervisory work.

9.6 SENIOR MANAGEMENT

Responsibilities of senior management

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

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

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

Operation of senior management

Based on the authorisation of corporate governance documents such as the Articles of Association of the Bank and the Board, the senior management orderly organises operational and management activities of the Bank. According to the strategic directions and targets determined by the Board, it makes comprehensive operational plans and periodic reports to the Board on implementation of strategies and execution progress of plans. The senior management analyses and researches on internal and external environment, works out operational strategies and management measures and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operational and management capabilities and working efficiency of the Bank.

9.7 INTERNAL CONTROL

In 2014, according to regulatory requirements and its development strategies, the Bank constantly improved the construction of organisational structure, promoted the culture of internal control and compliance; pushed forward the three-year development plan for internal control system formulation and standardisation of the internal control; strengthened internal control assessment, system management, development of banking system and information reporting; implemented compliance examination and rectification measures; promoted centralised anti-money laundering, improvement of related party transactions system, the application of operational risk management tools and self-assessment of business continuity. With all the work proceeding in an orderly manner, the Bank achieved great progress in internal control and compliance management.

The Bank actively boosted the formation of compliance culture, promoted the core values of internal control and compliance by ways of lectures, surveys, briefings and work reports. The Bank improved the quality of the staff through multi-level trainings and developed the staff's abilities to perform their duties and adapt to their positions.

According to regulatory requirements and the need of management, the Bank implemented examination of internal control and compliance for key business and areas. The Bank focused on the effectiveness of internal control of credit business, implemented the "five examinations", i.e., examination of systems and mechanisms construction, internal control process, standard operation of compliance, business review and rectification of problems, and accountability; analysed the weaknesses in the process management of key business from the perspective of internal control, and reinforced the support of internal control to business lines.

Declaration of the board of directors on internal control responsibilities

According to the requirements regarding the standard system of enterprises internal control, the Board is responsible for establishing, improving and effectively implementing internal control, evaluating the effectiveness of the internal control and faithfully disclosing the report of internal control evaluation. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control. The Board, the board of supervisors, directors, supervisors and senior management of the Bank undertake that there is no false record, misleading statement or material omission in this report, and assume joint and several liabilities for the authenticity, accuracy and completeness of its contents.

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

In accordance with the *Basic Standard for Enterprises Internal Control* and the guidelines ancillary thereto, the *Guidelines for Internal Control of Listed Companies* issued by the Shanghai Stock Exchange, *No. 21 Rules regarding the Preparation of Reports for Information Disclosure Purpose of Companies Which Publicly Offer Securities – General Provisions on the Annual Report of Internal Control Evaluation* jointly released by the CSRC and the MOF and the *Guidance on Internal Control of the Commercial Banks*, the Bank formulated the *Basic Rules for Internal Control of China Construction Bank Corporation*, and the *Identification Standards for Deficiencies in the Internal Control of China Construction Bank Corporation*. In 2014, the Bank amended and improved the measures for internal control assessment, and formulated a series of internal control regulations, including the *Measures for Internal Control Assessment of China Construction Bank,* and effectively conducted internal control assessment work throughout the Bank.

The Bank publishes the internal control assessment report and internal control audit report at the same time as it publishes the annual report.

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

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

Matters subject to improvement had no material impact on the operation and management of the Bank. The Bank pays high attention to these matters and will take further action to achieve constant improvement.

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

Establishment and implementation of accountability system for material errors in information disclosure of annual report

In August 2011, the Board reviewed and approved the *Measures on Accountability of Major Mistakes in Information Disclosure of Annual Report*, and established the rules for the accountability of major mistakes. During the reporting period, the Bank did not have any material errors in information disclosure of annual report.

9.8 AUDITORS' REMUNERATION

PricewaterhouseCoopers Zhong Tian LLP was appointed as the domestic auditor for the audit of the financial report of the Bank and its major domestic subsidiaries for the year of 2014 and PricewaterhouseCoopers was appointed as the international auditor for the audit of the financial report of the Bank and its overseas subsidiaries for the year of 2014. PricewaterhouseCoopers Zhong Tian LLP was appointed as the auditor for the audit of the internal control of the Bank for the year of 2014.

Auditors' fees for the audit of the financial report (including the audit of the internal control) of the Group and other services paid to PricewaterhouseCoopers Zhong Tian LLP, PricewaterhouseCoopers and other PricewaterhouseCoopers member firms by the Group for the year ended 31 December 2014 are set out as follows:

(In millions of RMB)	**2014**	2013
Fees for the audit of the financial statements	**132.00**	140.00
Other service fees	**5.96**	2.23

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have provided auditing services to the Bank for four consecutive years.

9.9 SHAREHOLDERS' RIGHTS

Right to convene an extraordinary shareholders' general meeting

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

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

Right to raise proposals to the shareholders' general meeting

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

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

Right to raise proposals to the Board

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

Right to raise enquiries to the Board

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

9.10 INVESTOR RELATIONS

Effective communication with shareholders

The Bank exchanges opinions with the shareholders through various channels such as the shareholders' general meetings, results announcement conferences, road shows, receptions of visitors and telephone enquiries. In 2014, the Bank organised and arranged results announcement conferences and analysts' on-site briefings and conference calls during the period of annual and interim results publication. Relevant announcements of results are published on designated newspapers and websites for shareholders' review.

Shareholder enquiries

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

A-share:

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

H-share:

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

Investor enquiries

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

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

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

10 REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDENDS

The profit of the Group for the year ended 31 December 2014 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report. The financial position and operating results as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions passed at the 2013 annual general meeting held on 26 June 2014, the Bank paid an annual cash dividend for 2013 of RMB0.300 per share (including tax), totalling approximately RMB75,003 million, to all of its shareholders whose names appeared on the register of members on 9 July 2014.

The Board recommends a cash dividend for 2014 of RMB0.301 per share (including tax), subject to the approval of the 2014 annual general meeting. If such distribution is approved at the annual general meeting, the dividend will be distributed to the shareholders whose names appear on the register of members of the Bank after the close of the stock market on 30 June 2015. The expected payment date of the H-shares annual cash dividend for 2014 is 24 July 2015. The expected payment date of the A-shares annual cash dividend for 2014 is 1 July 2015.

FORMULATION AND IMPLEMENTATION OF CASH DIVIDEND POLICY

Pursuant to the amendment to the *Articles of Association* of the Bank reviewed and approved at the 2012 annual general meeting, the Bank may distribute dividends in the form of cash, shares and a combination of cash and shares. Unless under special circumstances, the Bank shall distribute dividends in cash if it profits in that year and has positive accumulative undistributed profits. The profits distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. When adjusting the profit distribution policy, the Board shall conduct a specific discussion to elaborate on and verify the reasons to make the adjustments and prepare a written report. Independent directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

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

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2012 to 2014 are as follows:

(In millions of RMB, except percentages)	2012	2013	**2014**
Cash dividends	67,003	75,003	**75,253**
Ratio of cash dividends to net profit[1]	34.68%	34.94%	**33.03%**

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

SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2014.

RESERVES

Please refer to "Consolidated Statement of Changes in Equity" for details of the movements in the reserves of the Group for the year ended 31 December 2014.

DONATIONS

Donations made by the Group for the year ended 31 December 2014 were RMB35.93 million.

FIXED ASSETS

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year ended 31 December 2014.

RETIREMENT BENEFITS

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

MAJOR CUSTOMERS

For the year ended 31 December 2014, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to "Changes in Share Capital and Particulars of Shareholders-Substantial Shareholders of the Bank" and Note "Investments in Subsidiaries" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at 31 December 2014.

SHARE CAPITAL AND PUBLIC FLOAT

As of 31 December 2014, the Bank issued 250,010,977,486 shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 698,999 registered shareholders. The Bank complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS

The proceeds raised from the rights issue are used for the purpose as disclosed in the prospectus, to strengthen the capital base of the Bank and support the business development in the future.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at 31 December 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MATERIAL INTERESTS AND SHORT POSITIONS

As at 31 December 2014, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Name	Type of shares	Interests in shares and short positions	Nature	% of issued A-shares or H-shares	% of total issued shares
Huijin[1]	A-share	492,631,014	Long position	5.13	0.20
Huijin[2]	H-share	133,262,144,534	Long position	59.31	57.03
Temasek[3]	H-share	17,878,670,050	Long position	7.44	7.15

1. On 17 June 2013, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 492,631,014 A-shares of the Bank, accounting for 5.13% and 0.20% of the A-shares issued (9,593,657,606 shares) and total shares issued (250,010,977,486 shares) at that time respectively. As at 31 December 2014, according to the A-share register of members of the Bank, Huijin directly held 570,941,976 A-shares of the Bank, accounting for 5.95% and 0.23% of the A-shares issued (9,593,657,606 shares) and total shares issued (250,010,977,486 shares) at the end of the period respectively.
2. On 26 May 2009, Huijin declared its interests to Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and total shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2014, according to the H-share register of members of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and total shares issued (250,010,977,486 shares) at the end of the period respectively.
3. This is pursuant to the declaration of Temasek to Hong Kong Stock Exchange on 4 May 2012 and covers the period ended 31 December 2014. On 13 January 2015, Temasek adjusted its shareholdings of the Bank and declared interests to Hong Kong Stock Exchange on 16 January 2015. According to this declaration, Temasek held 14,419,443,216 H-shares (long position) of the Bank, accounting for 5.99% and 5.77% of the H-shares issued and total shares issued by the Bank respectively.

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

Mr. Zhang Long and Ms. Margaret Leung Ko May Yee, the directors of the Bank, held 235,400 A-shares and 100,000 H-shares of the Bank respectively. Mr. Zhang Huajian and Mr. Wang Lin, the supervisors of the Bank, indirectly held 18,999 H-shares and 19,304 H-shares of the Bank respectively, by participating in the employee stock incentive plan before they were appointed as supervisors. Save as disclosed above, as at 31 December 2014, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2014, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

For the year 2014, no director or supervisor of the Bank had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

In 2014, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the conditions for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

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

REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has endeavoured to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management as guided by the relevant policies of China.

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

REGISTRATION AND MANAGEMENT OF INSIDERS

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

COMPLIANCE WITH HONG KONG BANKING (DISCLOSURE) RULES

In preparing the financial report for 2014, the Bank has complied with the *Banking (Disclosure) Rules*, Chapter 155M of the Banking Ordinance of Hong Kong.

By order of the board of directors

Wang Hongzhang

Chairman

27 March 2015

11 REPORT OF THE BOARD OF SUPERVISORS

In 2014, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, proactively conducted supervision on duty performance, finance, internal control and risk management, and made contributions in improving the corporate governance and promoting the sustainable and sound development of the Bank.

PARTICULARS OF MAJOR WORK

The board of supervisors convened meetings of the board of supervisors in pursuant to laws and regulations. During the year, the board of supervisors convened seven general meetings of the board of supervisors, in which 18 resolutions on the agenda were reviewed and approved, including but not limited to the report of the board of supervisors, supervision work plan, performance assessment reports, periodic financial reports and profit distribution plan; special reports on the work arrangements, policies and measures on business operation for 2015 and prevention and control over non-compliance cases in 2014 were debriefed; and certain major issues were studied and discussed, including but not limited to key work of the board of supervisors in 2015, credit risk classification and making provisions. Four meetings of the performance and due diligence supervision committee and five meetings of the finance and internal control supervision committee were convened.

The board of supervisors continued its work of performance supervision and assessment. The board of supervisors exercised its supervision over the performance of the Board, senior management and their members by various means, including attending meetings as non-voting attendees, inspecting and reviewing relevant materials, holding interviews and meetings, reviewing performance reports and making performance assessment. The board of supervisors duly organised the annual performance assessment work, proposed the assessment reports of the annual performance of the Board and directors, and senior management and its members, respectively, and presented the annual self-assessment of the performance of board of supervisors and its members.

The board of supervisors endeavoured in conducting proper finance supervision. By focusing on the preparation, review and disclosure of periodic financial reports, the board of supervisors enhanced its communication with external auditors and senior management, drew attention to and proposed its suggestions on the asset quality, profitability, consolidated management and implementation of regulatory requirements. The board of supervisors attached importance to its supervision over the major financial decisions, debriefed reports on the work arrangements, policies and measures on business operations, and organised the research and analysis of the risk classification, provisions for impairment losses and implementation of rectification measures proposed in the external auditors' management proposal. In accordance with applicable regulatory requirements, the board of supervisors conducted supervision on the capital management, the management of insiders of inside information and the performance of external auditors.

The board of supervisors duly conducted the internal control supervision. The board of supervisors focused on the performance of internal control duties and responsibilities, improvement of internal control system and organisation and implementation of internal control assessment by the Board and senior management. The board of supervisors, in accordance with the requirements of the *Guidelines on Internal Control of the Commercial Banks*, further clarified the working guidelines on the internal control supervision. The board of supervisors regularly debriefed reports on the work of internal control and compliance, key findings and issues rectification in internal audit and prevention and control over non-compliance cases, and conducted specific study and discussion on the internal control in respect of matters with major risks. The board of supervisors continued its supervision over the internal control in respect of the new businesses and new products.

The board of supervisors continuously strengthened risk management supervision. The board of supervisors debriefed special reports on the overall risk management and optimisation of risk management system and mechanism and paid special attention to the establishment and perfection of overall risk governance structure. The board of supervisors communicated with the senior management on a regular basis on credit asset quality and delved into major risks faced by the Bank. The Bank conducted research and specific analysis on the risk control in wealth management business, credit policy, inter-bank business and civil lawsuits of the Bank, continuously monitored the application of risk regulatory indicators, and provided timely opinions and suggestions on existing problems discovered in supervision.

The board of supervisors placed greater emphasis and supervision on major issues. The board of supervisors actively participated in the study and discussion of the transformation and development plan of the Bank, paid great attention to the implementation of the transformation and development plan, debriefed special reports and proposed its opinions and requirements. The board of supervisors organised specific surveys covering such four areas as management and implementation of strategic planning, mitigation of excess capacity, risk control in wealth management business and advancement of intensive operation strategy and put forward opinions and suggestions.

The board of supervisors continuously strengthened its self-improvement. The board of supervisors studied and discussed the amendment of corporate governance documents, improved the work of performance supervision and assessment, as well as the supervision working mechanism. All members of the board of supervisors performed their duties in a diligent manner, attended relevant meetings, and proactively participated in the discussion and deliberation of relevant resolutions and motions. They attended the meetings of the Board, the committees under the Board and the senior management as non-voting attendees, participated in the related work organised by the board of supervisors, the committees and the Bank, and duly performed their supervision duties.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in compliance with laws and regulations

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

Financial reporting

The 2014 financial report of the Bank accurately and fairly reflected the financial position and operating results of the Bank.

Use of proceeds

During the reporting period, the Bank issued RMB22 billion Tier-2 capital bonds. All the proceeds were used to replenish the capital base of the Bank in accordance with the undertaking of the Bank.

Acquisition and sale of assets

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

Connected transactions

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

Internal control

During the reporting period, the Bank consistently enhanced and improved its internal control. The board of supervisors had no objection to the *2014 Internal Control Assessment Report*.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities in a proactive manner. The board of supervisors had no objection to the *2014 Social Responsibility Report*.

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

All directors, supervisors and senior executives were evaluated as qualified in the 2014 performance assessment process.

By order of the board of supervisors

Guo You

Chairman of the board of supervisors

27 March 2015

12 MAJOR ISSUES

MATERIAL LITIGATIONS, ARBITRATIONS AND MATTERS QUESTIONED BY THE MAJOR MEDIA

During the reporting period, there was no material litigation or arbitration of the Bank, or matter in relation to the Bank that was questioned by the major media.

CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES

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

ISSUANCE OF PREFERENCE SHARES

On 12 December 2014, the Board of the Bank reviewed and approved the *Proposal on the Plan of Issuance of Domestic Preference Shares by China Construction Bank Corporation* and the *Proposal on the Plan of Issuance of Offshore Preference Shares by China Construction Bank Corporation*, pursuant to which, the Bank proposed to issue preference shares with an aggregate of no more than RMB80 billion (inclusive) or its equivalent in domestic and offshore markets, which include the issuance of domestic preference shares of no more than RMB60 billion (inclusive) and the issuance of offshore preference shares of no more than RMB20 billion (inclusive) or its equivalent. All proceeds from the issuance of domestic and offshore preference shares, after deduction of expenses relating to the issuance, would be used to replenish Additional Tier 1 capital of the Bank. The proposal for the issuance of preference shares is subject to review by the general meeting of the Bank and approvals of relevant regulatory authorities.

ACQUISITION AND SALE OF MAJOR ASSETS AND MERGER OF ENTERPRISES

In January 2014, the CSRC approved CCB Trust, a subsidiary of the Bank, to increase its capital in Shanghai Liangmao Futures Brokerage Co., Ltd. ("Shanghai Liangmao Futures") by RMB393 million, therefore increasing its shareholding in Shanghai Liangmao Futures to 77.07%. CCB Trust increased its capital contribution in Shanghai Liangmao Futures in February 2014, and Shanghai Liangmao Futures completed the capital increase business registration change and renamed itself CCB Futures in April 2014. In December 2014, CCB Trust completed the business registration change of the transfer of 2.93% shares of CCB Futures, therefore increasing its shareholding in CCB Futures to 80%.

The Bank accomplished the purchase of 72% of the total share capital of BIC in Brazil on 29 August 2014, with a total purchase price of approximately BRL1.6 billion. The final purchase price shall be further adjusted in accordance with the price adjustment mechanism prescribed in the acquisition agreement. The Bank will initiate merger tender offer including mandatory offer to residual shareholders in accordance with relevant regulations of Brazilian Securities Commission.

PROGRESS OF IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

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

MATERIAL RELATED PARTY TRANSACTIONS

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK OR SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin will not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits and providing settlement, and providing fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin has committed that it will: (1) fairly treat its investments in commercial banks, and will not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; (2) exercise its shareholder's rights for the best interests of the Bank. As at 31 December 2014, Huijin had not breached any of the above undertakings.

PENALTIES

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

OTHER SHAREHOLDING OR SHARE PARTICIPATIONS

Investments in securities

Number	Type of securities	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held	Carrying amount at the end of the period (RMB)	% of total securities investments at the end of the period	Gain/Loss during the reporting period (RMB)
1	Listed stock	600537	EGING PV	110,336,545	29,693,029	405,868,274	9.09	58,953,672
2	Listed stock	1115.HK	TIBET 5100	86,210,248	73,300,000	171,834,032	3.85	(8,933,779)
3	Listed stock	000906	ZMD	58,423,459	10,000,086	159,493,680	3.57	51,947,526
4	Listed stock	1848.HK	CALC	51,990,023	15,112,659	137,600,727	3.08	85,611,350
5	Listed stock	1004.HK	RISING DEV HOLD	159,439,905	149,552,000	129,227,090	2.89	(30,212,815)
6	Listed stock	371.HK	BJ ENT WATER	119,292,331	30,027,156	127,329,498	2.85	8,036,576
7	Listed stock	1369.HK	WUZHOU INT'L	97,954,287	100,352,000	118,026,887	2.64	11,281,204
8	Listed stock	1303.HK	HUILI RES	104,651,469	106,348,589	108,062,009	2.42	(58,966,151)
9	Listed stock	8083.HK	INNOVATIONPAY	29,673,652	115,900,000	56,565,399	1.27	29,292,010
10	Listed stock	61.HK	NORTH ASIA RES	41,882,047	483,317,243	55,297,553	1.24	(17,386,427)
Other securities investments held at the end of the period				3,903,250,060		2,997,389,367	67.10	(145,802,651)
Gain/Loss from disposal of securities investments during the reporting period								489,869,637
Total				4,763,104,026		4,466,694,516	100.00	473,690,152

1. The top ten listed securities held by the Group at the end of the period are arranged according to the percentage of the carrying amount in total securities investments of the Group at the end of the period.
2. Investments in securities in this table refer to stocks, warrants, convertible bonds and other investments, in which the investments in stocks represent those classified as financial assets at fair value through profit or loss of the Group.
3. Other securities investments refer to the securities investments other than the top ten securities.

Interests of the Bank in shares of other listed companies

Stock code	Stock abbreviation	Initial investment amount (RMB)	numbers of shareholding at the beginning of the period	% of shareholding at the beginning of the period	numbers of shareholding at the end of the period	% of shareholding at the end of the period	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
000792	QINGHAI SALT LAKE	109,383,092	62,004,881	3.90	50,004,363	3.14	1,085,094,682	245,647,309	(74,023,529)	Available-for-sale financial assets	Investment held through debt equity swap
3698.HK	HUISHANG BANK	228,835,900	225,548,176	2.04	225,548,176	2.04	490,882,802	–	8,543,513	Available-for-sale financial assets	Establishment of investment
Total		338,218,992	287,553,057		275,552,539		1,575,977,484	245,647,309	(65,480,016)		

1. The table sets forth the shares of other listed companies which are 1% or more than 1% held by the Group and classified as available-for-sale financial assets.
2. Gain/Loss during the reporting period refers to the effect of the investment on the consolidated net profit of the Group for the reporting period.

Interests in non-listed financial institutions

Name of the company	Initial investment amount (RMB)	numbers of shareholding at the beginning of the period	% of shareholding at the beginning of the period	numbers of shareholding at the end of the period	% of shareholding at the end of the period	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
Xiamen International Bank	300,000,000	50,000,000	2.49	50,000,000	2.18	300,000,000	9,061,313	–	Available-for-sale financial assets	Equity Investment
China UnionPay Co., Ltd.	215,000,000	140,000,000	4.78	140,000,000	4.78	215,000,000	6,300,000	–	Available-for-sale financial assets	Establishment of investment
QBE Hongkong and Shanghai Insurance Limited	98,758,409	19,939,016	25.50	19,939,016	25.50	159,522,703	30,228,082	–	Interests in associates and jointly controlled entities	Purchase
Evergrowing Bank Co., Ltd.	41,125,000	128,939,428	1.58	167,621,257	1.58	118,488,658	–	–	Available-for-sale financial assets	Establishment of investment
Shaanxi Yanchang Petroleum Finance Co., Ltd.	80,000,000	80,000,000	8.00	80,000,000	8.00	80,000,000	–	–	Long-term equity investment	Equity Investment
China Guangfa Bank Co., Ltd.	48,558,031	13,423,847	0.09	13,423,847	0.09	48,558,031	–	–	Available-for-sale financial assets	Establishment of investment
Huarong Xiangjiang Bank	4,693,535	4,420,500	0.07	4,420,500	0.07	2,173,535	390,478	–	Available-for-sale financial assets	Establishment of investment

1. These do not include subsidiaries contained in the consolidated statements.
2. Allowances for impairment losses have been deducted from the carrying amount at the end of the period.

Purchase and disposal of shares of other listed companies

Stock name	Number of shares at the beginning of the period	Number of shares purchased during the reporting period	Number of shares disposed during the reporting period	Number of shares at the end of the period	Amount of funds used (RMB)	Investment gain (RMB)
Total	3,061,349,456	1,932,355,065	(1,906,298,698)	3,087,405,823	8,289,223,871	513,851,288

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") set out on pages 106 to 254, which comprise the consolidated and Bank statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated and Bank statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2014, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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14 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014
(Expressed in millions of RMB, unless otherwise stated)

	Note	2014	2013
Interest income		**739,126**	646,253
Interest expense		**(301,728)**	(256,709)
Net interest income	6	**437,398**	389,544
Fee and commission income		**112,238**	107,432
Fee and commission expense		**(3,721)**	(3,149)
Net fee and commission income	7	**108,517**	104,283
Net trading gain	8	**972**	3,092
Dividend income	9	**495**	446
Net gain arising from investment securities	10	**4,045**	1,395
Other operating income, net:			
– Other operating income		**21,959**	12,526
– Other operating expense		**(16,646)**	(146)
Other operating income, net	11	**5,313**	12,380
Operating income		**556,740**	511,140
Operating expenses	12	**(195,988)**	(188,185)
		360,752	322,955
Impairment losses on:			
– Loans and advances to customers		**(59,264)**	(42,666)
– Others		**(2,647)**	(543)
Impairment losses	13	**(61,911)**	(43,209)
Share of profits less losses of associates and joint ventures		**245**	60
Profit before tax		**299,086**	279,806
Income tax expense	16	**(70,839)**	(64,684)
Net profit		**228,247**	215,122

The notes on pages 114 to 254 form part of these financial statements.

	Note	2014	2013
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(294)**	443
Others		**24**	11
Subtotal		**(270)**	454
Items that may be reclassified subsequently to profit or loss			
Gains/(losses) of available-for-sale financial assets arising during the period		**34,391**	(28,354)
Less: Income tax relating to available-for-sale financial assets		**(8,572)**	7,175
Reclassification adjustments for losses included in profit or loss		**(1,639)**	(1,188)
Net gain/(loss) on cash flow hedges		**138**	(148)
Exchange difference on translating foreign operations		**(347)**	(1,361)
Subtotal		**23,971**	(23,876)
Other comprehensive income for the year, net of tax		**23,701**	(23,422)
Total comprehensive income for the year		**251,948**	191,700
Net profit attributable to:			
Equity shareholders of the Bank		**227,830**	214,657
Non-controlling interests		**417**	465
		228,247	215,122
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**251,231**	191,286
Non-controlling interests		**717**	414
		251,948	191,700
Basic and diluted earnings per share (in RMB Yuan)	17	**0.91**	0.86

The notes on pages 114 to 254 form part of these financial statements.

14 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(Expressed in millions of RMB, unless otherwise stated)

	Note	2014	2013
Assets:			
Cash and deposits with central banks	18	**2,610,781**	2,475,001
Deposits with banks and non-bank financial institutions	19	**266,461**	321,286
Precious metals		**47,931**	35,637
Placements with banks and non-bank financial institutions	20	**248,525**	152,065
Financial assets at fair value through profit or loss	21	**332,235**	364,050
Positive fair value of derivatives	22	**13,769**	18,910
Financial assets held under resale agreements	23	**273,751**	281,447
Interest receivable	24	**91,495**	80,731
Loans and advances to customers	25	**9,222,910**	8,361,361
Available-for-sale financial assets	26	**926,170**	760,292
Held-to-maturity investments	27	**2,298,663**	2,100,538
Debt securities classified as receivables	28	**170,801**	189,737
Interests in associates and joint ventures	30	**3,084**	2,624
Fixed assets	32	**151,607**	135,678
Land use rights	33	**15,758**	15,731
Intangible assets	34	**2,043**	2,053
Goodwill	35	**2,696**	1,610
Deferred tax assets	36	**39,436**	38,448
Other assets	37	**26,014**	26,011
Total assets		**16,744,130**	15,363,210
Liabilities:			
Borrowings from central banks	40	**91,216**	79,157
Deposits from banks and non-bank financial institutions	41	**1,004,118**	692,095
Placements from banks and non-bank financial institutions	42	**202,402**	155,917
Financial liabilities at fair value through profit or loss	43	**296,009**	380,380
Negative fair value of derivatives	22	**12,373**	19,872
Financial assets sold under repurchase agreements	44	**181,528**	61,873
Deposits from customers	45	**12,898,675**	12,223,037
Accrued staff costs	46	**34,535**	34,080
Taxes payable	47	**62,644**	60,209
Interest payable	48	**185,874**	153,627
Provisions	49	**7,068**	5,014
Debt securities issued	50	**431,652**	357,540
Deferred tax liabilities	36	**401**	138
Other liabilities	51	**83,272**	65,942
Total liabilities		**15,491,767**	14,288,881
Equity:			
Share capital	52	**250,011**	250,011
Capital reserve	53	**135,391**	135,523
Investment revaluation reserve	54	**4,562**	(19,290)
Surplus reserve	55	**130,515**	107,970
General reserve	56	**169,496**	153,835
Retained earnings	57	**558,705**	444,084
Exchange reserve		**(6,501)**	(6,182)
Total equity attributable to equity shareholders of the Bank		**1,242,179**	1,065,951
Non-controlling interests		**10,184**	8,378
Total equity		**1,252,363**	1,074,329
Total liabilities and equity		**16,744,130**	15,363,210

Approved and authorised for issue by the Board of Directors on 27 March 2015.

Zhang Jianguo	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 114 to 254 form part of these financial statements.

14 STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(Expressed in millions of RMB, unless otherwise stated)

	Note	2014	2013
Assets:			
Cash and deposits with central banks	18	**2,600,028**	2,469,497
Deposits with banks and non-bank financial institutions	19	**280,848**	328,640
Precious metals		**47,931**	35,637
Placements with banks and non-bank financial institutions	20	**247,606**	233,574
Financial assets at fair value through profit or loss	21	**320,452**	356,854
Positive fair value of derivatives	22	**9,880**	16,503
Financial assets held under resale agreements	23	**273,444**	280,959
Interest receivable	24	**88,930**	79,025
Loans and advances to customers	25	**8,876,246**	8,025,415
Available-for-sale financial assets	26	**844,914**	714,745
Held-to-maturity investments	27	**2,294,723**	2,095,741
Debt securities classified as receivables	28	**154,576**	182,252
Investments in subsidiaries	29	**26,794**	22,004
Fixed assets	32	**141,880**	127,810
Land use rights	33	**15,341**	15,682
Intangible assets	34	**1,506**	1,549
Deferred tax assets	36	**38,115**	39,093
Other assets	37	**56,569**	58,417
Total assets		**16,319,783**	15,083,397
Liabilities:			
Borrowings from central banks	40	**90,409**	78,733
Deposits from banks and non-bank financial institutions	41	**1,008,746**	704,487
Placements from banks and non-bank financial institutions	42	**152,152**	122,479
Financial liabilities at fair value through profit or loss	43	**292,642**	377,731
Negative fair value of derivatives	22	**10,612**	16,796
Financial assets sold under repurchase agreements	44	**177,256**	55,457
Deposits from customers	45	**12,654,493**	12,055,777
Accrued staff costs	46	**33,234**	32,938
Taxes payable	47	**61,881**	59,693
Interest payable	48	**184,627**	152,946
Provisions	49	**5,399**	5,014
Debt securities issued	50	**367,504**	322,406
Deferred tax liabilities	36	**43**	–
Other liabilities	51	**48,549**	40,339
Total liabilities		**15,087,547**	14,024,796
Equity:			
Share capital	52	**250,011**	250,011
Capital reserve	53	**135,387**	135,508
Investment revaluation reserve	54	**4,288**	(19,275)
Surplus reserve	55	**130,515**	107,970
General reserve	56	**165,916**	150,675
Retained earnings	57	**547,542**	434,877
Exchange reserve		**(1,423)**	(1,165)
Total equity		**1,232,236**	1,058,601
Total liabilities and equity		**16,319,783**	15,083,397

Approved and authorised for issue by the Board of Directors on 27 March 2015.

Zhang Jianguo	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 114 to 254 form part of these financial statements.

14 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2013	**250,011**	**135,523**	**(19,290)**	**107,970**	**153,835**	**444,084**	**(6,182)**	**8,378**	**1,074,329**
Movements during the year	**–**	**(132)**	**23,852**	**22,545**	**15,661**	**114,621**	**(319)**	**1,806**	**178,034**
(1) Total comprehensive income for the year	**–**	**(132)**	**23,852**	**–**	**–**	**227,830**	**(319)**	**717**	**251,948**
(2) Changes in share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,111**	**1,111**
i Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**981**	**981**
ii Change in shareholdings in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130**	**130**
(3) Profit distribution	**–**	**–**	**–**	**22,545**	**15,661**	**(113,209)**	**–**	**(22)**	**(75,025)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**22,545**	**–**	**(22,545)**	**–**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**15,661**	**(15,661)**	**–**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(75,003)**	**–**	**(22)**	**(75,025)**
As at 31 December 2014	**250,011**	**135,391**	**4,562**	**130,515**	**169,496**	**558,705**	**(6,501)**	**10,184**	**1,252,363**
31 December 2012	250,011	135,217	3,023	86,718	80,483	391,034	(4,818)	7,877	949,545
Movements during the year	–	306	(22,313)	21,252	73,352	53,050	(1,364)	501	124,784
(1) Total comprehensive income for the year	–	306	(22,313)	–	–	214,657	(1,364)	414	191,700
(2) Changes in share capital	–	–	–	–	–	–	–	105	105
i Non-controlling interests of new subsidiaries	–	–	–	–	–	–	–	51	51
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	54	54
(3) Profit distribution	–	–	–	21,252	73,352	(161,607)	–	(18)	(67,021)
i Appropriation to surplus reserve	–	–	–	21,252	–	(21,252)	–	–	–
ii Appropriation to general reserve	–	–	–	–	73,352	(73,352)	–	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(18)	(67,021)
As at 31 December 2013	250,011	135,523	(19,290)	107,970	153,835	444,084	(6,182)	8,378	1,074,329

The notes on pages 114 to 254 form part of these financial statements.

14 STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(Expressed in millions of RMB, unless otherwise stated)

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2013	**250,011**	**135,508**	**(19,275)**	**107,970**	**150,675**	**434,877**	**(1,165)**	**1,058,601**
Movements during the year	**–**	**(121)**	**23,563**	**22,545**	**15,241**	**112,665**	**(258)**	**173,635**
(1) Total comprehensive income for the year	**–**	**(121)**	**23,563**	**–**	**–**	**225,454**	**(258)**	**248,638**
(2) Profit distribution	**–**	**–**	**–**	**22,545**	**15,241**	**(112,789)**	**–**	**(75,003)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**22,545**	**–**	**(22,545)**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**15,241**	**(15,241)**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(75,003)**	**–**	**(75,003)**
As at 31 December 2014	**250,011**	**135,387**	**4,288**	**130,515**	**165,916**	**547,542**	**(1,423)**	**1,232,236**
31 December 2012	250,011	135,140	3,078	86,718	79,444	381,844	(778)	935,457
Movements during the year	–	368	(22,353)	21,252	71,231	53,033	(387)	123,144
(1) Total comprehensive income for the year	–	306	(22,353)	–	–	212,519	(387)	190,085
(2) Changes in share capital	–	62	–	–	–	–	–	62
i Acquisition of subsidiaries	–	62	–	–	–	–	–	62
(3) Profit distribution	–	–	–	21,252	71,231	(159,486)	–	(67,003)
i Appropriation to surplus reserve	–	–	–	21,252	–	(21,252)	–	–
ii Appropriation to general reserve	–	–	–	–	71,231	(71,231)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(67,003)	–	(67,003)
As at 31 December 2013	250,011	135,508	(19,275)	107,970	150,675	434,877	(1,165)	1,058,601

The notes on pages 114 to 254 form part of these financial statements.

14 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(Expressed in millions of RMB, unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
Profit before tax		**299,086**	279,806
Adjustments for:			
– Impairment losses	13	**61,911**	43,209
– Depreciation and amortisation	12	**17,811**	15,416
– Unwinding of discount		**(2,055)**	(1,446)
– Revaluation loss on financial instruments at fair value through profit or loss		**263**	1,325
– Share of profit less losses of associates and joint ventures		**(245)**	(60)
– Dividend income	9	**(495)**	(446)
– Unrealised foreign exchange loss		**7,980**	3,095
– Interest expense on subordinated bonds issued		**8,859**	7,557
– Net gain on disposal of investment securities	10	**(4,045)**	(1,395)
– Net gain on disposal of fixed assets and other long-term assets		**(108)**	(169)
		388,962	346,892
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(184,773)**	(33,915)
Net increase in placements with banks and non-bank financial institutions		**(74,969)**	(51,108)
Net increase in loans and advances to customers		**(883,158)**	(1,116,433)
Net decrease in financial assets held under resale agreements		**12,707**	35,238
Net decrease/(increase) in other operating assets		**12,889**	(347,722)
		(1,117,305)	(1,513,940)
Changes in operating liabilities:			
Net increase in borrowings from central banks		**11,605**	73,116
Net increase in placements from banks and non-bank financial institutions		**36,256**	38,816
Net increase in deposits from customers and from banks and non-bank financial institutions		**947,653**	613,017
Net increase in financial assets sold under repurchase agreements		**119,467**	59,603
Net increase in certificates of deposit issued		**42,992**	96,865
Income tax paid		**(76,687)**	(62,114)
Net (decrease)/increase in other operating liabilities		**(35,992)**	393,674
		1,045,294	1,212,977
Net cash from operating activities		**316,951**	45,929

The notes on pages 114 to 254 form part of these financial statements.

	Note	2014	2013
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**503,662**	730,160
Dividends received		**504**	461
Proceeds from disposal of fixed assets and other long-term assets		**2,030**	1,851
Purchase of investment securities		**(810,304)**	(971,998)
Purchase of fixed assets and other long-term assets		**(35,490)**	(38,406)
Acquisition of subsidiaries, associates and joint ventures		**(4,289)**	(250)
Net cash used in investing activities		**(343,887)**	(278,182)
Cash flows from financing activities			
Issue of bonds		**42,238**	1,997
Capital contribution by non-controlling interests		**130**	51
Dividends paid		**(75,025)**	(67,044)
Repayment of borrowings		**(22,500)**	–
Interest paid on bonds issued		**(7,693)**	(7,545)
Net cash used in financing activities		**(62,850)**	(72,541)
Effect of exchange rate changes on cash and cash equivalents		**2,731**	(3,353)
Net decrease in cash and cash equivalents		**(87,055)**	(308,147)
Cash and cash equivalents as at 1 January	58	**440,773**	748,920
Cash and cash equivalents as at 31 December	58	**353,718**	440,773
Cash flows from operating activities include:			
Interest received		**726,117**	632,076
Interest paid, excluding interest expense on bonds issued		**(261,713)**	(218,715)

The notes on pages 114 to 254 form part of these financial statements.

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No.100000000039122 from the State Administration for Industry & Commerce of the PRC. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Ltd. ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor on behalf of the PRC government.

New subsidiaries consolidated by the Bank in 2014 include CCB Brazil Financial Holding – Investimentos e Participacoes Ltda. and Banco Industrial e Comercial S.A.("BIC Bank") which were acquired during the year and China Construction Bank (New Zealand) Limited ("CCB New Zealand") which was established by the Bank during the year.

These financial statements were authorised for issue by the board of directors of the Bank on 27 March 2015.

2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements for the year ended 31 December 2014 comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at designated cost. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

2 BASIS OF PREPARATION (CONTINUED)

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(23).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the predecessor Hong Kong Companies Ordinance(Cap. 32) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which are applicable to 2014 annual report. The financial statements will comply with the applicable disclosure requirements of the new Hong Kong Companies Ordinance according to the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in 2015.

The Group has adopted the following new or revised IFRSs and Interpretations effective for the current year. There is no early adoption of any new IFRSs not yet effective for the year ended 31 December 2014.

Amendment to IAS 32, "Financial instruments: Presentation on offsetting financial assets and financial liabilities"

Amendment to IAS 36, "Impairment of assets" on the recoverable amount disclosures for non-financial assets

Amendment to IAS 39, "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS/HKAS 37 'Provisions'

Amendments to IFRS 10, 12 and IAS 27, "Consolidation for investment entities"

The amendment to IAS 32 clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36 removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendments did not have a significant effect on the group financial statements.

Amendment to IAS 39 considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparts. The Group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21 addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group has applied the interpretation and there has been no significant impact on the group financial statements as a result.

Amendments to IFRS 10, 12 and IAS 27 give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. The Group has applied the amendment and there has been no significant impact on the group financial statements as a result.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Significant intragroup balances and transactions, and any significant profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) Associates and joint arrangements

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associate or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's interest in the associate or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associate and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associate or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate or joint venture make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

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

Financial assets and financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near future, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and debt securities classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in "net trading gain" of the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "capital reserve". The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(c) Embedded derivatives

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3).

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

The difference between the carrying amount of the financial asset derecognised and the consideration received and the cumulative changes in fair value previously recognised in equity are recognised in profit or loss.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(e) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortisation process.

(f) Impairment

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following evidence:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of significant financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed and loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a roll rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual losses level is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience.

Impairment losses recognised on a collective basis represent a transitional step which identifies the impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables and held-to-maturity investments that were impaired but were not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

Loans and receivables and held-to-maturity investments (continued)

Impairment reversal and loan write-offs

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(g) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(h) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(i) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(j) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Bank premises	30 – 35 years	3%	2.8% – 3.2%
Equipment	3 – 8 years	3%	12.1% – 32.3%
Others	4 – 11years	3%	8.8% – 24.3%

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(a) Finance lease

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receivables and initial direct costs at the commencement of the lease term, is included in "loans and advances to customers" on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(f).

(b) Operating lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(7) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(11).

(8) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses (Note 4(11)).

(11) Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Allowances for impairment losses on non-financial assets (continued)

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(12) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Employee benefits (continued)

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(13) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group; and

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or nonoccurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(15) Financial guarantees

Financial guarantees are contracts that require the Group as the guarantor (the “issuer”) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in “other liabilities”. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(16) Fiduciary activities

The Group’s fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(17) Income recognition

Provided it is probable that economic benefits will flow to the Group and the amount, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Interest income

Interest income for interest bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) Income recognition (continued)

(a) Interest income (continued)

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

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

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as commission on expiry.

(c) Finance income from finance leases and hire purchase contracts

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(d) Dividend income

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

(18) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(20) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(21) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a jointly controlled entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(22) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, and available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. The same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net off any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or other-than-temporary decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or other-than-temporary, the Group considers if the fair value of an available-for-sale equity instrument as at the end of reporting period is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than a year (including one year) together with other relevant considerations.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Significant accounting estimates and judgments (continued)

(d) Reclassification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits payable to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's capital reserve and liability related to its employee retirement benefit obligations.

(g) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated as 1% – 7% of business tax.

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" in the statement of financial position.

6 NET INTEREST INCOME

	2014	2013
Interest income arising from:		
Deposits with central banks	**39,177**	37,589
Deposits with banks and non-bank financial institutions	**14,194**	19,907
Placements with banks and non-bank financial institutions	**11,328**	4,982
Financial assets at fair value through profit or loss	**1,313**	1,061
Financial assets held under resale agreements	**12,361**	5,150
Investment securities	**127,924**	108,515
Loans and advances to customers		
– Corporate loans and advances	**367,729**	330,799
– Personal loans and advances	**158,083**	130,730
– Discounted bills	**7,017**	7,520
Total	**739,126**	646,253
Interest expense arising from:		
Borrowings from central banks	**(1,635)**	(3,810)
Deposits from banks and non-bank financial institutions	**(42,948)**	(18,176)
Placements from banks and non-bank financial institutions	**(5,091)**	(2,826)
Financial liabilities at fair value through profit or loss	**–**	(5)
Financial assets sold under repurchase agreements	**(448)**	(1,097)
Debt securities issued	**(14,223)**	(10,207)
Deposits from customers		
– Corporate deposits	**(119,583)**	(109,735)
– Personal deposits	**(117,800)**	(110,853)
Total	**(301,728)**	(256,709)
Net interest income	**437,398**	389,544

Notes:

(1) Interest income from impaired financial assets is listed as follows:

	2014	2013
Impaired loans and advances	**1,943**	1,446
Other impaired financial assets	**112**	205
Total	**2,055**	1,651

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of RMB, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income		
Bank card fees	**30,569**	25,783
Consultancy and advisory fees	**18,640**	21,130
Settlement and clearing fees	**13,630**	12,422
Agency service fees	**13,204**	12,395
Wealth management service fees	**10,856**	10,680
Commission on trust and fiduciary activities	**8,837**	9,135
Electronic banking service fees	**6,407**	5,740
Credit commitment fees	**3,131**	2,741
Guarantee fees	**2,084**	1,886
Others	**4,880**	5,520
Total	**112,238**	107,432
Fee and commission expense		
Bank card transaction fees	**(2,409)**	(2,060)
Inter-bank transaction fees	**(547)**	(481)
Others	**(765)**	(608)
Total	**(3,721)**	(3,149)
Net fee and commission income	**108,517**	104,283

8 NET TRADING GAIN

	2014	2013
Debt securities	**234**	(488)
Derivatives	**442**	2,229
Equity investments	**474**	341
Others	**(178)**	1,010
Total	**972**	3,092

For the year ended 31 December 2014, trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB22,744 million (2013: gain RMB4,461 million). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB22,988 million (2013: gain RMB3,630 million).

9 DIVIDEND INCOME

	2014	2013
Dividend income from listed trading equity investments	**36**	22
Dividend income from available-for-sale equity investments		
– Listed	**91**	104
– Unlisted	**368**	320
Total	**495**	446

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2014	2013
Net gain on sale of available-for-sale financial assets	**805**	565
Net revaluation gain reclassified from other comprehensive income on disposal	**2,889**	595
Net gain on sale of held-to-maturity investments	**351**	222
Net gain on sale of receivables	**–**	13
Total	**4,045**	1,395

11 OTHER OPERATING INCOME, NET

Other operating income

	2014	2013
Insurance related income	**15,579**	6,897
Foreign exchange gain	**1,768**	1,810
Gain on disposal of fixed assets	**229**	269
Gain on disposal of repossessed assets	**86**	203
Others	**4,297**	3,347
Total	**21,959**	12,526

Foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge long positions in foreign currency assets).

Other operating expense

For the year ended 31 December 2014, other operating expenses of the Group mainly contain insurance related claims from CCB Life.

(Expressed in millions of RMB, unless otherwise stated)

12 OPERATING EXPENSES

	2014	2013
Staff costs		
– Salaries, bonuses, allowances and subsidies	**60,268**	58,154
– Other social insurance and welfare	**9,653**	8,215
– Housing funds	**6,014**	5,433
– Union running costs and employee education costs	**2,561**	2,391
– Defined contribution plans accrued	**12,995**	12,190
– Defined benefit plans accrued	**–**	339
– Early retirement expenses	**64**	100
– Compensation to employees for termination of employment relationship	**8**	8
	91,563	86,830
Premises and equipment expenses		
– Depreciation charges	**15,356**	13,027
– Rent and property management expenses	**8,022**	7,133
– Maintenance	**3,309**	3,016
– Utilities	**2,172**	2,049
– Others	**1,686**	1,525
	30,545	26,750
Business taxes and surcharges	**34,983**	31,648
Amortisation expenses	**2,455**	2,389
Audit fees	**160**	150
Other general and administrative expenses	**36,282**	40,418
Total	**195,988**	188,185

13 IMPAIRMENT LOSSES

	2014	2013
Loans and advances to customers		
– Additions	**69,009**	53,498
– Releases	**(9,745)**	(10,832)
Available-for-sale debt securities	**88**	(1,144)
Available-for-sale equity investments	**271**	195
Held-to-maturity investments	**281**	1,056
Debt securities classified as receivables	**196**	(237)
Fixed assets	**17**	58
Others	**1,794**	615
Total	**61,911**	43,209

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2014				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (v))	Total (note(i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Wang Hongzhang (note(vi))	–	799	40	311	1,150
Zhang Jianguo (note(vi))	–	761	40	331	1,132
Non-executive directors					
Chen Yuanling (note(iii))	–	–	–	–	–
Xu Tie(note(iii))	–	–	–	–	–
Guo Yanpeng (note(ii)&(iii))	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–
Independent non-executive directors					
Zhang Long (note(ii))	405	–	–	–	405
Elaine La Roche	410	–	–	–	410
Chung Shui Ming Timpson	440	–	–	–	440
Wim Kok	360	–	–	–	360
Murray Horn	420	–	–	–	420
Margaret Leung Ko May Yee	410	–	–	–	410
Supervisors					
Guo You (note(ii)&(vi))	–	612	33	277	922
Liu Jin (note(vi))	–	518	40	243	801
Li Xiaoling (note(vi))	–	518	40	243	801
Jin Panshi (note(iv))	50	–	–	–	50
Zhang Huajian (note(iv))	50	–	–	–	50
Wang Lin (note(ii)&(iv))	46	–	–	–	46
Wang Xinmin	192	–	–	–	192
Bai Jianjun	250	–	–	–	250

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2014				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (v))	Total (note(i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Former executive director					
Zhu Hongbo (note(ii)&(vi))	–	680	40	282	1,002
Hu Zheyi (note(ii)&(vi))	–	680	40	282	1,002
Former non-executive director					
Qi Shouyin (note(ii)&(iii))	–	–	–	–	–
Zhang Yanling (note(ii)&(iii))	–	–	–	–	–
Former independent non-executive directors					
Zhao Xijun (note(ii))	103	–	–	–	103
Former supervisors					
Zhang Furong (note(ii)&(vi))	–	734	40	331	1,105
Li Weiping (note(ii)&(iv))	4	–	–	–	4
Huang Shuping (note(ii)&(iv))	17	–	–	–	17
	3,157	5,302	313	2,300	11,072

	2013						
	Basic annual salaries	Annual performance bonus	Allowance	Welfare	Total (before tax) (note(vii))	Including: deferral payment	The actual payment in 2013 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Wang Hongzhang	480	1,179	–	330	1,989	590	1,399
Zhang Jianguo	459	1,175	–	349	1,983	588	1,395
Zhu Hongbo (note(ii))	434	1,109	–	302	1,845	555	1,290
Hu Zheyi (note(ii))	434	1,109	–	302	1,845	555	1,290
Non-executive directors							
Qi Shouyin (note(ii)&(iii))	–	–	–	–	–	–	–
Zhang Yanling (note(ii)&(iii))	–	–	–	–	–	–	–
Chen Yuanling (note(iii))	–	–	–	–	–	–	–
Xu Tie (note(iii))	–	–	–	–	–	–	–
Guo Yanpeng (note(ii)&(iii))	–	–	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–	–	–
Independent non-executive directors							
Zhang Long (note(ii))	–	–	–	–	–	–	–
Elaine La Roche	–	–	392	–	392	–	392
Zhao Xijun (note(ii))	–	–	410	–	410	–	410
Chung Shui Ming Timpson	–	–	72	–	72	–	72
Wim Kok	–	–	60	–	60	–	60
Murray Horn	–	–	35	–	35	–	35
Margaret Leung Ko May Yee	–	–	34	–	34	–	34

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2013						
	Basic annual salaries	Annual performance bonus	Allowance	Welfare	Total (before tax) (note(vii))	Including: deferral payment	The actual payment in 2013 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors							
Zhang Furong (note(ii))	449	1,148	–	349	1,946	574	1,372
Liu Jin	332	847	–	264	1,443	423	1,020
Li Xiaoling	166	423	–	134	723	212	511
Jin Panshi (note(iv))	–	–	50	–	50	–	50
Huang Shuping (note(ii)&(iv))	–	–	50	–	50	–	50
Zhang Huajian (note(iv))	–	–	50	–	50	–	50
Wang Lin (note(ii)&(iv))	–	–	–	–	–	–	–
Wang Xinmin	–	–	146	–	146	–	146
Bai Jianjun	–	–	146	–	146	–	146
Former non-executive directors							
Wang Yong	–	–	–	–	–	–	–
Zhu Zhenmin	–	–	–	–	–	–	–
Li Xiaoling	–	–	–	–	–	–	–
Former independent non-executive directors							
Yam Chi Kwong, Joseph	–	–	317	–	317	–	317
Dame Jenny Shipley	–	–	440	–	440	–	440
Wong Kai-Man	–	–	440	–	440	–	440
Former supervisors							
Song Fengming	–	–	135	–	135	–	135
Li Weiping (note(ii)&(iv))	–	–	50	–	50	–	50
Guo Feng	–	–	125	–	125	–	125
Dai Deming	–	–	135	–	135	–	135
	2,754	6,990	3,087	2,030	14,861	3,497	11,364

Notes:

(i) The amounts of emoluments for the year ended 31 December 2014 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) In accordance with the resolution at the 2013 first extraordinary general meeting of the Bank and upon approval of the CBRC, from January 2014, Ms. Zhang Yanling and Mr. Guo Yanpeng commenced their positions as non-executive directors of the Bank, and Mr. Zhang Long commenced his position as independent non-executive director of the Bank.

From 28 March 2014, Mr. Zhao Xijun ceased to serve as independent non-executive director of the Bank due to his personal work reason. From 7 May 2014, Ms. Zhang Yanling ceased to serve as non-executive director of the Bank due to work variation. From 8 October 2014, Mr. Qi Shouyin ceased to serve as non-executive director of the Bank due to work variation.

The Bank published an announcement on 6 January 2015, pursuant to which, Mr. Hu Zheyi tendered his resignation to the Board as executive director and executive vice president of the Bank due to his age.

The Bank published an announcement on 9 March 2015, pursuant to which, Mr. Zhu Hongbo tendered his resignation to the Board as executive director and executive vice president of the Bank due to work variation.

In accordance with the resolution at the third meeting of the third employee representatives meeting of the Bank, Mr. Wang Lin commenced his position as employee representative supervisor of the Bank from January 2014.

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes: (continued)

(ii) (continued)

In accordance with the resolution at the 2013 annual general meeting of the Bank, Mr. Guo You commenced his position as shareholder representative supervisor of the Bank from June 2014. In accordance with the resolution at the fourth meeting of the board of supervisors of the Bank in 2014, Mr. Guo You commenced his position as chairman of the board of supervisors of the Bank from 26 June 2014.

From January 2014, Mr. Li Weiping resigned from his position as employee representative supervisor of the Bank due to work arrangement.

From April 2014, Ms. Huang Shuping resigned from her position as employee representative supervisor of the Bank due to work variation.

From June 2014, Mr. Zhang Furong resigned from his position as chairman of the board of supervisors and employee representative supervisor of the Bank due to relevant regulation and his age.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2014 and 2013.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2014 and 2013.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2014 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2014. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2013 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2013 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2013 remained to be approved by the Annual General Meeting.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowance	**17,318**	11,139
Variable compensation	**13,502**	11,117
Contributions to defined contribution retirement schemes	**939**	1,007
Other benefit in kind	**221**	197
	31,980	23,460

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2014	2013
RMB4,500,001 – RMB5,000,000	**–**	5
RMB5,000,001 – RMB5,500,000	**1**	–
RMB5,500,001 – RMB6,000,000	**1**	–
RMB6,000,001 – RMB6,500,000	**1**	–
RMB6,500,001 – RMB7,000,000	**1**	–
RMB8,000,001 – RMB8,500,000	**1**	–

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the year ended 31 December 2014 and 2013.

16 INCOME TAX EXPENSE

(1) Income tax expense

	2014	2013
Current tax	**77,310**	68,696
– Mainland China	**75,647**	67,803
– Hong Kong	**1,020**	624
– Other countries and regions	**643**	269
Adjustments for prior years	**747**	7
Deferred tax	**(7,218)**	(4,019)
Total	**70,839**	64,684

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the year respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

16 INCOME TAX EXPENSE (CONTINUED)

(2) Reconciliation between income tax expense and accounting profit

	Note	2014	2013
Profit before tax		**299,086**	279,806
Income tax calculated at statutory tax rate at 25%		**74,772**	69,952
Non-deductible expenses	(i)	**5,990**	3,626
Non-taxable income	(ii)	**(10,670)**	(8,901)
Adjustments on income tax for prior years which affect profit or loss		**747**	7
Income tax expense		**70,839**	64,684

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds.

17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2014 and 2013 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2014 and 2013.

	2014	2013
Net profit attributable to shareholders of the Bank	**227,830**	214,657
Weighted average number of shares (in millions of shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	**0.91**	0.86

18 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	Group		Bank	
		2014	2013	**2014**	2013
Cash		**72,653**	71,756	**72,008**	71,457
Deposits with central banks					
– Statutory deposit reserves	(1)	**2,424,959**	2,254,478	**2,422,089**	2,252,239
– Surplus deposit reserves	(2)	**81,392**	129,443	**74,154**	126,477
– Fiscal deposits		**31,777**	19,324	**31,777**	19,324
Subtotal		**2,538,128**	2,403,245	**2,528,020**	2,398,040
Total		**2,610,781**	2,475,001	**2,600,028**	2,469,497

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China of the Bank were as follows:

	2014	2013
Reserve rate for RMB deposits	**20.0%**	20.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2014	2013	**2014**	2013
Banks	**260,940**	317,864	**275,361**	325,353
Non-bank financial institutions	**5,528**	3,429	**5,491**	3,291
Gross balances	**266,468**	321,293	**280,852**	328,644
Allowances for impairment losses (Note 38)	**(7)**	(7)	**(4)**	(4)
Net balances	**266,461**	321,286	**280,848**	328,640

(2) Analysed by geographical sectors

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**240,795**	301,221	**240,364**	301,079
Overseas	**25,673**	20,072	**40,488**	27,565
Gross balances	**266,468**	321,293	**280,852**	328,644
Allowances for impairment losses (Note 38)	**(7)**	(7)	**(4)**	(4)
Net balances	**266,461**	321,286	**280,848**	328,640

(Expressed in millions of RMB, unless otherwise stated)

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2014	2013	**2014**	2013
Banks	**160,333**	49,419	**146,933**	121,551
Non-bank financial institutions	**88,219**	102,673	**100,700**	112,050
Gross balances	**248,552**	152,092	**247,633**	233,601
Allowances for impairment losses (Note 38)	**(27)**	(27)	**(27)**	(27)
Net balances	**248,525**	152,065	**247,606**	233,574

(2) Analysed by geographical sectors

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**174,250**	120,157	**116,150**	116,641
Overseas	**74,302**	31,935	**131,483**	116,960
Gross balances	**248,552**	152,092	**247,633**	233,601
Allowances for impairment losses (Note 38)	**(27)**	(27)	**(27)**	(27)
Net balances	**248,525**	152,065	**247,606**	233,574

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysed by nature

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Held for trading purpose	(1)				
– Debt securities		**95,118**	76,532	**88,800**	76,288
– Equity instruments		**401**	355	**–**	–
– Funds		**210**	262	**–**	–
		95,729	77,149	**88,800**	76,288
Designated at fair value through profit or loss	(2)				
– Debt securities		**998**	2,432	**–**	–
– Equity instruments		**3,856**	5,903	**–**	–
– Other debt instruments		**231,652**	278,566	**231,652**	280,566
		236,506	286,901	**231,652**	280,566
Total		**332,235**	364,050	**320,452**	356,854

Analysed by types of issuers

(1) Held for trading purpose

(a) Debt securities

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Government		**7,179**	1,810	**1,348**	1,802
Policy banks		**5,016**	3,153	**5,016**	3,153
Banks and non-bank financial institutions		**10,130**	17,766	**9,896**	17,749
Others		**72,793**	53,803	**72,540**	53,584
Total		**95,118**	76,532	**88,800**	76,288
Listed	(i)	**95,118**	76,532	**88,800**	76,288
– of which in Hong Kong		**132**	68	**–**	–
Total		**95,118**	76,532	**88,800**	76,288

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(b) Equity instruments and funds

	Group 2014	Group 2013
Banks and non-bank financial institutions	**203**	206
Others	**408**	411
Total	**611**	617
Listed	**404**	406
– of which in Hong Kong	**383**	270
Unlisted	**207**	211
Total	**611**	617

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(2) Designated at fair value through profit or loss

(a) Debt securities

		Group	
	Note	**2014**	2013
Policy banks		**–**	241
Banks and non-bank financial institutions		**–**	516
Others		**998**	1,675
Total		**998**	2,432
Listed	(i)	**31**	789
– of which in Hong Kong		**31**	789
Unlisted		**967**	1,643
Total		**998**	2,432

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(b) Equity instruments

	Group	
	2014	2013
Banks and non-bank financial institutions	**1,035**	591
Others	**2,821**	5,312
Total	**3,856**	5,903
Listed	**1,904**	1,958
– of which in Hong Kong	**1,338**	1,305
Unlisted	**1,952**	3,945
Total	**3,856**	5,903

(c) Other debt instruments

	Group		Bank	
	2014	2013	**2014**	2013
Banks and non-bank financial institutions	**231,592**	278,506	**231,592**	280,506
Other corporate entities	**60**	60	**60**	60
Total	**231,652**	278,566	**231,652**	280,566

Other debt instruments were mainly the deposits with banks invested by principal guaranteed wealth management products.

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

22 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contract

Group

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**211,495**	**1,558**	**1,376**	262,454	1,415	1,302
Exchange rate contracts	**1,560,367**	**10,825**	**10,323**	1,739,985	16,272	16,890
Other contracts	**28,377**	**1,386**	**674**	15,774	1,223	1,680
Total	**1,800,239**	**13,769**	**12,373**	2,018,213	18,910	19,872

Bank

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**207,392**	**1,541**	**1,357**	254,779	1,402	1,284
Exchange rate contracts	**1,252,813**	**7,516**	**8,581**	1,501,564	14,272	14,879
Other contracts	**26,347**	**823**	**674**	13,659	829	633
Total	**1,486,552**	**9,880**	**10,612**	1,770,002	16,503	16,796

(2) Analysed by credit risk-weighted assets

	Group		Bank	
	2014	2013	**2014**	2013
Counterparty credit default risk-weighted assets				
– Interest rate contracts	**1,615**	1,387	**1,603**	1,381
– Exchange rate contracts	**16,211**	17,739	**11,618**	15,276
– Other contracts	**1,564**	1,238	**915**	808
Subtotal	**19,390**	20,364	**14,136**	17,465
Credit value adjustment	**7,921**	8,688	**6,415**	7,962
Total	**27,311**	29,052	**20,551**	25,427

The notional amounts of derivatives only represent the unsettled transactions volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of counterparties, maturity and back-to-back client-driven transactions.

(Expressed in millions of RMB, unless otherwise stated)

22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

The following designated hedging instruments are included in the derivatives financial instruments disclosed above.

Group

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**8,628**	**71**	**(59)**	10,020	58	(100)
Cash flow hedges						
Foreign exchange forwards	**1,974**	**10**	**–**	51,093	–	(1,862)
Total	**10,602**	**81**	**(59)**	61,113	58	(1,962)

Bank

	2014			2013		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**8,174**	**71**	**(56)**	10,020	58	(100)
Cash flow hedges						
Foreign exchange forwards	**317**	**1**	**–**	50,805	–	(1,860)
Total	**8,491**	**72**	**(56)**	60,825	58	(1,960)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued, placements with banks and non-bank financial institutions and loans and advances to customers arising from changes in interest rates.

Gains or losses on fair value hedges are as follows:

The Group

	2014	2013
Net gains/(losses) on		
– hedging instruments	**54**	(5)
– hedged items	**(54)**	5

The Bank

	2014	2013
Net gains/(losses) on		
– hedging instruments	**62**	(5)
– hedged items	**(62)**	5

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2013 and 2014.

22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting (continued)

(b) Cash flow hedge

The Group uses foreign exchange forwards to hedge against exposures to cash flow variability primarily from foreign exchange risks of loans and advances to customers. The maturities of hedging instruments and hedged items are both within one year.

For the year ended 31 December 2014, the Group's and the Bank's net gain from the cash flow hedge of RMB138 million and RMB149 million respectively were recognised in other comprehensive income (the Group and the Bank 2013: net loss 148 million) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial for the year ended 31 December 2014.

There were no transactions for which cash flow hedge accounting had to be ceased for the year ended 31 December 2014, as a result of the highly probable cash flows no longer being expected to occur.

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements by underlying assets are shown as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Securities				
– Government bonds	**22,251**	120,156	**22,198**	119,891
– Bills issued by the PBOC	**–**	10,109	**–**	10,109
– Debt securities issued by banks and non-bank financial institutions	**67,930**	129,706	**67,676**	129,483
Subtotal	**90,181**	259,971	**89,874**	259,483
Discounted bills	**183,570**	19,876	**183,570**	19,876
Loans	**–**	1,600	**–**	1,600
Net balances	**273,751**	281,447	**273,444**	280,959

24 INTEREST RECEIVABLE

	Group		Bank	
	2014	2013	**2014**	2013
Deposits with central banks	**1,101**	1,040	**1,100**	1,039
Deposits with banks and non-bank financial institutions	**3,397**	5,035	**3,003**	4,879
Financial assets held under resale agreements	**1,928**	153	**1,928**	150
Loans and advances to customers	**24,609**	23,408	**23,642**	21,579
Debt securities	**59,467**	50,551	**58,550**	50,234
Others	**994**	545	**708**	1,145
Gross balances	**91,496**	80,732	**88,931**	79,026
Allowances for impairment losses (Note 38)	**(1)**	(1)	**(1)**	(1)
Net balances	**91,495**	80,731	**88,930**	79,025

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group		Bank	
	2014	2013	**2014**	2013
Corporate loans and advances				
– Loans	**6,266,668**	5,897,249	**6,034,829**	5,644,616
– Finance leases	**70,891**	44,956	**–**	–
	6,337,559	5,942,205	**6,034,829**	5,644,616
Personal loans and advances				
– Residential mortgages	**2,273,093**	1,896,203	**2,255,985**	1,880,227
– Personal business loans	**79,203**	95,342	**75,002**	91,655
– Personal consumer loans	**66,279**	76,174	**58,058**	71,490
– Credit cards	**333,871**	273,228	**329,164**	268,663
– Others	**183,316**	163,891	**169,224**	152,627
	2,935,762	2,504,838	**2,887,433**	2,464,662
Discounted bills	**201,202**	143,014	**200,800**	142,842
Gross loans and advances to customers	**9,474,523**	8,590,057	**9,123,062**	8,252,120
Allowances for impairment losses (Note 38)	**(251,613)**	(228,696)	**(246,816)**	(226,705)
– Individual assessment	**(57,773)**	(52,137)	**(56,413)**	(51,885)
– Collective assessment	**(193,840)**	(176,559)	**(190,403)**	(174,820)
Net loans and advances to customers	**9,222,910**	8,361,361	**8,876,246**	8,025,415

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of allowances for impairment losses

	Note	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		Total
			for which allowances are collectively assessed	for which allowances are individually assessed	
		(a)	(b)	(b)	
Group					
As at 31 December 2014					
Gross loans and advances to customers		**9,361,352**	**11,442**	**101,729**	**9,474,523**
Allowances for impairment losses		**(186,252)**	**(7,588)**	**(57,773)**	**(251,613)**
Net loans and advances to customers		**9,175,100**	**3,854**	**43,956**	**9,222,910**
As at 31 December 2013					
Gross loans and advances to customers		8,504,793	8,112	77,152	8,590,057
Allowances for impairment losses		(171,027)	(5,532)	(52,137)	(228,696)
Net loans and advances to customers		8,333,766	2,580	25,015	8,361,361
Bank					
As at 31 December 2014					
Gross loans and advances to customers		**9,015,838**	**11,067**	**96,157**	**9,123,062**
Allowances for impairment losses		**(182,944)**	**(7,459)**	**(56,413)**	**(246,816)**
Net loans and advances to customers		**8,832,894**	**3,608**	**39,744**	**8,876,246**
As at 31 December 2013					
Gross loans and advances to customers		8,167,339	8,002	76,779	8,252,120
Allowances for impairment losses		(169,308)	(5,512)	(51,885)	(226,705)
Net loans and advances to customers		7,998,031	2,490	24,894	8,025,415

(a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

– individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

– collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2014 is 1.19% (2013: 0.99 %).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2014 is 1.18% (2013: 1.03%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 65(1).

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

Group

		2014			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
	Note		which are collectively assessed	which are individually assessed	Total
As at 1 January		171,027	5,532	52,137	228,696
Charge for the year		13,995	4,975	50,039	69,009
Release during the year		–	39	(9,784)	(9,745)
Unwinding of discount		–	–	(1,943)	(1,943)
Addition through acquisition		1,393	90	644	2,127
Transfers out	(a)	(163)	(21)	(16,119)	(16,303)
Write-offs		–	(3,168)	(18,317)	(21,485)
Recoveries		–	141	1,116	1,257
As at 31 December		186,252	7,588	57,773	251,613

		2013			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
	Note		which are collectively assessed	which are individually assessed	Total
As at 1 January		152,710	3,909	45,814	202,433
Charge for the year		18,317	2,941	32,240	53,498
Release during the year		–	–	(10,832)	(10,832)
Unwinding of discount		–	–	(1,446)	(1,446)
Transfers out	(a)	–	(3)	(4,858)	(4,861)
Write-offs		–	(1,427)	(10,441)	(11,868)
Recoveries		–	112	1,660	1,772
As at 31 December		171,027	5,532	52,137	228,696

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses (continued)

Bank

		2014			
			Allowances for impaired loans and advances		
	Note	Allowances for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		**169,308**	**5,512**	**51,885**	**226,705**
Charge for the year		**13,587**	**4,847**	**49,868**	**68,302**
Release during the year		**–**	**–**	**(10,748)**	**(10,748)**
Unwinding of discount		**–**	**–**	**(1,943)**	**(1,943)**
Addition through acquisition		**49**	**–**	**–**	**49**
Transfers out	(a)	**–**	**(5)**	**(15,969)**	**(15,974)**
Write-offs		**–**	**(3,007)**	**(17,797)**	**(20,804)**
Recoveries		**–**	**112**	**1,117**	**1,229**
As at 31 December		**182,944**	**7,459**	**56,413**	**246,816**

		2013			
			Allowances for impaired loans and advances		
	Note	Allowances for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		151,510	3,899	45,678	201,087
Charge for the year		17,848	2,846	32,086	52,780
Release during the year		–	–	(10,821)	(10,821)
Unwinding of discount		–	–	(1,446)	(1,446)
Transfers out	(a)	(50)	(1)	(4,844)	(4,895)
Write-offs		–	(1,317)	(10,424)	(11,741)
Recoveries		–	85	1,656	1,741
As at 31 December		169,308	5,512	51,885	226,705

(a) Transfers out include the transfer of allowances for impairment losses upon disposal of non-performing loans and repossession of assets, and the relevant exchange gain or loss.

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

Group

	2014				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**8,675**	**4,332**	**1,817**	**1,057**	**15,881**
Guaranteed loans	**16,331**	**18,724**	**9,999**	**2,324**	**47,378**
Loans secured by tangible assets other than monetary assets	**28,211**	**22,221**	**9,946**	**3,198**	**63,576**
Loans secured by monetary assets	**1,188**	**3,735**	**1,229**	**229**	**6,381**
Total	**54,405**	**49,012**	**22,991**	**6,808**	**133,216**
As a percentage of gross loans and advances to customers	**0.58%**	**0.52%**	**0.24%**	**0.07%**	**1.41%**

	2013				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	5,521	2,684	1,316	984	10,505
Guaranteed loans	6,873	11,769	10,544	2,478	31,664
Loans secured by tangible assets other than monetary assets	12,274	9,849	12,471	5,138	39,732
Loans secured by monetary assets	409	1,801	2,221	372	4,803
Total	25,077	26,103	26,552	8,972	86,704
As a percentage of gross loans and advances to customers	0.30%	0.30%	0.31%	0.10%	1.01%

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period (continued)

Bank

	2014				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,273	4,194	1,812	1,020	15,299
Guaranteed loans	15,168	17,872	9,779	2,324	45,143
Loans secured by tangible assets other than monetary assets	26,886	21,839	9,890	3,197	61,812
Loans secured by monetary assets	1,050	3,720	1,229	229	6,228
Total	51,377	47,625	22,710	6,770	128,482
As a percentage of gross loans and advances to customers	0.57%	0.52%	0.25%	0.07%	1.41%

	2013				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	5,440	2,559	1,316	944	10,259
Guaranteed loans	6,806	11,714	10,427	2,478	31,425
Loans secured by tangible assets other than monetary assets	11,872	9,787	12,464	5,138	39,261
Loans secured by monetary assets	402	1,801	2,221	372	4,796
Total	24,520	25,861	26,428	8,932	85,741
As a percentage of gross loans and advances to customers	0.30%	0.31%	0.32%	0.11%	1.04%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Analysed by nature

		Group		Bank	
	Note	2014	2013	2014	2013
Debt securities	(1)	910,103	746,626	839,303	708,413
Equity instruments	(2)	14,376	12,991	5,611	6,332
Funds	(2)	1,691	675	–	–
Total	(3)	926,170	760,292	844,914	714,745

(1) Debt securities

Analysed by type of issuers

		Group		Bank	
	Note	2014	2013	2014	2013
Government		219,264	157,824	200,938	139,426
Central banks		12,765	9,690	5,704	6,059
Policy banks		152,613	107,059	143,658	106,835
Banks and non-bank financial institutions		309,954	236,105	281,020	224,925
Public sector entities		20	98	–	79
Other enterprises		215,487	235,850	207,983	231,089
Total		910,103	746,626	839,303	708,413
Listed	(i)	839,574	696,600	807,687	687,769
– of which in Hong Kong		4,798	1,482	1,087	1,317
Unlisted		70,529	50,026	31,616	20,644
Total		910,103	746,626	839,303	708,413

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(2) Equity instruments and funds

	Group		Bank	
	2014	2013	2014	2013
Debt equity swap ("DES") Investments	2,858	4,978	2,858	4,978
Other equity instruments	11,518	8,013	2,753	1,354
Funds	1,691	675	–	–
Total	16,067	13,666	5,611	6,332
Listed	8,870	7,397	3,919	5,338
– of which in Hong Kong	2,134	554	842	554
Unlisted	7,197	6,269	1,692	994
Total	16,067	13,666	5,611	6,332

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(3) As at 31 December 2014, the Group's and the Bank's cost of available for sale debt securities was RMB908,428 million and RMB837,868 million respectively (2013: RMB778,733 million and RMB740,117 million respectively). The Group's and the Bank's cost of available for sale equity instruments and funds was RMB16,998 million and RMB7,182 million respectively (2013: RMB14,249 million and RMB7,343 million respectively).

27 HELD-TO-MATURITY INVESTMENTS

Analysed by types of issuers

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Government		**957,788**	865,879	**957,134**	865,226
Central banks		**175,387**	188,220	**175,387**	188,220
Policy banks		**379,518**	335,397	**379,518**	335,397
Banks and non-bank financial institutions		**625,052**	557,732	**624,453**	555,965
Other enterprises		**164,562**	157,831	**161,717**	155,394
Gross balances		**2,302,307**	2,105,059	**2,298,209**	2,100,202
Allowances for impairment losses (Note 38)		**(3,644)**	(4,521)	**(3,486)**	(4,461)
Net balances		**2,298,663**	2,100,538	**2,294,723**	2,095,741
Listed	(1)	**2,289,217**	2,087,353	**2,286,730**	2,084,990
– of which in Hong Kong		**1,021**	240	**1,021**	240
Unlisted		**9,446**	13,185	**7,993**	10,751
Total		**2,298,663**	2,100,538	**2,294,723**	2,095,741
Market value of listed Securities		**2,314,122**	1,985,172	**2,311,611**	1,982,856

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed category.

28 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	Note	Group 2014	Group 2013	Bank 2014	Bank 2013
Government					
– Special government bond	(1)	**49,200**	49,200	**49,200**	49,200
– Others		**781**	768	**530**	530
Banks and non-bank financial institutions		**86,731**	85,206	**78,320**	82,494
China Cinda Assets Management Co., Ltd.	(2)	**–**	18,852	**–**	18,852
Other enterprises		**35,034**	36,495	**27,470**	31,949
Gross balances		**171,746**	190,521	**155,520**	183,025
Allowance for impairment losses (Note 38)		**(945)**	(784)	**(944)**	(773)
Net balances		**170,801**	189,737	**154,576**	182,252
Listed outside Hong Kong	(3)	**47,585**	52,599	**47,334**	52,361
Unlisted		**123,216**	137,138	**107,242**	129,891
Total		**170,801**	189,737	**154,576**	182,252

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance (“MOF”) in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank’s use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) (“Cinda”) issued a bond (“Cinda Bond”) with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond has been extended for 10 years upon its expiry and the interest rate remained unchanged from 2009. Cinda has repaid all principal amount as at the 31 December 2014.

(3) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed outside Hong Kong category.

(Expressed in millions of RMB, unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	2014	2013
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**4,663**	4,663
CCB Brazil Financial Holding – Investimentos e Participações Ltda	**4,476**	–
CCB Life Insurance Company Limited ("CCB Life")	**3,902**	3,902
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
China Construction Bank (London) Limited ("CCB London")	**2,861**	2,861
China Construction Bank (Europe) S.A. ("CCB Europe")	**1,629**	1,629
Sino-German Bausparkasse Corporation Limited ("Sino-German")	**1,502**	1,502
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")	**851**	851
Golden Fountain Finance Limited ("Golden Fountain")	**676**	676
China Construction Bank (Dubai) Limited ("CCB Dubai")	**620**	620
Sing Jian Development Company Limited ("SJDCL")	**383**	383
China Construction Bank (New Zealand) Limited Liability Company ("CCB New Zealand")	**314**	–
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**–**	–
Rural Banks	**1,378**	1,378
Total	**26,794**	22,004

On 29 August 2014, the Bank acquired BIC Bank (Note 58(4)) via CCB Brazil Financial Holding – Investimentos e Participações Ltda. As at 31 December 2014, the Bank held 72% of the total capital of BIC Bank (being 73.96% of the total share capital, excluding treasury shares).

The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (2013: 27 rural banks).

(2) Major subsidiaries of the Group are unlisted enterprises, except that BIC Bank is listed; details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal Activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of Voting rights held by the Bank	Method of investment
CCBFLCL	Beijing, the PRC	RMB4,500 million	Financial Leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Insurance	51%	–	51%	Acquisition
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Commercial Banking	100%	–	100%	Establishment
CCB Europe	Luxembourg	Euro 200 million	Commercial Banking	100%	–	100%	Establishment
Sino-German	Tianjin, the PRC	RMB2,000 million	House savings Bank	75.1%	–	75.1%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Investment	100%	–	100%	Acquisition
CCB Dubai	Dubai, United Arab Emirates	US$100 million	Commercial Banking	100%	–	100%	Establishment
SJDCL	Hong Kong, the PRC	HK$300 million	Investment	100%	–	100%	Acquisition
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%	Establishment

29 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(2) Major subsidiaries of the Group are unlisted enterprises, except that BIC Bank is listed; details of the investments in subsidiaries are as follows (continued):

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal Activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of Voting rights held by the Bank	Method of investment
CCB New Zealand	New Zealand	US$50 million	Commercial Banking	100%	–	100%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo Brazil	R$1,646 million	Investment	99.99%	–	100%	Acquisition
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Commercial Banking	–	100%	100%	Acquisition
Banco Industrial e Comercial S.A. ("BIC Bank")	Sao Paulo Brazil	R$2,012 million	Commercial Banking	–	73.96%	98.2%	Acquisition

(3) As at 31 December 2014, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(4) On 7 June 2014, the Bank acquired CCB Asia's wholly owned subsidiary, China Construction Bank (Macau) Corporation Limited, at book value as of 6 June 2014, and converted to be the Bank's Macau branch.

(Expressed in millions of RMB, unless otherwise stated)

30 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(1) The movement of the Group's interests in associates and joint ventures is as follows:

	2014	2013
As at 1 January	**2,624**	2,366
Acquisition during the year	**229**	304
Disposal during the year	**(46)**	(27)
Share of profits less losses	**245**	60
Cash dividend receivable	**(9)**	(10)
Effect of exchange difference and others	**41**	(69)
Total	**3,084**	2,624

(2) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	HK$78,192,220	Insurance	25.50%	25.50%	2,460	1,692	983	119
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,666	1,586	181	73
CCBT Private Equity Fund	Beijing, the PRC	RMB365 million	Investment management and consultancy	45.70%	50.00%	687	27	145	129
Shandong Peninsula Ocean Blue Economic Investment Company Limited	Cayman Islands	US$110million	Investment holding	27.18%	27.18%	760	11	56	33
CCBT Fortune Private Equity Fund	Beijing, the PRC	RMB510 million	Investment management and consultancy	32.83%	33.33%	461	1	47	32

31 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust investment, fund investment, asset-backed securities and wealth management products held for investment purpose, as well as non-principal guaranteed wealth management products, trust scheme and fund, etc. which were issued or established for providing a wide range of wealth management services and collecting management fees, fee income and custodian fees.

As at 31 December 2014 and 2013, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission fee and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	2014	2013
Financial assets at fair value through profit or loss	**1,799**	880
Interest receivables	**196**	66
Available-for-sale financial assets	**7,540**	6,498
Held-to-maturity investments	**2,980**	2,549
Debt securities classified as receivables	**15,974**	7,247
Interest in associates and joint ventures	**1,398**	1,026
Other assets	**2,131**	1,893
Total	**32,018**	20,159

For the year ended 31 December 2014 and 2013, the income from these unconsolidated structured entities held by the Group was as follows:

	2014	2013
Interest income	**1,120**	429
Fee and commission income	**10,126**	10,162
Net trading (loss)/gain	**(11)**	2
Dividend income	**420**	252
Net gain arising from investment securities	**10**	85
Other operating income, net	**–**	4
Share of profits less losses of associates and joint ventures	**187**	33
Total	**11,852**	10,967

As at 31 December 2014, the size of the non-principal guaranteed wealth management product set up by the Group amounted to RMB909,099 million (2013: RMB718,829 million). For the year ended 31 December 2014, there were certain debt securities transactions between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions were not material to the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products.

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2014	**89,877**	**28,425**	**42,444**	**36,857**	**197,603**
Additions through acquisitions	**424**	**–**	**36**	**90**	**550**
Additions	**4,458**	**14,477**	**8,689**	**4,770**	**32,394**
Transfer in/(out)	**10,607**	**(13,348)**	**65**	**2,676**	**–**
Disposals	**(142)**	**(1,176)**	**(4,427)**	**(2,043)**	**(7,788)**
As at 31 December 2014	**105,224**	**28,378**	**46,807**	**42,350**	**222,759**
Accumulated depreciation					
As at 1 January 2014	**(19,188)**	**–**	**(25,058)**	**(17,191)**	**(61,437)**
Additions through acquisitions	**(133)**	**–**	**(32)**	**(37)**	**(202)**
Charge for the year	**(3,423)**	**–**	**(6,427)**	**(5,506)**	**(15,356)**
Disposals	**93**	**–**	**4,263**	**1,991**	**6,347**
As at 31 December 2014	**(22,651)**	**–**	**(27,254)**	**(20,743)**	**(70,648)**
Allowances for impairment losses (Note 38)					
As at 1 January 2014	**(425)**	**–**	**(1)**	**(62)**	**(488)**
Additions through acquisitions	**–**	**–**	**(2)**	**(6)**	**(8)**
Charge for the year	**–**	**–**	**–**	**(17)**	**(17)**
Disposals	**1**	**–**	**3**	**5**	**9**
As at 31 December 2014	**(424)**	**–**	**–**	**(80)**	**(504)**
Net carrying value					
As at 1 January 2014	**70,264**	**28,425**	**17,385**	**19,604**	**135,678**
As at 31 December 2014	**82,149**	**28,378**	**19,553**	**21,527**	**151,607**
Cost/deemed cost					
As at 1 January 2013	79,525	22,891	35,985	27,752	166,153
Additions	3,713	15,390	8,436	8,852	36,391
Transfer in/(out)	6,970	(8,830)	81	1,779	–
Disposals	(331)	(1,026)	(2,058)	(1,526)	(4,941)
As at 31 December 2013	89,877	28,425	42,444	36,857	197,603
Accumulated depreciation					
As at 1 January 2013	(16,296)	–	(21,842)	(13,631)	(51,769)
Charge for the year	(2,976)	–	(5,192)	(4,859)	(13,027)
Disposals	84	–	1,976	1,299	3,359
As at 31 December 2013	(19,188)	–	(25,058)	(17,191)	(61,437)
Allowances for impairment losses (Note 38)					
As at 1 January 2013	(427)	–	(1)	(10)	(438)
Charge for the year	–	–	–	(58)	(58)
Disposals	2	–	–	6	8
As at 31 December 2013	(425)	–	(1)	(62)	(488)
Net carrying value					
As at 1 January 2013	62,802	22,891	14,142	14,111	113,946
As at 31 December 2013	70,264	28,425	17,385	19,604	135,678

32 FIXED ASSETS (CONTINUED)

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2014	**86,581**	**28,260**	**41,965**	**31,954**	**188,760**
Additions through acquisitions	**10**	**–**	**2**	**30**	**42**
Additions	**3,339**	**14,442**	**8,521**	**3,990**	**30,292**
Transfer in/(out)	**10,607**	**(13,341)**	**65**	**2,669**	**–**
Disposals	**(131)**	**(1,107)**	**(4,417)**	**(2,038)**	**(7,693)**
As at 31 December 2014	**100,406**	**28,254**	**46,136**	**36,605**	**211,401**
Accumulated depreciation					
As at 1 January 2014	**(18,952)**	**–**	**(24,724)**	**(16,845)**	**(60,521)**
Additions through acquisitions	**(4)**	**–**	**(2)**	**(27)**	**(33)**
Charge for the year	**(3,302)**	**–**	**(6,340)**	**(5,200)**	**(14,842)**
Disposals	**72**	**–**	**4,252**	**1,978**	**6,302**
As at 31 December 2014	**(22,186)**	**–**	**(26,814)**	**(20,094)**	**(69,094)**
Allowances for impairment losses (Note 38)					
As at 1 January 2014	**(425)**	**–**	**(1)**	**(3)**	**(429)**
Disposals	**1**	**–**	**1**	**–**	**2**
As at 31 December 2014	**(424)**	**–**	**–**	**(3)**	**(427)**
Net carrying value					
As at 1 January 2014	**67,204**	**28,260**	**17,240**	**15,106**	**127,810**
As at 31 December 2014	**77,796**	**28,254**	**19,322**	**16,508**	**141,880**
Cost/deemed cost					
As at 1 January 2013	76,226	22,819	35,574	27,242	161,861
Additions	3,655	15,265	8,341	4,333	31,594
Transfer in/(out)	6,952	(8,810)	81	1,777	–
Disposals	(252)	(1,014)	(2,031)	(1,398)	(4,695)
As at 31 December 2013	86,581	28,260	41,965	31,954	188,760
Accumulated depreciation					
As at 1 January 2013	(16,150)	–	(21,555)	(13,381)	(51,086)
Charge for the year	(2,882)	–	(5,129)	(4,788)	(12,799)
Disposals	80	–	1,960	1,324	3,364
As at 31 December 2013	(18,952)	–	(24,724)	(16,845)	(60,521)
Allowances for impairment losses (Note 38)					
As at 1 January 2013	(427)	–	(1)	(4)	(432)
Disposals	2	–	–	1	3
As at 31 December 2013	(425)	–	(1)	(3)	(429)
Net carrying value					
As at 1 January 2013	59,649	22,819	14,018	13,857	110,343
As at 31 December 2013	67,204	28,260	17,240	15,106	127,810

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS (CONTINUED)

Notes:

(1) As at 31 December 2014, the ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB21,092 million (2013: RMB18,179 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.

(2) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Long term leases (over 50 years) held overseas	**1,596**	651	**6**	–
Medium term leases (10-50 years) held overseas	**2,246**	1,944	**314**	77
Short term leases (less than 10 years) held overseas	**203**	13	**33**	13
Long term leases (over 50 years) held in Mainland China	**4,945**	4,046	**4,944**	4,046
Medium term leases (10-50 years) held in Mainland China	**70,333**	60,907	**69,673**	60,365
Short term leases (less than 10 years) held in Mainland China	**2,826**	2,703	**2,826**	2,703
Total	**82,149**	70,264	**77,796**	67,204

33 LAND USE RIGHTS

Group

	2014	2013
Cost/deemed cost		
As at 1 January	**20,752**	20,758
Additions	**652**	70
Disposals	**(149)**	(76)
As at 31 December	**21,255**	20,752
Amortisation		
As at 1 January	**(4,879)**	(4,384)
Charge for the year	**(512)**	(513)
Disposals	**36**	18
As at 31 December	**(5,355)**	(4,879)
Allowances for impairment losses (Note 38)		
As at 1 January	**(142)**	(142)
As at 31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,731**	16,232
As at 31 December	**15,758**	15,731

33 LAND USE RIGHTS (CONTINUED)

Bank

	2014	2013
Cost/deemed cost		
As at 1 January	**20,684**	20,688
Additions	**282**	70
Disposals	**(149)**	(74)
As at 31 December	**20,817**	20,684
Amortisation		
As at 1 January	**(4,860)**	(4,365)
Charge for the year	**(510)**	(513)
Disposals	**36**	18
As at 31 December	**(5,334)**	(4,860)
Allowances for impairment losses (Note 38)		
As at 1 January	**(142)**	(142)
As at 31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,682**	16,181
As at 31 December	**15,341**	15,682

34 INTANGIBLE ASSETS

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2014	5,583	602	6,185
Additions	607	52	659
Disposals	(66)	(46)	(112)
As at 31 December 2014	6,124	608	6,732
Amortisation			
As at 1 January 2014	(3,981)	(143)	(4,124)
Charge for the year	(583)	(58)	(641)
Disposals	39	45	84
As at 31 December 2014	(4,525)	(156)	(4,681)
Allowances for impairment losses (Note 38)			
As at 1 January 2014	(1)	(7)	(8)
As at 31 December 2014	(1)	(7)	(8)
Net carrying value			
As at 1 January 2014	1,601	452	2,053
As at 31 December 2014	1,598	445	2,043

(Expressed in millions of RMB, unless otherwise stated)

34 INTANGIBLE ASSETS (CONTINUED)

Group (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2013	5,098	545	5,643
Additions	575	73	648
Disposals	(90)	(16)	(106)
As at 31 December 2013	5,583	602	6,185
Amortisation			
As at 1 January 2013	(3,483)	(91)	(3,574)
Charge for the year	(539)	(67)	(606)
Disposals	41	15	56
As at 31 December 2013	(3,981)	(143)	(4,124)
Allowances for impairment losses (Note 38)			
As at 1 January 2013	(1)	(7)	(8)
As at 31 December 2013	(1)	(7)	(8)
Net carrying value			
As at 1 January 2013	1,614	447	2,061
As at 31 December 2013	1,601	452	2,053

Bank

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2014	**5,371**	**163**	**5,534**
Additions	**507**	**52**	**559**
Disposals	**(65)**	**(46)**	**(111)**
As at 31 December 2014	**5,813**	**169**	**5,982**
Amortisation			
As at 1 January 2014	**(3,878)**	**(99)**	**(3,977)**
Charge for the year	**(534)**	**(41)**	**(575)**
Disposals	**39**	**45**	**84**
As at 31 December 2014	**(4,373)**	**(95)**	**(4,468)**
Allowances for impairment losses (Note 38)			
As at 1 January 2014	**(1)**	**(7)**	**(8)**
As at 31 December 2014	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2014	**1,492**	**57**	**1,549**
As at 31 December 2014	**1,439**	**67**	**1,506**

34 INTANGIBLE ASSETS (CONTINUED)

Bank (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2013	4,933	108	5,041
Additions	527	71	598
Disposals	(89)	(16)	(105)
As at 31 December 2013	5,371	163	5,534
Amortisation			
As at 1 January 2013	(3,403)	(66)	(3,469)
Charge for the year	(515)	(48)	(563)
Disposals	40	15	55
As at 31 December 2013	(3,878)	(99)	(3,977)
Allowances for impairment losses (Note 38)			
As at 1 January 2013	(1)	(7)	(8)
As at 31 December 2013	(1)	(7)	(8)
Net carrying value			
As at 1 January 2013	1,529	35	1,564
As at 31 December 2013	1,492	57	1,549

35 GOODWILL

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009, CCB Life on 29 June 2011, CCB Futures Co., Ltd by Jianxin Trust on 9 April 2014 and BIC Bank by CCB Brazil Financial Holding – Investmentos e Participacoes Ltda on 29 August 2014. The movement of the goodwill is listed as follows:

	2014	2013
As at 1 January	**1,610**	1,651
Additions through acquisitions	**1,236**	–
Effect of exchange difference	**(150)**	(41)
As at 31 December	**2,696**	1,610

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 31 December 2014 (2013: nil).

(Expressed in millions of RMB, unless otherwise stated)

36 DEFERRED TAX

	Group		Bank	
	2014	2013	**2014**	2013
Deferred tax assets	**39,436**	38,448	**38,115**	39,093
Deferred tax liabilities	**(401)**	(138)	**(43)**	–
Total	**39,035**	38,310	**38,072**	39,093

(1) Analysed by nature

Group

	2014		2013	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(6,093)**	**(1,445)**	24,698	6,168
– Allowances for impairment losses	**152,164**	**38,272**	121,540	30,329
– Early retirement benefits and accrued salaries	**25,193**	**6,298**	25,463	6,366
– Others	**(15,855)**	**(3,689)**	(16,781)	(4,415)
Total	**155,409**	**39,436**	154,920	38,448
Deferred tax liabilities				
– Fair value adjustments	**(1,372)**	**(292)**	(569)	(129)
– Allowances for impairment losses	**44**	**11**	–	–
– Others	**(302)**	**(120)**	(36)	(9)
Total	**(1,630)**	**(401)**	(605)	(138)

Bank

	2014		2013	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(5,554)**	**(1,341)**	24,887	6,212
– Allowances for impairment losses	**147,383**	**36,815**	120,714	30,151
– Early retirement benefits and accrued salaries	**25,056**	**6,264**	25,317	6,329
– Others	**(8,714)**	**(3,623)**	(10,217)	(3,599)
Total	**158,171**	**38,115**	160,701	39,093
Deferred tax liabilities				
– Fair value adjustments	**(6)**	**(2)**	–	–
– Others	**(117)**	**(41)**	–	–
Total	**(123)**	**(43)**	–	–

36 DEFERRED TAX (CONTINUED)

(2) Movements of deferred tax

Group

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2014	**6,039**	**30,329**	**6,366**	**(4,424)**	**38,310**
Recognised in profit or loss	**248**	**7,375**	**(68)**	**(337)**	**7,218**
Recognised in other comprehensive income	**(8,025)**	**–**	**–**	**–**	**(8,025)**
Additions through acquisitions	**1**	**579**	**–**	**952**	**1,532**
As at 31 December 2014	**(1,737)**	**38,283**	**6,298**	**(3,809)**	**39,035**
As at 1 January 2013	(1,785)	26,212	6,321	(4,029)	26,719
Recognised in profit or loss	252	4,117	45	(395)	4,019
Recognised in other comprehensive income	7,572	–	–	–	7,572
As at 31 December 2013	6,039	30,329	6,366	(4,424)	38,310

Bank

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2014	**6,212**	**30,151**	**6,329**	**(3,599)**	**39,093**
Recognised in profit or loss	**349**	**6,664**	**(65)**	**(65)**	**6,883**
Recognised in other comprehensive income	**(7,904)**	**–**	**–**	**–**	**(7,904)**
As at 31 December 2014	**(1,343)**	**36,815**	**6,264**	**(3,664)**	**38,072**
As at 1 January 2013	(1,487)	26,093	6,267	(3,356)	27,517
Recognised in profit or loss	240	4,058	62	(243)	4,117
Recognised in other comprehensive income	7,459	–	–	–	7,459
As at 31 December 2013	6,212	30,151	6,329	(3,599)	39,093

The Group and the Bank did not have significant unrecognised deferred tax as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

37 OTHER ASSETS

		Group		Bank	
	Note	**2014**	2013	**2014**	2013
Repossessed assets	(1)				
– Buildings		**1,748**	1,287	**1,748**	1,287
– Land use rights		**313**	312	**313**	312
– Others		**1,497**	89	**745**	87
		3,558	1,688	**2,806**	1,686
Long-term deferred expenses		**716**	662	**649**	591
Receivables from CCBIG	(2)	**–**	–	**36,187**	35,717
Other receivables		**22,295**	23,530	**17,053**	20,002
Leasehold improvements		**3,138**	2,792	**3,102**	2,765
Gross balance		**29,707**	28,672	**59,797**	60,761
Allowances for impairment losses (Note 38)					
– Repossessed assets		**(660)**	(261)	**(480)**	(260)
– Others		**(3,033)**	(2,400)	**(2,748)**	(2,084)
Total		**26,014**	26,011	**56,569**	58,417

(1) During the year ended 31 December 2014, the original cost of repossessed assets disposed of by the Group amounted to RMB542 million (2013: RMB654 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

		2014				
	Note	**As at 1 January**	**Charge for the year/ (Write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	19	**7**	**–**	**–**	**–**	**7**
Placements with banks and non-bank financial institutions	20	**27**	**–**	**–**	**–**	**27**
Interest receivable	24	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	25(3)	**228,696**	**59,264**	**(14,862)**	**(21,485)**	**251,613**
Available for sale debt securities		**2,743**	**88**	**29**	**(1,451)**	**1,409**
Available for sale equity instrument		**4,297**	**271**	**(80)**	**(75)**	**4,413**
Held-to-maturity investments	27	**4,521**	**281**	**47**	**(1,205)**	**3,644**
Debt securities classified as receivables	28	**784**	**196**	**–**	**(35)**	**945**
Fixed assets	32	**488**	**17**	**8**	**(9)**	**504**
Land use rights	33	**142**	**–**	**–**	**–**	**142**
Intangible assets	34	**8**	**–**	**–**	**–**	**8**
Other assets	37	**2,661**	**1,324**	**74**	**(366)**	**3,693**
Total		**244,375**	**61,441**	**(14,784)**	**(24,626)**	**266,406**

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

Group (continued)

		2013				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer out	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	–	–	–	7
Placements with banks and non-bank financial institutions	20	49	(7)	–	(15)	27
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	202,433	42,666	(4,535)	(11,868)	228,696
Available for sale debt securities		4,398	(1,144)	(71)	(440)	2,743
Available for sale equity instrument		4,882	195	(23)	(757)	4,297
Held-to-maturity investments	27	4,078	1,056	(63)	(550)	4,521
Debt securities classified as receivables	28	1,021	(237)	–	–	784
Fixed assets	32	438	58	–	(8)	488
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	2,490	418	–	(247)	2,661
Total		219,947	43,005	(4,692)	(13,885)	244,375

Bank

		2014				
	Note	**As at 1 January**	**Charge for the year/ (Write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	19	**4**	**–**	**–**	**–**	**4**
Placements with banks and non-bank financial institutions	20	**27**	**–**	**–**	**–**	**27**
Interest receivable	24	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	25(3)	**226,705**	**57,554**	**(16,639)**	**(20,804)**	**246,816**
Available for sale debt securities		**2,678**	**66**	**47**	**(1,451)**	**1,340**
Available for sale equity instrument		**4,228**	**260**	**(86)**	**(74)**	**4,328**
Held-to-maturity investments	27	**4,461**	**185**	**44**	**(1,204)**	**3,486**
Debt securities classified as receivables	28	**773**	**171**	**–**	**–**	**944**
Fixed assets	32	**429**	**–**	**–**	**(2)**	**427**
Land use rights	33	**142**	**–**	**–**	**–**	**142**
Intangible assets	34	**8**	**–**	**–**	**–**	**8**
Other assets	37	**2,344**	**1,200**	**–**	**(316)**	**3,228**
Total		**241,800**	**59,436**	**(16,634)**	**(23,851)**	**260,751**

(Expressed in millions of RMB, unless otherwise stated)

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

Bank (continued)

		2013				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	(3)	–	–	4
Placements with banks and non-bank financial institutions	20	49	(7)	–	(15)	27
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	201,087	41,959	(4,600)	(11,741)	226,705
Available for sale debt securities		4,367	(1,151)	(98)	(440)	2,678
Available for sale equity instrument		4,821	136	5	(734)	4,228
Held-to-maturity investments	27	4,078	995	(62)	(550)	4,461
Debt securities classified as receivables	28	1,021	(248)	–	–	773
Fixed assets	32	432	–	–	(3)	429
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	2,324	267	–	(247)	2,344
Total		218,337	41,948	(4,755)	(13,730)	241,800

Transfer in/(out) includes exchange differences.

39 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	2014	2013
Deposits with banks and non-bank financial institutions	**13,717**	20,023
Placements with banks and non-bank financial institutions	**105,861**	106,499
Financial assets at fair value through profit or loss	**–**	2,000
Interest receivable	**235**	787
Loans and advances to customers	**6,888**	2,215
Available-for-sale financial assets	**60**	822
Other assets	**36,895**	34,688
Total	**163,656**	167,034

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	2014	2013
Deposits from banks and non-bank financial institutions	**23,672**	16,333
Placements from banks and non-bank financial institutions	**26,468**	12,506
Financial liabilities at fair value through profit or loss	**100**	160
Deposits from customers	**5,075**	5,069
Interest payable	**318**	201
Debt securities issued	**724**	–
Other liabilities	**3,639**	170
Total	**59,996**	34,439

40 BORROWINGS FROM CENTRAL BANKS

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**60,811**	60,431	**60,004**	60,007
Overseas	**30,405**	18,726	**30,405**	18,726
Total	**91,216**	79,157	**90,409**	78,733

41 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2014	2013	**2014**	2013
Banks	**105,056**	202,810	**108,686**	213,447
Non-bank financial institutions	**899,062**	489,285	**900,060**	491,040
Total	**1,004,118**	692,095	**1,008,746**	704,487

(2) Analysed by geographical sectors

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**993,523**	687,894	**994,753**	688,032
Overseas	**10,595**	4,201	**13,993**	16,455
Total	**1,004,118**	692,095	**1,008,746**	704,487

42 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2014	2013	**2014**	2013
Banks	**190,596**	154,517	**138,851**	121,601
Non-bank financial institutions	**11,806**	1,400	**13,301**	878
Total	**202,402**	155,917	**152,152**	122,479

(2) Analysed by geographical sectors

	Group		Bank	
	2014	2013	**2014**	2013
Mainland China	**79,254**	38,137	**25,789**	6,398
Overseas	**123,148**	117,780	**126,363**	116,081
Total	**202,402**	155,917	**152,152**	122,479

(Expressed in millions of RMB, unless otherwise stated)

43 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2014	2013	**2014**	2013
Principal guaranteed wealth management product	**233,655**	337,580	**233,740**	337,740
Financial liabilities related to precious metals	**36,891**	37,956	**36,891**	37,956
Structured financial instruments	**25,463**	4,844	**22,011**	2,035
Total	**296,009**	380,380	**292,642**	377,731

The Group's and the Bank's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity of the Group and the Bank is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2014 and 2013.

44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Securities				
– Bills issued by the PBOC	**50,000**	–	**50,000**	–
– Government bonds	**130,813**	48,773	**126,597**	42,405
– Debt securities issued by banks and non-bank financial institutions	**16**	12,492	**–**	12,492
Subtotal	**180,829**	61,265	**176,597**	54,897
Discounted bills	**699**	608	**659**	560
Total	**181,528**	61,873	**177,256**	55,457

45 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2014	2013	**2014**	2013
Demand deposits				
– Corporate customers	**3,996,827**	4,167,686	**3,977,665**	4,154,705
– Personal customers	**2,321,675**	2,525,115	**2,303,777**	2,510,530
Subtotal	**6,318,502**	6,692,801	**6,281,442**	6,665,235
Time deposits (including call deposits)				
– Corporate customers	**2,909,767**	2,457,076	**2,797,119**	2,386,417
– Personal customers	**3,670,406**	3,073,160	**3,575,932**	3,004,125
Subtotal	**6,580,173**	5,530,236	**6,373,051**	5,390,542
Total	**12,898,675**	12,223,037	**12,654,493**	12,055,777

Deposits from customers include:

		Group		Bank	
		2014	2013	**2014**	2013
(1)	Pledged deposits				
	– Deposits for acceptance	**138,472**	129,392	**138,306**	129,248
	– Deposits for guarantee	**41,572**	36,308	**41,572**	36,308
	– Deposits for letter of credit	**36,088**	55,018	**36,088**	55,018
	– Others	**206,447**	199,256	**206,969**	201,426
	Total	**422,579**	419,974	**422,935**	422,000
(2)	Outward remittance and remittance payables	**9,817**	11,908	**9,254**	11,725

46 ACCRUED STAFF COSTS

Group

		2014			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		**25,189**	**60,268**	**(59,593)**	**25,864**
Other social insurance and welfare		**2,233**	**9,653**	**(9,752)**	**2,134**
Housing funds		**148**	**6,014**	**(6,062)**	**100**
Union running costs and employee education costs		**1,533**	**2,561**	**(2,252)**	**1,842**
Post-employment benefits	(1)				
– Defined contribution plans		**766**	**12,995**	**(12,940)**	**821**
– Defined benefit plans		**609**	**311**	**–**	**920**
Early retirement benefits		**3,596**	**182**	**(928)**	**2,850**
Compensation to employees for termination of employment relationship		**6**	**8**	**(10)**	**4**
Total		**34,080**	**91,992**	**(91,537)**	**34,535**

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

Group (continued)

		2013			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		23,488	58,154	(56,453)	25,189
Other social insurance and welfare		1,948	8,215	(7,930)	2,233
Housing funds		134	5,433	(5,419)	148
Union running costs and employee education costs		1,269	2,391	(2,127)	1,533
Post-employment benefits	(1)				
– Defined contribution plans		633	12,190	(12,057)	766
– Defined benefit plans		699	353	(443)	609
Early retirement benefits		4,596	217	(1,217)	3,596
Compensation to employees for termination of employment relationship		5	8	(7)	6
Total		32,772	86,961	(85,653)	34,080

Bank

		2014			
	Note	**As at 1 January**	**Increased**	**Decreased**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**24,081**	**57,232**	**(56,695)**	**24,618**
Other social insurance and welfare		**2,221**	**9,458**	**(9,558)**	**2,121**
Housing funds		**148**	**5,943**	**(5,992)**	**99**
Union running costs and employee education costs		**1,515**	**2,505**	**(2,213)**	**1,807**
Post-employment benefits	(1)				
– Defined contribution plans		**762**	**12,720**	**(12,667)**	**815**
– Defined benefit plans		**609**	**311**	**–**	**920**
Early retirement benefits		**3,596**	**182**	**(928)**	**2,850**
Compensation to employees for termination of employment relationship		**6**	**8**	**(10)**	**4**
Total		**32,938**	**88,359**	**(88,063)**	**33,234**

		2013			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		22,728	55,694	(54,341)	24,081
Other social insurance and welfare		1,839	8,060	(7,678)	2,221
Housing funds		133	5,377	(5,362)	148
Union running costs and employee education costs		1,256	2,358	(2,099)	1,515
Post-employment benefits	(1)				
– Defined contribution plans		630	12,009	(11,877)	762
– Defined benefit plans		699	353	(443)	609
Early retirement benefits		4,596	217	(1,217)	3,596
Compensation to employees for termination of employment relationship		5	8	(7)	6
Total		31,886	84,076	(83,024)	32,938

The Group and the Bank has no overdue balance of accrued staff costs as at the end of the reporting period.

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) Defined contribution plans

Group

	2014			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	535	8,795	(8,785)	545
Unemployment insurance	29	692	(691)	30
Annuity contribution	202	3,508	(3,464)	246
Total	766	12,995	(12,940)	821

	2013			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	555	7,611	(7,631)	535
Unemployment insurance	27	638	(636)	29
Annuity contribution	51	3,941	(3,790)	202
Total	633	12,190	(12,057)	766

Bank

	2014			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	531	8,562	(8,552)	541
Unemployment insurance	29	685	(685)	29
Annuity contribution	202	3,473	(3,430)	245
Total	762	12,720	(12,667)	815

	2013			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	552	7,457	(7,478)	531
Unemployment insurance	27	633	(631)	29
Annuity contribution	51	3,919	(3,768)	202
Total	630	12,009	(11,877)	762

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(i) The Group and the bank

	Present value of defined benefit plan obligations		Fair value of plan assets		Net liabilities of defined benefit plans	
	2014	2013	**2014**	2013	**2014**	2013
As at 1 January	**6,434**	7,069	**5,825**	6,370	**609**	699
Cost of the net defined benefit liability in profit or loss						
– Past service costs	**–**	339	**–**	–	**–**	339
– Interest costs	**277**	233	**260**	219	**17**	14
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses/(gains)	**601**	(546)	**–**	–	**601**	(546)
– Returns on plan assets	**–**	–	**307**	(103)	**(307)**	103
Other changes						
– Benefits paid	**(658)**	(661)	**(658)**	(661)	**–**	–
As at 31 December	**6,654**	6,434	**5,734**	5,825	**920**	609

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(ii) Principal actuarial assumptions of the Group and the Bank as at the balance sheet date are as follows:

	2014	**2013**
Discount rate	**3.75%**	4.75%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**12.1 years**	12.6 years

Mortality assumptions are based on China Life Insurance Annuity Table (2000-2003) in China Life Insurance Mortality Table complied by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(iii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	**Decrease in assumption by 0.25%**
Discount rate	(127)	132
Health care cost increase rate	42	(41)

(iv) The weighted average duration of supplementary retirement benefit obligations of the Group and the Bank is 7.8 years.

(v) Plan assets of the Group and the Bank are as follows:

	2014	2013
Cash and cash equivalents	**136**	313
Equity instruments	**304**	62
Debt instruments	**5,161**	5,310
Others	**133**	140
Total	**5,734**	5,825

47 TAXES PAYABLE

	Group		Bank	
	2014	2013	**2014**	2013
Income tax	**52,320**	50,950	**51,743**	50,579
Business tax and surcharges	**9,518**	8,999	**9,414**	8,889
Value added tax	**(880)**	(982)	**(904)**	(968)
Others	**1,686**	1,242	**1,628**	1,193
Total	**62,644**	60,209	**61,881**	59,693

48 INTEREST PAYABLE

	Group		Bank	
	2014	2013	**2014**	2013
Deposits from customers	**176,476**	148,809	**175,349**	148,264
Deposits from banks and non-bank financial institutions	**5,747**	1,688	**5,985**	1,833
Debts securities issued	**2,132**	2,123	**2,132**	2,123
Others	**1,519**	1,007	**1,161**	726
Total	**185,874**	153,627	**184,627**	152,946

(Expressed in millions of RMB, unless otherwise stated)

49 PROVISIONS

	Group		Bank	
	2014	2013	**2014**	2013
Litigation provisions	**2,155**	543	**486**	543
Others	**4,913**	4,471	**4,913**	4,471
Total	**7,068**	5,014	**5,399**	5,014

50 DEBT SECURITIES ISSUED

		Group		Bank	
	Note	**2014**	2013	**2014**	2013
Certificates of deposit issued	(1)	**240,303**	193,749	**201,656**	159,553
Bonds issued	(2)	**24,533**	3,933	**5,999**	2,995
Subordinated bonds issued	(3)	**144,845**	159,858	**137,878**	159,858
Eligible Tier 2 capital bonds issued	(4)	**21,971**	–	**21,971**	–
Total		**431,652**	357,540	**367,504**	322,406

(1) Certificates of deposit were mainly issued by head office, overseas branches, CCB Asia and BIC Bank.

(2) Bonds issued

					Group		Bank	
Issuance date	**Maturity date**	**Interest rate per annum**	**Issuance place**	**Currency**	**2014**	2013	**2014**	2013
2012-06-28	2014-06-28	3.08%	Hong Kong	RMB	**–**	500	**–**	500
2012-06-28	2015-06-28	3.25%	Hong Kong	RMB	**500**	500	**500**	500
2012-11-29	2015-11-29	3.20%	London	RMB	**940**	940	**–**	–
2013-12-10	2016-12-12	3.25%	Taiwan	RMB	**2,000**	2,000	**2,000**	2,000
2014-03-13	2016-03-13	3.25%	Hong Kong	RMB	**4,000**	–	**–**	–
2014-04-01	2017-04-01	2.375%	Hong Kong	USD	**1,861**	–	**–**	–
2014-04-04	2015-03-20	2.88%	Hong Kong	RMB	**229**	–	**–**	–
2014-04-25	2016-04-25	3months LIBOR+1.35%	Hong Kong	USD	124	–	–	–
2014-05-22	2015-06-11	3.00%	Hong Kong	RMB	**153**	–	**–**	–
2014-05-28	2016-05-30	3.38%	Frankfurt	RMB	**1,500**	–	**1,500**	–
2014-05-28	2019-05-28	1.375%	Switzerland	CHF	**1,882**	–	**–**	–
2014-06-27	2017-06-27	3.45%	Switzerland	RMB	**1,250**	–	**–**	–
2014-07-02	2019-07-02	3.25%	Hong Kong	USD	**3,723**	–	**–**	–
2014-07-14	2015-07-14	1.70%	Hong Kong	USD	**310**	–	**–**	–
2014-09-05	2017-09-05	3.35%	Taiwan	RMB	**800**	–	**800**	–
2014-09-05	2019-09-05	3.75%	Taiwan	RMB	**600**	–	**600**	–
2014-09-05	2021-09-05	4.00%	Taiwan	RMB	**600**	–	**600**	–
2014-11-12	2015-11-12	3months LIBOR+1.02%	Hong Kong	USD	683	–	–	–
2014-11-18	2019-11-18	3.75%	Taiwan	RMB	**1,000**	–	**–**	–
2014-11-18	2021-11-18	3.95%	Taiwan	RMB	**1,000**	–	**–**	–
2014-11-18	2016-11-18	3.30%	Taiwan	RMB	**700**	–	**–**	–
2014-11-18	2024-11-18	4.08%	Taiwan	RMB	**600**	–	**–**	–
2014-11-27	2016-12-06	3.45%	Hong Kong	RMB	**120**	–	**–**	–
Total nominal value					**24,575**	3,940	**6,000**	3,000
Less: unamortised issuance costs					**(42)**	(7)	**(1)**	(5)
Carrying value as at 31 December					**24,533**	3,933	**5,999**	2,995

50 DEBT SECURITIES ISSUED (CONTINUED)

(3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC, the CBRC, the HKMA and Brazil Central Bank is as follows:

					Group		Bank	
Issuance date	**Maturity date**	**Interest rate per annum**	**Currency**	Note	**2014**	2013	**2014**	2013
2009-02-24	2019-02-26	3.20%	RMB	(a)	**–**	12,000	**–**	12,000
2009-02-24	2024-02-26	4.00%	RMB	(b)	**28,000**	28,000	**28,000**	28,000
2009-08-07	2019-08-11	3.32%	RMB	(c)	**–**	10,000	**–**	10,000
2009-08-07	2024-08-11	4.04%	RMB	(d)	**10,000**	10,000	**10,000**	10,000
2009-11-03	2019-11-04	Benchmark rate released by Brazil Central Bank	BRL	(e)	**467**	–	**–**	–
2009-12-18	2024-12-22	4.80%	RMB	(f)	**20,000**	20,000	**20,000**	20,000
2010-04-27	2020-04-27	8.50%	USD	(e)	**1,681**	–	**–**	–
2010-07-30	2017-10-15	7.31%	USD	(e)	**199**	–	**–**	–
2011-11-03	2026-11-07	5.70%	RMB	(g)	**40,000**	40,000	**40,000**	40,000
2012-11-20	2027-11-22	4.99%	RMB	(h)	**40,000**	40,000	**40,000**	40,000
2014-08-20	2024-08-20	4.25%	USD	(i)	**4,654**	–	**–**	–
Total nominal value					**145,001**	160,000	**138,000**	160,000
Less: Unamortised issuance cost					**(156)**	(142)	**(122)**	(142)
Carrying value as at 31 December					**144,845**	159,858	**137,878**	159,858

(a) The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years. The Group has exercised the option to redeem the bonds on 26 February 2014.

(b) The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(c) The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years. The Group has exercised the option to redeem the bonds on 11 August 2014.

(d) The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(e) The subordinated bonds were issued by BIC Bank.

(f) The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(g) The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(h) The Group has an option to redeem the bonds on 22 November 2022, subject to an approval from relevant authority.

(i) The Group has an option to redeem the bonds on 20 August 2019, subject to an approval from relevant authority.

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

					Group and Bank	
Issuance date	**Maturity date**	**Interest rate per annum**	**Currency**	Note	**2014**	2013
2014-08-15	2029-08-18	5.98%	RMB	(a)	**20,000**	–
2014-11-12	2024-11-12	4.90%	RMB	(b)	**2,000**	–
Total nominal value					**22,000**	–
Less: Unamortised issuance cost					**(29)**	–
Carrying value as at 31 December					**21,971**	–

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(b) The Group has an option to redeem the bonds on 12 November 2019, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate per annum will increase by 1.538% on the basis of twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019 for the next five years. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

51 OTHER LIABILITIES

	Group		Bank	
	2014	2013	**2014**	2013
Insurance reserve of CCB life	**26,678**	13,097	**–**	–
Deferred income	**14,475**	13,131	**14,370**	12,872
Capital expenditure payable	**10,324**	8,365	**10,323**	8,363
Dormant accounts	**2,987**	2,469	**2,987**	2,469
Securities underwriting and redemption payable	**1,480**	1,226	**1,480**	1,226
Settlement accounts	**1,751**	784	**1,765**	784
Payment and collection clearance accounts	**853**	743	**698**	743
Others	**24,724**	26,127	**16,926**	13,882
Total	**83,272**	65,942	**48,549**	40,339

52 SHARE CAPITAL

	Group and Bank	
	2014	2013
Listed in Hong Kong (H share)	**240,417**	240,417
Listed in Mainland China (A share)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1.00 per share and rank pari passu with the same rights and benefits.

53 CAPITAL RESERVE

	Group		Bank	
	2014	2013	**2014**	2013
Share premium	**135,118**	135,118	**135,109**	135,109
Cash flow hedge reserve	**(10)**	(148)	**1**	(148)
Others	**283**	553	**277**	547
Total	**135,391**	135,523	**135,387**	135,508

54 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in "investment revaluation reserve". Movements of investment revaluation reserve are as follows:

Group

		2014		
	Note	**Before-tax amount**	**Tax benefit/ (expense)**	**Net-of-tax amount**
As at 1 January		**(25,837)**	**6,547**	**(19,290)**
Gains during the year				
– Debt securities		**32,092**	**(7,997)**	**24,095**
– Equity instruments and funds		**1,862**	**(466)**	**1,396**
		33,954	**(8,463)**	**25,491**
Reclassification adjustments				
– Impairment		**701**	**(175)**	**526**
– Disposals		**(2,889)**	**722**	**(2,167)**
– Others	(1)	**2**	**–**	**2**
		(2,186)	**547**	**(1,639)**
As at 31 December		**5,931**	**(1,369)**	**4,562**

(Expressed in millions of RMB, unless otherwise stated)

54 INVESTMENT REVALUATION RESERVE (CONTINUED)

Group (continued)

		2013		
	Note	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
As at 1 January		4,030	(1,007)	3,023
Losses during the year				
– Debt securities		(26,065)	6,603	(19,462)
– Equity instruments and funds		(2,217)	554	(1,663)
		(28,282)	7,157	(21,125)
Reclassification adjustments				
– Impairment		(1,047)	262	(785)
– Disposals		(595)	149	(446)
– Others	(1)	57	(14)	43
		(1,585)	397	(1,188)
As at 31 December		(25,837)	6,547	(19,290)

Bank

		2014		
	Note	**Before-tax amount**	**Tax benefit/ (expense)**	**Net-of-tax amount**
As at 1 January		**(25,740)**	**6,465**	**(19,275)**
Gains during the year				
– Debt securities		**32,045**	**(8,049)**	**23,996**
– Equity instruments		**1,460**	**(365)**	**1,095**
		33,505	**(8,414)**	**25,091**
Reclassification adjustments				
– Impairment		**668**	**(167)**	**501**
– Disposals		**(2,708)**	**677**	**(2,031)**
– Others	(1)	**2**	**–**	**2**
		(2,038)	**510**	**(1,528)**
As at 31 December		**5,727**	**(1,439)**	**4,288**

54 INVESTMENT REVALUATION RESERVE (CONTINUED)

Bank (continued)

	Note	2013		
		Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
As at 1 January		4,072	(994)	3,078
Losses during the year				
– Debt securities		(26,323)	6,587	(19,736)
– Equity instruments		(1,858)	464	(1,394)
		(28,181)	7,051	(21,130)
Reclassification adjustments				
– Impairment		(1,113)	278	(835)
– Disposals		(575)	144	(431)
– Others	(1)	57	(14)	43
		(1,631)	408	(1,223)
As at 31 December		(25,740)	6,465	(19,275)

(1) Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior years.

55 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 Feb 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

(Expressed in millions of RMB, unless otherwise stated)

56 GENERAL RESERVE

The general reserve of the Group and the Bank as at the end of the reporting period is set up based upon the requirements of:

		Group		Bank	
	Note	**2014**	2013	**2014**	2013
MOF	(1)	**165,439**	150,249	**165,439**	150,249
Hong Kong Banking Ordinance	(2)	**2,115**	2,199	**165**	165
Other regulatory bodies in Mainland China	(3)	**1,629**	1,125	**–**	–
Other overseas regulatory bodies		**313**	262	**312**	261
Total		**169,496**	153,835	**165,916**	150,675

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the Ministry of Finance on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

57 PROFIT DISTRIBUTION

In the Annual General Meeting held on 26 June 2014, the shareholders approved the profit distribution for the year ended 31 December 2013. The Bank appropriated cash dividend for the year ended 31 December 2013 in an aggregate amount of RMB75,003 million.

On 27 March 2015, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2014:

(1) Appropriate statutory surplus reserve amounted to RMB22,545 million, based on 10% of the net profit of the Bank amounted to RMB225,454 million for the year 2014 (2013: RMB21,252 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB16,248 million, pursuant to relevant regulations issued by MOF (2013: RMB15,189 million).

(3) Appropriate cash dividend RMB0.301 per share before tax (2013: RMB0.300 per share) and in aggregation amount of RMB75,253 million to all shareholders. Proposed dividends at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

58 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents

	2014	2013
Cash	**72,653**	71,756
Surplus deposit reserves with central banks	**81,392**	129,443
Demand deposits with banks and non-bank financial institutions	**43,963**	26,527
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**86,387**	162,097
Placements with banks and non-bank financial institutions with original maturity with or within three months	**69,323**	50,950
Total	**353,718**	440,773

(2) Acquisition of the BIC Bank

To acquire the BIC Bank, the Bank paid RMB4,164 million, and acquired cash and cash equivalents of RMB500 million. The net cash outflow arising from the aforesaid acquisition was RMB3,664 million, which is analysed as follows:

	Acquisition date Recognised values	Acquisition date Carrying amounts
Cash and deposits with central banks	767	767
Deposits with banks and non-bank financial institutions	294	294
Placements with banks and non-bank financial institutions	397	397
Financial assets at fair value through profit or loss	603	603
Positive fair value of derivatives	1,207	1,207
Loans and advances to customers	20,838	21,603
Available-for-sale financial assets	2,900	2,900
Goodwill	–	289
Other assets	13,472	13,359
Deposits from banks and non-bank financial institutions	(915)	(915)
Placements from banks and non-bank financial institutions	(6,210)	(6,210)
Deposits from customers	(19,148)	(19,148)
Debt securities issued	(7,182)	(7,182)
Other liabilities	(3,050)	(3,050)
Net assets	3,973	4,914
Minority interests	(1,035)	
Identifiable net assets attributable to the shareholders of the Bank	2,938	
Goodwill on acquisition	1,226	
Consideration transferred	4,164	
Acquisition of Cash and cash equivalents	(500)	
Acquisition net cash outflow	3,664	

58 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) Acquisition of the BIC Bank (continued)

The goodwill on acquisition is attributable to the significant synergies expected to arise.

Operating income and net profit of BIC Bank contributed to the Group since the acquisition date did not result in any significant impact to the consolidated statement of comprehensive income for the year ended 31 December 2014. The Group's operating income and net profit for the year ended 31 December 2014 would not be materially different if the acquisition had occurred on 1 January 2014.

According to the terms of the purchase price adjustment in the sale and purchase agreement, the purchase price can be adjusted after acquisition date based on the factors such as changes in net assets of BIC Bank from reference date to acquisition date. As at the date of this report, the negotiation between the former shareholders and the Bank is still in progress and any adjustment to the consideration has not been determined.

The fair value of the identifiable net assets on the acquisition date is provisional and the final valuations have not been determined.

As at 31 December 2014, the Bank has acquired 73.96% interests in BIC bank and has taken control of BIC bank. According to the Brazilian local applicable laws and related regulations, the Bank commits to implement a mandatory tender offer in view of change of control right resulting from this acquisition. In accordance with the relevant rules of the Brazilian Corporation Act and the bylaws of BIC Bank, the Bank will ensure that the non-controlling shareholders accepting the tender offer will have an option to enjoy the same treatment as will be available to the controlling shareholders.

59 CREDIT ASSETS SECURITISATION TRANSACTIONS

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 31 December 2014, loans with an original carrying amount of RMB7,177 million (2013: RMB7,177 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2014, the carrying amount of assets that the Group continued to recognise was RMB322 million (2013: RMB326 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB499 million as at 31 December 2014 (2013: RMB502 million).

60 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto and certain subsidiaries operating in Hong Kong, London, Moscow, Dubai, Luxembourg, British Virgin Islands, New Zealand and San Paulo.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2014								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	60,793	36,933	30,011	54,213	59,367	17,713	170,594	7,774	437,398
Internal net interest income/(expense)	12,898	21,017	38,503	20,037	16,818	9,643	(120,320)	1,404	–
Net interest income	73,691	57,950	68,514	74,250	76,185	27,356	50,274	9,178	437,398
Net fee and commission income	19,056	15,596	17,491	17,112	14,184	5,607	17,595	1,876	108,517
Net trading gain/(loss)	121	86	(145)	(142)	91	10	763	188	972
Dividend income	3	7	9	369	16	4	65	22	495
Net gain arising from investment securities	572	94	3	–	254	294	2,514	314	4,045
Other operating income/(loss), net	527	380	799	325	2,146	204	2,366	(1,434)	5,313
Operating income	93,970	74,113	86,671	91,914	92,876	33,475	73,577	10,144	556,740
Operating expenses	(32,786)	(26,040)	(31,538)	(36,644)	(34,581)	(14,074)	(15,766)	(4,559)	(195,988)
Impairment losses	(19,713)	(11,364)	(6,921)	(9,236)	(8,055)	(4,470)	(2,815)	663	(61,911)
Share of profits less losses of associates and joint ventures	–	–	–	152	–	–	–	93	245
Profit before tax	41,471	36,709	48,212	46,186	50,240	14,931	54,996	6,341	299,086
Capital expenditure	4,031	3,098	4,400	7,132	5,294	2,862	5,170	2,199	34,186
Depreciation and amortisation	2,845	1,863	2,664	3,305	2,812	1,508	2,541	273	17,811
Segment assets	2,839,279	2,230,031	3,030,726	2,589,502	2,579,135	995,140	6,252,529	933,435	21,449,777
Interests in associates and joint ventures	–	–	–	955	–	–	–	2,129	3,084
	2,839,279	2,230,031	3,030,726	2,590,457	2,579,135	995,140	6,252,529	935,564	21,452,861
Deferred tax assets									39,436
Elimination									(4,748,167)
Total assets									16,744,130
Segment liabilities	2,829,616	2,226,878	3,013,946	2,580,217	2,572,912	993,889	5,143,025	879,050	20,239,533
Deferred tax liabilities									401
Elimination									(4,748,167)
Total liabilities									15,491,767
Off-balance sheet credit commitments	513,530	340,119	579,144	342,489	291,548	106,264	7,500	98,803	2,279,397

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2013								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	59,826	36,968	36,465	42,952	50,022	14,333	145,730	3,248	389,544
Internal net interest income/(expense)	8,131	13,283	23,178	20,259	16,407	10,110	(94,056)	2,688	–
Net interest income	67,957	50,251	59,643	63,211	66,429	24,443	51,674	5,936	389,544
Net fee and commission income	19,723	16,086	17,007	16,647	13,658	5,767	13,769	1,626	104,283
Net trading gain/(loss)	469	475	80	(73)	52	29	3,312	(1,252)	3,092
Dividend income	5	3	6	289	76	8	53	6	446
Net gain arising from investment securities	383	–	157	199	–	291	285	80	1,395
Other operating income/(expense), net	7,353	273	537	466	1,515	258	(597)	2,575	12,380
Operating income	95,890	67,088	77,430	80,739	81,730	30,796	68,496	8,971	511,140
Operating expenses	(38,296)	(24,525)	(28,769)	(33,004)	(31,857)	(13,471)	(14,704)	(3,559)	(188,185)
Impairment losses	(20,826)	(4,094)	(3,642)	(5,544)	(3,498)	(1,728)	(2,300)	(1,577)	(43,209)
Share of profits less losses of associates and joint ventures	–	–	–	–	–	–	–	60	60
Profit before tax	36,768	38,469	45,019	42,191	46,375	15,597	51,492	3,895	279,806
Capital expenditure	4,229	2,992	8,438	7,054	5,660	2,672	6,159	376	37,580
Depreciation and amortisation	2,621	1,700	2,191	2,891	2,494	1,348	1,976	195	15,416
Segment assets	2,639,135	2,158,746	2,737,198	2,410,486	2,500,348	910,474	5,934,221	729,915	20,020,523
Interests in associates and joint ventures	–	–	–	661	–	–	–	1,963	2,624
	2,639,135	2,158,746	2,737,198	2,411,147	2,500,348	910,474	5,934,221	731,878	20,023,147
Deferred tax assets									38,448
Elimination									(4,698,385)
Total assets									15,363,210
Segment liabilities	2,628,866	2,153,610	2,718,912	2,399,890	2,492,392	907,524	5,026,546	659,388	18,987,128
Deferred tax liabilities									138
Elimination									(4,698,385)
Total liabilities									14,288,881
Off-balance sheet credit commitments	555,843	422,332	569,194	283,736	282,660	110,931	13,000	72,531	2,310,227

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2014				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	231,445	18,702	173,732	13,519	437,398
Internal net interest income/(expenses)	4,211	143,122	(138,081)	(9,252)	–
Net interest income	235,656	161,824	35,651	4,267	437,398
Net fee and commission income	42,032	44,679	18,855	2,951	108,517
Net trading (loss)/gain	(6,948)	(5,595)	13,308	207	972
Dividend income	–	–	–	495	495
Net gain arising from investment securities	–	–	876	3,169	4,045
Other operating income, net	301	24	3,795	1,193	5,313
Operating income	271,041	200,932	72,485	12,282	556,740
Operating expenses	(73,419)	(106,506)	(6,852)	(9,211)	(195,988)
Impairment losses	(45,736)	(13,873)	(937)	(1,365)	(61,911)
Share of profits less losses of associates and joint ventures	–	–	–	245	245
Profit before tax	151,886	80,553	64,696	1,951	299,086
Capital expenditure	8,246	22,184	617	3,139	34,186
Depreciation and amortisation	4,558	12,263	341	649	17,811
Segment assets	6,106,160	3,005,155	6,588,297	1,056,039	16,755,651
Interests in associates and joint ventures	–	–	–	3,084	3,084
	6,106,160	3,005,155	6,588,297	1,059,123	16,758,735
Deferred tax assets					39,436
Elimination					(54,041)
Total assets					16,744,130
Segment liabilities	7,118,017	6,820,246	446,096	1,161,048	15,545,407
Deferred tax liabilities					401
Elimination					(54,041)
Total liabilities					15,491,767
Off-balance sheet credit commitments	1,705,786	474,580	–	99,031	2,279,397

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2013				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	224,956	731	155,016	8,841	389,544
Internal net interest (expenses)/income	(21,991)	133,721	(103,921)	(7,809)	–
Net interest income	202,965	134,452	51,095	1,032	389,544
Net fee and commission income	42,119	40,870	18,909	2,385	104,283
Net trading (loss)/gain	(1,352)	(78)	5,763	(1,241)	3,092
Dividend income	–	–	–	446	446
Net gain arising from investment securities	–	–	557	838	1,395
Other operating income/(expenses), net	497	452	(1,207)	12,638	12,380
Operating income	244,229	175,696	75,117	16,098	511,140
Operating expenses	(66,997)	(101,111)	(6,374)	(13,703)	(188,185)
Impairment losses	(31,293)	(9,950)	364	(2,330)	(43,209)
Share of profits less losses of associates and joint ventures	–	–	–	60	60
Profit before tax	145,939	64,635	69,107	125	279,806
Capital expenditure	8,179	23,905	605	4,891	37,580
Depreciation and amortisation	3,773	11,026	279	338	15,416
Segment assets	5,585,454	2,590,881	6,505,051	744,879	15,426,265
Interests in associates and joint ventures	–	–	–	2,624	2,624
	5,585,454	2,590,881	6,505,051	747,503	15,428,889
Deferred tax assets					38,448
Elimination					(104,127)
Total assets					15,363,210
Segment liabilities	6,772,134	6,376,797	389,827	854,112	14,392,870
Deferred tax liabilities					138
Elimination					(104,127)
Total liabilities					14,288,881
Off-balance sheet credit commitments	1,828,104	409,316	–	72,807	2,310,227

(Expressed in millions of RMB, unless otherwise stated)

61 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Entrusted loans	**1,570,356**	1,355,890	**1,541,133**	1,354,778
Entrusted funds	**1,570,356**	1,355,890	**1,541,133**	1,354,778

62 PLEDGED ASSETS

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by asset type

	Group		Bank	
	2014	2013	**2014**	2013
Discounted bills	**699**	608	**659**	560
Bonds	**247,527**	122,706	**243,295**	116,338
Total	**248,226**	123,314	**243,954**	116,898

(b) Carrying value of pledged assets analysed by classification in the statement of financial position

	Group		Bank	
	2014	2013	**2014**	2013
Loans and advances to customers	**699**	608	**659**	560
Available-for-sale financial assets	**5,414**	7,809	**1,198**	1,441
Held-to-maturity investments	**242,113**	114,897	**242,097**	114,897
Total	**248,226**	123,314	**243,954**	116,898

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2014 and 2013, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

63 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	Group		Bank	
	2014	2013	**2014**	2013
Loan commitments				
– with an original maturity within one year	**141,519**	179,790	**137,888**	176,494
– with an original maturity of one year or over	**278,155**	302,109	**272,643**	297,834
Credit card commitments	**507,142**	437,431	**474,580**	409,316
	926,816	919,330	**885,111**	883,644
Bank acceptances	**369,636**	360,499	**369,301**	360,230
Financing guarantees	**109,195**	129,557	**176,923**	193,918
Non-financing guarantees	**556,039**	484,370	**551,028**	483,828
Sight letters of credit	**20,638**	29,243	**20,632**	29,243
Usance letters of credit	**238,275**	351,543	**241,269**	367,774
Others	**58,798**	35,685	**58,763**	35,595
Total	**2,279,397**	2,310,227	**2,303,027**	2,354,232

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

	2014	
	Group	Bank
Credit risk-weighted amount of contingent liabilities and commitments	**903,326**	**927,183**

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Within one year	**5,234**	4,596	**4,834**	4,150
After one year but within two years	**4,295**	3,749	**4,012**	3,389
After two years but within three years	**3,227**	2,999	**3,035**	2,712
After three years but within five years	**3,615**	3,557	**3,418**	3,350
After five years	**2,471**	2,543	**2,057**	2,124
Total	**18,842**	17,444	**17,356**	15,725

(Expressed in millions of RMB, unless otherwise stated)

63 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(4) Capital commitments

As at the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2014	2013	**2014**	2013
Contracted for	**5,214**	4,618	**5,135**	4,567
Authorised but not contracted for	**1,406**	2,770	**1,362**	2,716
Total	**6,620**	7,388	**6,497**	7,283

(5) Underwriting obligations

As at 31 December 2014, there was no unexpired underwriting commitment of the Group and the Bank (2013: nil).

(6) Government bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 31 December 2014, were RMB61,633 million (2013: RMB50,794 million).

(7) Outstanding litigation and disputes

As at 31 December 2014, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB5,677 million (2013: RMB3,167 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 49). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above is committed and contingent liabilities in accordance with their accounting policies (Note 4 (14)).

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2014, Huijin directly held 57.26% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB145,001 million (2013: RMB160,000 million). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with parent companies are as follows:

Amounts

	2014		2013	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**576**	**0.08%**	589	0.09%
Interest expense	**430**	**0.14%**	603	0.23%

Balances outstanding as at the end of the reporting period

	2014		2013	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable	**185**	**0.20%**	189	0.23%
Available-for-sale financial assets	**–**	**–**	180	0.02%
Held-to-maturity investments	**16,680**	**0.73%**	16,680	0.79%
Financial liabilities at fair value through profit or loss	**13,000**	**4.39%**	–	–
Deposits from customers	**5,621**	**0.04%**	13,063	0.11%
Interest payable	**6**	**0.00%**	3	0.00%
Credit commitments	**288**	**0.01%**	288	0.01%

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

Amounts

		2014		2013	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**37,290**	**5.05%**	36,170	5.60%
Interest expense		**3,086**	**1.02%**	1,972	0.77%
Fee and commission income		**290**	**0.26%**	393	0.37%
Fee and commission expense		**13**	**0.35%**	6	0.19%
Operating expenses	(i)	**1,715**	**1.07%**	1,417	0.95%

Balances outstanding as at the end of the reporting period

		2014		2013	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**14,521**	**5.45%**	35,103	10.93%
Placements with banks and non-bank financial institutions		**71,414**	**28.74%**	60,734	39.94%
Financial assets at fair value through profit or loss		**7,713**	**2.32%**	13,856	3.81%
Positive fair value of derivatives		**288**	**2.09%**	1,507	7.97%
Financial assets held under resale agreements		**7,695**	**2.81%**	32,194	11.44%
Interest receivable		**14,305**	**15.63%**	16,541	20.49%
Loans and advances to customers		**36,281**	**0.39%**	43,790	0.52%
Available for sale financial assets		**228,819**	**24.71%**	213,549	28.09%
Held-to-maturity investments		**476,497**	**20.73%**	515,295	24.53%
Debt securities classified as receivables		**59,922**	**35.08%**	64,700	34.10%
Other assets		**208**	**0.80%**	2	0.01%
Deposits from banks and non-bank financial institutions	(ii)	**70,040**	**6.98%**	53,318	7.70%
Placements from banks and non-bank financial institutions		**52,964**	**26.17%**	34,501	22.13%
Financial liabilities at fair value through profit or loss		**457**	**0.15%**	1,160	0.30%
Negative fair value of derivatives		**341**	**2.76%**	1,187	5.97%
Financial assets sold under repurchase agreements		**50,530**	**27.84%**	37,747	61.01%
Deposits from customers		**27,813**	**0.22%**	42,397	0.35%
Interest payable		**156**	**0.08%**	80	0.05%
Other liabilities		**64**	**0.08%**	658	1.00%
Credit commitments		**13,278**	**0.59%**	23,762	1.09%

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2014	2013
Interest income	**22**	22
Interest expense	**5**	2
Fee and commission income	**4**	21

Balances outstanding as at the end of the reporting period

	2014	2013
Loans and advances to customers	**1,838**	1,860
Financial liabilities at fair value through profit or loss	**148**	–
Deposits from customers	**1,255**	694

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2014	2013
Interest income	**1,965**	1,516
Interest expense	**803**	539
Fee and commission income	**677**	604
Fee and commission expense	**65**	71
Net trading(loss)/gain	**(19)**	410
Dividend income	**27**	329
Other operating expense, net	**(484)**	(111)

Balances outstanding as at the end of the reporting period are presented in Note 39.

As at 31 December 2014, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB71,214 million (2013: RMB66,975 million).

For the year ended 31 December 2014, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 31 December 2014, the balances of the above transactions were RMB2,843 million (2013: RMB2,646 million) and RMB402 million (2013: RMB395 million) respectively.

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the year ended 31 December 2014 and 2013.

As at 31 December 2014, RMB2,977 million of the Group's supplementary retirement benefit plan assets (2013: RMB4,113 million) were managed by CCB Principal and management fees receivable from the Bank was RMB28.86 million (2013: nil).

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

The compensation of directors and supervisors is disclosed in Note 14. The senior executives' annual compensation before individual income tax during the year is as follows:

	2014			
	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive vice president				
Pang Xiusheng (Note (ii))	680	40	282	1,002
Zhang Gengsheng (Note (ii))	680	40	282	1,002
Yang Wensheng (Note (ii))	680	40	282	1,002
Huang Yi (Note (ii))	624	37	259	920
Yu Jingbo (Note (ii))	658	40	254	952
Chief Risk Officer				
Zeng Jianhua (Note (ii))	647	40	244	931
Chief Financial Officer				
Xu Yiming (Note (ii))	323	21	123	467
Secretary to the board of directors				
Chen Caihong (Note (ii))	647	40	244	931
Former vice president				
Zhao Huan (Note (ii))	57	3	23	83
	4,996	301	1,993	7,290

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2013					
	Basic annual salaries	Annual performance bonus	Welfare	Total (before tax) (note(iii))	Including: deferral payment	The actual payment in 2013 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive vice president						
Pang Xiusheng	434	1,109	302	1,845	555	1,290
Zhang Gengsheng	429	1,098	300	1,827	549	1,278
Yang Wensheng	108	277	77	462	139	323
Chief Risk Officer						
Zeng Jianhua	398	1,017	265	1,680	509	1,171
Chief Audit Officer						
Yu Jingbo	398	1,017	265	1,680	509	1,171
Secretary to the board of directors						
Chen Caihong	398	1,017	265	1,680	509	1,171
Former vice president						
Zhao Huan	434	1,109	302	1,845	555	1,290
	2,599	6,644	1,776	11,019	3,325	7,694

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2014 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2014. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2013 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2013 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2013 was the final amount.

(7) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

(8) Acquisition of Macau branch with CCB Asia

On 7 June 2014, the Bank acquired CCB Asia's wholly owned subsidiary, China Construction Bank (Macau) Corporation Limited, and recognised as the Bank's Macau branch.

65 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carry out their responsibilities according to the Company Ordinance and other related regulatory requirements. The Board of Directors of the Bank has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities. Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the governor with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is the overall business risk management department. Credit Management Department is the overall credit risk management department. Credit Approval Department is the overall credit business approval department. Internal Control and Compliance Department is the coordination department for operating risk management and internal control and compliance risk management. Other departments are responsible for various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control and Compliance Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading and is responsible for the special assets resolutions. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Credit Approval Department is responsible for the group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors credit businesses, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Credit grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

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

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	Group		Bank	
	2014	2013	**2014**	2013
Deposits with central banks	**2,538,128**	2,403,245	**2,528,020**	2,398,040
Deposits with banks and non-bank financial institutions	**266,461**	321,286	**280,848**	328,640
Placements with banks and non-bank financial institutions	**248,525**	152,065	**247,606**	233,574
Debt investments at fair value through profit or loss	**327,768**	357,530	**320,452**	356,854
Positive fair value of derivatives	**13,769**	18,910	**9,880**	16,503
Financial assets held under resale agreements	**273,751**	281,447	**273,444**	280,959
Interest receivable	**91,495**	80,731	**88,930**	79,025
Loans and advances to customers	**9,222,910**	8,361,361	**8,876,246**	8,025,415
Available-for-sale debt securities	**910,103**	746,626	**839,303**	708,413
Held-to-maturity investments	**2,298,663**	2,100,538	**2,294,723**	2,095,741
Debt securities classified as receivables	**170,801**	189,737	**154,576**	182,252
Other financial assets	**19,261**	21,130	**50,491**	53,635
Total	**16,381,635**	15,034,606	**15,964,519**	14,759,051
Off-balance sheet credit commitments	**2,279,397**	2,310,227	**2,303,027**	2,354,232
Maximum credit risk exposure	**18,661,032**	17,344,833	**18,267,546**	17,113,283

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows:

		Group		Bank	
	Note	**2014**	2013	**2014**	2013
Individually assessed and impaired gross amount		**101,729**	77,152	**96,157**	76,779
Allowances for impairment losses		**(57,773)**	(52,137)	**(56,413)**	(51,885)
Subtotal		**43,956**	25,015	**39,744**	24,894
Collectively assessed and impaired gross amount		**11,442**	8,112	**11,067**	8,002
Allowances for impairment losses		**(7,588)**	(5,532)	**(7,459)**	(5,512)
Subtotal		**3,854**	2,580	**3,608**	2,490
Overdue but not impaired					
– not more than 90 days		**32,401**	14,517	**30,640**	13,969
– between 90 days and 180 days		**4**	3	**–**	–
– more than 180 days		**123**	472	**107**	472
Gross amount		**32,528**	14,992	**30,747**	14,441
Allowances for impairment losses	(i)	**(4,819)**	(2,267)	**(4,791)**	(2,248)
Subtotal		**27,709**	12,725	**25,956**	12,193
Neither overdue nor impaired					
– Unsecured loans		**2,527,998**	2,322,572	**2,377,183**	2,125,833
– Guaranteed loans		**1,771,410**	1,615,091	**1,670,575**	1,564,696
– Loans secured by tangible assets other than monetary assets		**4,158,664**	3,693,429	**4,087,982**	3,618,121
– Loans secured by monetary assets		**870,752**	858,709	**849,351**	844,248
Gross amount		**9,328,824**	8,489,801	**8,985,091**	8,152,898
Allowances for impairment losses	(i)	**(181,433)**	(168,760)	**(178,153)**	(167,060)
Subtotal		**9,147,391**	8,321,041	**8,806,938**	7,985,838
Total		**9,222,910**	8,361,361	**8,876,246**	8,025,415

(i) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):

Group

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2014		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Portion covered	**8,017**	**10,350**	**19,122**
Portion not covered	**8,145**	**6,016**	**82,607**
Total	**16,162**	**16,366**	**101,729**

	2013		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	330	8,256	12,048
Portion not covered	1,049	5,357	65,104
Total	1,379	13,613	77,152

Bank

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2014		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Portion covered	**7,435**	**9,917**	**18,915**
Portion not covered	**7,520**	**5,875**	**77,242**
Total	**14,955**	**15,792**	**96,157**

	2013		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	158	8,020	12,004
Portion not covered	984	5,279	64,775
Total	1,142	13,299	76,779

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(c) Loans and advances to customers analysed by economic sector concentrations

Group

	2014			2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,446,259**	**15.26%**	**529,550**	1,432,219	16.67%	546,250
– Transportation, storage and postal services	**1,105,769**	**11.67%**	**412,629**	993,243	11.56%	390,131
– Production and supply of electric power, heat, gas and water	**636,254**	**6.72%**	**185,585**	594,603	6.92%	167,539
– Leasing and commercial services	**602,041**	**6.35%**	**270,183**	478,259	5.57%	220,972
– Real estate	**575,283**	**6.07%**	**472,791**	541,252	6.30%	455,172
– Wholesale and retail trade	**473,501**	**5.00%**	**179,181**	469,584	5.47%	186,592
– Water, environment and public utility management	**328,023**	**3.46%**	**173,852**	273,513	3.19%	143,236
– Construction	**275,305**	**2.92%**	**99,641**	243,975	2.84%	93,032
– Mining	**244,516**	**2.58%**	**34,371**	234,837	2.74%	31,743
– Agriculture, forestry, farming, fishing	**136,791**	**1.44%**	**58,497**	105,021	1.22%	46,000
– Public management, social securities and social organisation	**126,050**	**1.33%**	**55,044**	117,599	1.37%	56,196
– Education	**79,945**	**0.84%**	**22,409**	71,714	0.83%	21,173
– Others	**307,822**	**3.25%**	**70,730**	386,386	4.50%	69,653
Total corporate loans and advances	**6,337,559**	**66.89%**	**2,564,463**	5,942,205	69.18%	2,427,689
Personal loans and advances	**2,935,762**	**30.99%**	**2,538,346**	2,504,838	29.16%	2,173,315
Discounted bills	**201,202**	**2.12%**	**–**	143,014	1.66%	–
Total loans and advances to customers	**9,474,523**	**100.00%**	**5,102,809**	8,590,057	100.00%	4,601,004

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2014				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the year**	**Written off during the year**
Manufacturing	**49,637**	**(28,678)**	**(34,351)**	**22,392**	**10,537**
Transportation, storage and postal services	**4,962**	**(3,661)**	**(25,661)**	**2,632**	**422**

	2013				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	38,179	(24,308)	(34,324)	13,402	4,028
Transportation, storage and postal services	5,414	(3,816)	(24,002)	3,515	11

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank

	2014			2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,372,900**	**15.05%**	**525,535**	1,388,973	16.82%	532,533
– Transportation, storage and postal services	**1,062,056**	**11.64%**	**399,799**	967,057	11.72%	381,743
– Production and supply of electric power, heat, gas and water	**622,392**	**6.82%**	**183,757**	583,007	7.06%	165,704
– Leasing and commercial services	**592,391**	**6.49%**	**270,339**	476,888	5.78%	221,452
– Real estate	**531,945**	**5.83%**	**444,658**	507,855	6.15%	430,554
– Wholesale and retail trade	**423,854**	**4.65%**	**173,576**	437,443	5.30%	178,123
– Water, environment and public utility management	**327,802**	**3.59%**	**173,781**	273,072	3.32%	143,176
– Construction	**269,183**	**2.96%**	**98,708**	241,019	2.92%	92,752
– Mining	**237,468**	**2.60%**	**33,973**	230,507	2.80%	31,561
– Agriculture, forestry, farming, fishing	**130,627**	**1.43%**	**56,996**	103,773	1.26%	45,869
– Public management, social securities and social organisation	**124,753**	**1.37%**	**54,689**	117,461	1.42%	56,069
– Education	**79,379**	**0.87%**	**22,259**	71,638	0.87%	21,124
– Others	**260,079**	**2.85%**	**65,665**	245,923	2.98%	66,851
Total corporate loans and advances	**6,034,829**	**66.15%**	**2,503,735**	5,644,616	68.40%	2,367,511
Personal loans and advances	**2,887,433**	**31.65%**	**2,504,497**	2,464,662	29.87%	2,143,251
Discounted bills	**200,800**	**2.20%**	**–**	142,842	1.73%	–
Total loans and advances to customers	**9,123,062**	**100.00%**	**5,008,232**	8,252,120	100.00%	4,510,762

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2014				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the year**	**Written off during the year**
Manufacturing	**48,497**	**(28,318)**	**(33,699)**	**21,719**	**10,377**
Transportation, storage and postal services	**4,839**	**(3,562)**	**(25,058)**	**2,398**	**399**

	2013				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	38,091	(24,252)	(34,046)	13,341	4,023
Transportation, storage and postal services	5,297	(3,715)	(23,636)	3,312	11

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

Group

	2014			2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,877,906**	**19.82%**	**1,192,535**	1,781,649	20.74%	1,142,213
Western	**1,641,394**	**17.32%**	**972,967**	1,461,129	17.01%	859,316
Bohai Rim	**1,633,965**	**17.25%**	**735,143**	1,442,213	16.79%	642,830
Central	**1,552,809**	**16.39%**	**950,452**	1,358,192	15.81%	798,619
Pearl River Delta	**1,299,615**	**13.72%**	**878,946**	1,220,420	14.21%	811,547
Northeastern	**562,403**	**5.94%**	**298,668**	507,751	5.91%	269,978
Head office	**342,476**	**3.61%**	**–**	280,597	3.27%	407
Overseas	**563,955**	**5.95%**	**74,098**	538,106	6.26%	76,094
Gross loans and advances to customers	**9,474,523**	**100.00%**	**5,102,809**	8,590,057	100.00%	4,601,004

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2014		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**39,321**	**(21,753)**	**(41,168)**
Pearl River Delta	**17,719**	**(9,486)**	**(28,329)**
Central	**14,671**	**(8,455)**	**(32,171)**
Western	**13,039**	**(6,436)**	**(36,155)**
Bohai Rim	**10,860**	**(5,921)**	**(33,727)**
Northeastern	**8,471**	**(4,008)**	**(12,438)**
Head Office	**3,250**	**(376)**	**(7,314)**
Overseas	**5,840**	**(1,338)**	**(2,538)**
Total	**113,171**	**(57,773)**	**(193,840)**

	2013		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	40,844	(25,356)	(39,041)
Central	12,052	(7,109)	(28,126)
Pearl River Delta	10,680	(6,045)	(27,414)
Western	7,221	(4,940)	(31,375)
Bohai Rim	6,695	(4,339)	(30,144)
Northeastern	4,551	(3,236)	(11,094)
Head Office	2,645	(785)	(6,074)
Overseas	576	(327)	(3,291)
Total	85,264	(52,137)	(176,559)

The definitions of geographical segments are set out in Note 60(1).

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Bank

	2014			2013		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,869,069**	**20.49%**	**1,188,909**	1,773,136	21.49%	1,138,800
Western	**1,641,041**	**17.99%**	**972,863**	1,460,804	17.70%	859,222
Central	**1,551,816**	**17.01%**	**950,088**	1,357,198	16.45%	798,306
Bohai Rim	**1,547,173**	**16.96%**	**700,950**	1,381,443	16.74%	619,733
Pearl River Delta	**1,299,615**	**14.25%**	**878,946**	1,220,420	14.79%	811,547
Northeastern	**562,285**	**6.16%**	**298,567**	507,649	6.15%	269,895
Head office	**342,476**	**3.75%**	**–**	280,597	3.40%	407
Overseas	**309,587**	**3.39%**	**17,909**	270,873	3.28%	12,852
Gross loans and advances to customers	**9,123,062**	**100.00%**	**5,008,232**	8,252,120	100.00%	4,510,762

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2014		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**39,090**	**(21,671)**	**(40,902)**
Pearl River Delta	**17,719**	**(9,486)**	**(28,329)**
Central	**14,661**	**(8,452)**	**(32,138)**
Western	**13,039**	**(6,436)**	**(36,143)**
Bohai Rim	**10,723**	**(5,815)**	**(32,196)**
Northeastern	**8,471**	**(4,008)**	**(12,435)**
Head Office	**3,250**	**(376)**	**(7,314)**
Overseas	**271**	**(169)**	**(946)**
Total	**107,224**	**(56,413)**	**(190,403)**

	2013		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	40,783	(25,342)	(38,803)
Central	12,046	(7,107)	(28,093)
Pearl River Delta	10,680	(6,045)	(27,414)
Western	7,221	(4,940)	(31,368)
Bohai Rim	6,558	(4,236)	(29,162)
Northeastern	4,551	(3,236)	(11,092)
Head Office	2,645	(785)	(6,074)
Overseas	297	(194)	(2,814)
Total	84,781	(51,885)	(174,820)

The definitions of geographical segments are set out in Note 60(1).

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	Group		Bank	
	2014	2013	**2014**	2013
Unsecured loans	**2,544,820**	2,336,298	**2,393,294**	2,139,243
Guaranteed loans	**1,826,894**	1,652,755	**1,721,536**	1,602,115
Loans secured by tangible assets other than monetary assets	**4,223,844**	3,734,986	**4,152,298**	3,659,209
Loans secured by monetary assets	**878,965**	866,018	**855,934**	851,553
Gross loans and advances to customers	**9,474,523**	8,590,057	**9,123,062**	8,252,120

(f) Rescheduled loans and advances to customers

Group

	2014		2013	
	Total	**Percentage of gross loans and advances to customers**	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	**3,073**	**0.03%**	1,009	0.01%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	**2,498**	**0.03%**	247	0.00%

Bank

	2014		2013	
	Total	**Percentage of gross loans and advances to customers**	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	**339**	**0.00%**	937	0.01%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	**32**	**0.00%**	247	0.00%

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2014	2013	**2014**	2013
Individually assessed and impaired gross amount	**55**	38	**52**	35
Allowances for impairment losses	**(34)**	(34)	**(31)**	(31)
Subtotal	**21**	4	**21**	4
Neither overdue nor impaired				
– Grade A to AAA	**707,514**	656,824	**703,135**	745,727
– Grade B to BBB	**2,819**	3,688	**2,555**	3,231
– Unrated	**78,383**	94,282	**96,187**	94,211
Subtotal	**788,716**	754,794	**801,877**	843,169
Total	**788,737**	754,798	**801,898**	843,173

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

Group

	2014					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	310	–	–	–	625	935
– Other enterprises	1,791	2,914	53	–	–	4,758
Total	2,101	2,914	53	–	625	5,693
Allowances for impairment losses						(1,319)
Subtotal						4,374
Neither overdue nor impaired						
– Government	1,190,607	12,838	27,387	318	3,725	1,234,875
– Central banks	182,026	57	2,741	3,360	–	188,184
– Policy banks	536,095	–	1,021	32	–	537,148
– Banks and non-bank financial institutions	1,163,171	68,949	17,770	7,315	5,546	1,262,751
– Cinda	–	–	–	–	–	–
– Public sector entities	–	20	–	–	–	20
– Other enterprises	101,438	366,421	14,088	2,286	429	484,662
Total	3,173,337	448,285	63,007	13,311	9,700	3,707,640
Allowances for impairment losses						(4,679)
Subtotal						3,702,961
Total						3,707,335

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Group (continued)

	2013					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,562	–	–	397	3,472	5,431
– Other enterprises	812	2,677	–	–	–	3,489
Total	2,374	2,677	–	397	3,472	8,920
Allowances for impairment losses						(3,947)
Subtotal						4,973
Neither overdue nor impaired						
– Government	1,052,672	2,583	20,061	218	–	1,075,534
– Central banks	189,460	3,989	2,600	–	2,332	198,381
– Policy banks	445,322	–	465	63	–	445,850
– Banks and non-bank financial institutions	1,094,536	56,994	10,062	7,167	3,364	1,172,123
– Cinda	18,852	–	–	–	–	18,852
– Public sector entities	–	19	79	–	–	98
– Other enterprises	71,413	392,075	16,290	2,117	826	482,721
Total	2,872,255	455,660	49,557	9,565	6,522	3,393,559
Allowances for impairment losses						(4,101)
Subtotal						3,389,458
Total						3,394,431

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank

	2014					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	310	–	–	–	625	935
– Other enterprises	88	2,914	–	–	–	3,002
Total	398	2,914	–	–	625	3,937
Allowances for impairment losses						(1,092)
Subtotal						2,845
Neither overdue nor impaired						
– Government	1,188,076	12,465	5,231	318	3,725	1,209,815
– Central banks	175,466	57	2,240	3,360	–	181,123
– Policy banks	528,160	–	–	32	–	528,192
– Banks and non-bank financial institutions	1,144,813	65,317	4,810	4,971	4,663	1,224,574
– Cinda	–	–	–	–	–	–
– Public sector entities	–	–	–	–	–	–
– Other enterprises	94,043	358,621	12,689	1,434	397	467,184
Total	3,130,558	436,460	24,970	10,115	8,785	3,610,888
Allowances for impairment losses						(4,679)
Subtotal						3,606,209
Total						3,609,054

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

Bank (continued)

	2013					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	1,562	–	–	397	3,472	5,431
– Other enterprises	12	2,677	–	–	–	2,689
Total	1,574	2,677	–	397	3,472	8,120
Allowances for impairment losses						(3,811)
Subtotal						4,309
Neither overdue nor impaired						
– Government	1,052,672	925	2,422	218	–	1,056,237
– Central banks	189,068	986	2,365	–	2,332	194,751
– Policy banks	445,322	–	–	63	–	445,385
– Banks and non-bank financial institutions	1,089,076	53,295	6,089	6,105	3,364	1,157,929
– Cinda	18,852	–	–	–	–	18,852
– Public sector entities	–	–	79	–	–	79
– Other enterprises	66,634	385,015	15,799	1,576	795	469,819
Total	2,861,624	440,221	26,754	7,962	6,491	3,343,052
Allowances for impairment losses						(4,101)
Subtotal						3,338,951
Total						3,343,260

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing bank account market risk and the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

	2014			
	As at 31 December	**Average**	**Maximum**	**Minimum**
Risk valuation of trading portfolio	**189**	**67**	**194**	**17**
Of which:				
– Interest rate risk	**173**	**31**	**173**	**9**
– Foreign exchange risk(1)	**36**	**54**	**119**	**12**
– Commodity risk	**1**	**1**	**21**	**–**

	2013			
	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	128	64	148	29
Of which:				
– Interest rate risk	117	36	134	17
– Foreign exchange risk(1)	94	53	107	17
– Commodity risk	7	2	18	–

(1) The reporting of risk in relation to bullion is included in foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

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

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

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;

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

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

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group for the year by RMB38,702 million (2013: RMB40,135 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group for the year would decrease or increase by RMB30,346 million (2013: RMB31,468 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the department who manages the interest related risk or related business departments to mitigate interest rate risk have not been taken into account. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in repricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate repricing gap. The main reason for measuring the interest rate repricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

The following tables indicate the average interest rate ("AIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

Group

		2014						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	128,271	2,482,510	–	–	–	2,610,781
Deposits and placements with banks and non-bank financial institutions		4.63%	–	343,959	161,608	9,419	–	514,986
Financial assets held under resale agreements		4.99%	–	238,256	35,495	–	–	273,751
Loans and advances to customers	(ii)	5.85%	–	5,008,405	4,059,338	83,238	71,929	9,222,910
Investments	(iii)	4.03%	23,619	489,216	528,865	1,585,263	1,103,990	3,730,953
Other assets		–	390,749	–	–	–	–	390,749
Total assets		4.72%	542,639	8,562,346	4,785,306	1,677,920	1,175,919	16,744,130
Liabilities								
Borrowings from central banks		3.04%	–	82,858	8,358	–	–	91,216
Deposits and placements from banks and non-bank financial institutions		3.26%	–	978,962	221,176	6,382	–	1,206,520
Financial liabilities at fair value through profit or loss		1.43%	18,052	209,672	68,285	–	–	296,009
Financial assets sold under repurchase agreements		2.86%	–	181,374	154	–	–	181,528
Deposits from customers		1.92%	132,430	8,685,836	2,650,532	1,421,910	7,967	12,898,675
Debt securities issued		3.47%	–	115,280	116,058	95,854	104,460	431,652
Other liabilities		–	386,167	–	–	–	–	386,167
Total liabilities		2.11%	536,649	10,253,982	3,064,563	1,524,146	112,427	15,491,767
Asset-liability gap		2.61%	5,990	(1,691,636)	1,720,743	153,774	1,063,492	1,252,363

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Group (continued)

		2013						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	120,044	2,354,957	–	–	–	2,475,001
Deposits and placements with banks and non-bank financial institutions		3.85%	–	320,488	146,374	6,489	–	473,351
Financial assets held under resale agreements		4.22%	–	279,292	2,155	–	–	281,447
Loans and advances to customers	(ii)	5.79%	–	4,432,346	3,800,494	58,818	69,703	8,361,361
Investments	(iii)	3.74%	22,811	522,349	542,287	1,277,382	1,052,412	3,417,241
Other assets		–	354,809	–	–	–	–	354,809
Total assets		4.54%	497,664	7,909,432	4,491,310	1,342,689	1,122,115	15,363,210
Liabilities								
Borrowings from central banks		3.61%	–	75,197	3,960	–	–	79,157
Deposits and placements from banks and non-bank financial institutions		2.45%	–	770,665	71,116	6,231	–	848,012
Financial liabilities at fair value through profit or loss		1.37%	24,186	267,224	88,970	–	–	380,380
Financial assets sold under repurchase agreements		3.70%	–	61,807	66	–	–	61,873
Deposits from customers		1.89%	74,794	8,587,466	2,462,729	1,089,647	8,401	12,223,037
Debt securities issued		3.29%	–	110,950	103,031	5,699	137,860	357,540
Other liabilities		–	338,882	–	–	–	–	338,882
Total liabilities		1.98%	437,862	9,873,309	2,729,872	1,101,577	146,261	14,288,881
Asset-liability gap		2.56%	59,802	(1,963,877)	1,761,438	241,112	975,854	1,074,329

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB66,984 million as at 31 December 2014 (2013: RMB33,014 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, debt securities classified as receivables and investments in associates and joint ventures.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank

		2014						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.55%	122,153	2,477,875	–	–	–	2,600,028
Deposits and placements with banks and non-bank financial institutions		4.06%	–	380,091	143,963	4,400	–	528,454
Financial assets held under resale agreements		4.96%	–	237,949	35,495	–	–	273,444
Loans and advances to customers	(ii)	5.91%	–	4,753,217	3,983,089	70,169	69,771	8,876,246
Investments	(iii)	4.05%	32,405	463,784	501,083	1,550,392	1,093,795	3,641,459
Other assets		–	400,152	–	–	–	–	400,152
Total assets		4.72%	554,710	8,312,916	4,663,630	1,624,961	1,163,566	16,319,783
Liabilities								
Borrowings from central banks		3.03%	–	82,426	7,983	–	–	90,409
Deposits and placements from banks and non-bank financial institutions		3.18%	–	964,089	191,957	4,852	–	1,160,898
Financial liabilities at fair value through profit or loss		1.43%	17,235	207,968	67,439	–	–	292,642
Financial assets sold under repurchase agreements		3.47%	–	177,116	140	–	–	177,256
Deposits from customers		1.92%	100,287	8,555,196	2,578,874	1,412,224	7,912	12,654,493
Debt securities issued		3.20%	–	105,105	86,154	75,089	101,156	367,504
Other liabilities		–	344,345	–	–	–	–	344,345
Total liabilities		2.09%	461,867	10,091,900	2,932,547	1,492,165	109,068	15,087,547
Asset-liability gap		2.64%	92,843	(1,778,984)	1,731,083	132,796	1,054,498	1,232,236

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank (continued)

		2013						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.56%	118,085	2,351,412	–	–	–	2,469,497
Deposits and placements with banks and non-bank financial institutions		3.55%	–	396,196	164,017	2,001	–	562,214
Financial assets held under resale agreements		4.21%	–	278,899	2,060	–	–	280,959
Loans and advances to customers	(ii)	5.86%	–	4,183,932	3,719,832	52,504	69,147	8,025,415
Investments	(iii)	3.76%	28,336	513,309	522,551	1,263,447	1,043,953	3,371,596
Other assets		–	373,716	–	–	–	–	373,716
Total assets		4.56%	520,137	7,723,748	4,408,460	1,317,952	1,113,100	15,083,397
Liabilities								
Borrowings from central banks		3.62%	–	74,913	3,820	–	–	78,733
Deposits and placements from banks and non-bank financial institutions		2.36%	–	770,385	50,264	6,317	–	826,966
Financial liabilities at fair value through profit or loss		1.37%	21,627	267,134	88,970	–	–	377,731
Financial assets sold under repurchase agreements		3.93%	–	55,408	49	–	–	55,457
Deposits from customers		1.89%	52,003	8,485,968	2,422,140	1,087,339	8,327	12,055,777
Debt securities issued		3.37%	–	98,178	81,607	4,761	137,860	322,406
Other liabilities		–	307,726	–	–	–	–	307,726
Total liabilities		1.98%	381,356	9,751,986	2,646,850	1,098,417	146,187	14,024,796
Asset-liability gap		2.58%	138,781	(2,028,238)	1,761,610	219,535	966,913	1,058,601

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB63,704 million as at 31 December 2014 (2013: RMB32,281 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

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

Group

		2014			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,553,937	40,375	16,469	2,610,781
Deposits and placements with banks and non-bank financial institutions	(i)	670,774	73,065	44,898	788,737
Loans and advances to customers		8,471,056	568,883	182,971	9,222,910
Investments		3,644,031	35,464	51,458	3,730,953
Other assets		314,775	42,649	33,325	390,749
Total assets		15,654,573	760,436	329,121	16,744,130
Liabilities					
Borrowings from central banks		68,982	7,055	15,179	91,216
Deposits and placements from banks and non-bank financial institutions	(ii)	1,173,773	162,537	51,738	1,388,048
Financial liabilities at fair value through profit or loss		270,329	24,316	1,364	296,009
Deposits from customers		12,280,266	405,376	213,033	12,898,675
Debt securities issued		265,130	122,514	44,008	431,652
Other liabilities		356,103	1,129	28,935	386,167
Total liabilities		14,414,583	722,927	354,257	15,491,767
Net position		1,239,990	37,509	(25,136)	1,252,363
Net notional amount of derivatives		(21,184)	19,298	50,412	48,526
Credit commitments		2,041,479	144,592	93,326	2,279,397

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Group (continued)

		2013			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,413,749	42,686	18,566	2,475,001
Deposits and placements with banks and non-bank financial institutions	(i)	690,739	41,085	22,974	754,798
Loans and advances to customers		7,638,028	578,993	144,340	8,361,361
Investments		3,347,244	37,588	32,409	3,417,241
Other assets		274,723	25,181	54,905	354,809
Total assets		14,364,483	725,533	273,194	15,363,210
Liabilities					
Borrowings from central banks		64,036	12,204	2,917	79,157
Deposits and placements from banks and non-bank financial institutions	(ii)	673,603	159,230	77,052	909,885
Financial liabilities at fair value through profit or loss		342,910	34,499	2,971	380,380
Deposits from customers		11,796,856	262,112	164,069	12,223,037
Debt securities issued		229,256	93,641	34,643	357,540
Other liabilities		325,287	11,355	2,240	338,882
Total liabilities		13,431,948	573,041	283,892	14,288,881
Net position		932,535	152,492	(10,698)	1,074,329
Net notional amount of derivatives		63,418	(122,067)	99,519	40,870
Credit commitments		2,008,813	183,598	117,816	2,310,227

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

		2014			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,549,507	39,978	10,543	2,600,028
Deposits and placements with banks and non-bank financial institutions	(i)	652,427	104,419	45,052	801,898
Loans and advances to customers		8,300,128	493,987	82,131	8,876,246
Investments		3,597,518	20,513	23,428	3,641,459
Other assets		327,890	53,055	19,207	400,152
Total assets		15,427,470	711,952	180,361	16,319,783
Liabilities					
Borrowings from central banks		68,175	7,055	15,179	90,409
Deposits and placements from banks and non-bank financial institutions	(ii)	1,137,458	151,614	49,082	1,338,154
Financial liabilities at fair value through profit or loss		268,356	24,238	48	292,642
Deposits from customers		12,209,331	354,977	90,185	12,654,493
Debt securities issued		239,392	91,552	36,560	367,504
Other liabilities		319,301	14,497	10,547	344,345
Total liabilities		14,242,013	643,933	201,601	15,087,547
Net position		1,185,457	68,019	(21,240)	1,232,236
Net notional amount of derivatives		11,733	(5,917)	40,391	46,207
Credit commitments		2,071,999	186,445	44,582	2,303,027

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank (continued)

	Note	2013 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,410,124	42,676	16,697	2,469,497
Deposits and placements with banks and non-bank financial institutions	(i)	738,662	79,246	25,265	843,173
Loans and advances to customers		7,474,265	473,228	77,922	8,025,415
Investments		3,331,288	20,031	20,277	3,371,596
Other assets		287,936	35,823	49,957	373,716
Total assets		14,242,275	651,004	190,118	15,083,397
Liabilities					
Borrowings from central banks		63,612	12,204	2,917	78,733
Deposits and placements from banks and non-bank financial institutions	(ii)	652,822	154,232	75,369	882,423
Financial liabilities at fair value through profit or loss		342,994	34,473	264	377,731
Deposits from customers		11,740,978	240,597	74,202	12,055,777
Debt securities issued		209,022	81,192	32,192	322,406
Other liabilities		298,675	8,403	648	307,726
Total liabilities		13,308,103	531,101	185,592	14,024,796
Net position		934,172	119,903	4,526	1,058,601
Net notional amount of derivatives		48,626	(76,668)	68,576	40,534
Credit commitments		2,037,442	234,615	82,175	2,354,232

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

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65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM Department. The ALM Department is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;
- optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and
- managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

Group

	2014							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,456,736	154,045	–	–	–	–	–	2,610,781
Deposits and placements with banks and non-bank financial institutions	–	67,172	119,649	153,727	162,134	12,058	246	514,986
Financial assets held under resale agreements	–	–	179,452	58,804	35,495	–	–	273,751
Loans and advances to customers	55,547	356,911	273,474	566,001	2,298,193	2,521,847	3,150,937	9,222,910
Investments								
– Financial assets at fair value through profit or loss	4,467	–	89,983	89,880	76,083	62,882	8,940	332,235
– Available-for-sale financial assets	18,623	–	25,281	64,173	170,404	467,501	180,188	926,170
– Held-to-maturity investments	1,452	–	6,808	32,906	173,056	1,202,843	881,598	2,298,663
– Debt securities classified as receivables	368	–	2,775	5,432	6,539	66,764	88,923	170,801
– Investments in associates and joint ventures	3,084	–	–	–	–	–	–	3,084
Other assets	213,384	29,532	26,090	47,340	66,041	6,952	1,410	390,749
Total assets	2,753,661	607,660	723,512	1,018,263	2,987,945	4,340,847	4,312,242	16,744,130
Liabilities								
Borrowings from central banks	–	–	15,381	67,477	8,358	–	–	91,216
Deposits and placements from banks and non-bank financial institutions	–	585,618	277,699	108,671	224,925	6,549	3,058	1,206,520
Financial liabilities at fair value through profit or loss	–	18,052	111,383	98,289	68,285	–	–	296,009
Financial assets sold under repurchase agreements	–	–	181,079	295	154	–	–	181,528
Deposits from customers	–	6,748,886	888,992	1,143,267	2,658,778	1,442,869	15,883	12,898,675
Debt securities issued								
– Certificates of deposit issued	–	–	27,976	71,028	125,624	15,027	648	240,303
– Bonds issued	–	–	–	233	2,590	19,501	2,209	24,533
– Subordinated bonds issued	–	–	–	–	–	65,773	81,072	144,845
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	1,993	19,978	21,971
Other liabilities	401	115,239	33,723	45,916	135,031	53,092	2,765	386,167
Total liabilities	401	7,467,795	1,536,233	1,535,176	3,223,745	1,602,804	125,613	15,491,767
Long/(short) position	2,753,260	(6,860,135)	(812,721)	(516,913)	(235,800)	2,738,043	4,186,629	1,252,363
Notional amount of derivatives								
– Interest rate contracts	–	–	17,556	13,717	133,341	44,131	2,750	211,495
– Exchange rate contracts	–	–	437,789	378,044	691,726	46,807	6,001	1,560,367
– Other contracts	–	–	6,447	6,985	13,547	1,367	31	28,377
Total	–	–	461,792	398,746	838,614	92,305	8,782	1,800,239

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Group (continued)

	2013							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,273,802	201,199	–	–	–	–	–	2,475,001
Deposits and placements with banks and non-bank financial institutions	–	27,128	186,236	103,997	143,951	11,770	269	473,351
Financial assets held under resale agreements	–	–	275,970	3,322	2,155	–	–	281,447
Loans and advances to customers	32,338	270,466	294,347	603,488	2,230,532	2,108,254	2,821,936	8,361,361
Investments								
– Financial assets at fair value through profit or loss	6,521	–	77,927	137,091	101,473	38,201	2,837	364,050
– Available-for-sale financial assets	17,355	–	13,207	36,722	139,628	341,617	211,763	760,292
– Held-to-maturity investments	544	–	10,462	35,385	176,412	1,073,751	803,984	2,100,538
– Debt securities classified as receivables	1,058	–	2	7,100	5,322	70,432	105,823	189,737
– Investments in associates and joint ventures	2,624	–	–	–	–	–	–	2,624
Other assets	196,990	33,127	23,729	41,044	53,038	5,466	1,415	354,809
Total assets	2,531,232	531,920	881,880	968,149	2,852,511	3,649,491	3,948,027	15,363,210
Liabilities								
Borrowings from central banks	–	–	70,311	4,886	3,960	–	–	79,157
Deposits and placements from banks and non-bank financial institutions	–	458,703	239,605	71,784	71,689	6,231	–	848,012
Financial liabilities at fair value through profit or loss	–	24,186	107,428	159,796	88,970	–	–	380,380
Financial assets sold under repurchase agreements	–	–	60,356	1,451	66	–	–	61,873
Deposits from customers	–	6,653,089	944,140	1,060,733	2,458,328	1,093,697	13,050	12,223,037
Debt securities issued								
– Certificates of deposit issued	–	–	37,525	42,833	98,893	13,867	631	193,749
– Bonds issued	–	–	–	–	499	3,434	–	3,933
– Subordinated bonds issued	–	–	–	12,000	9,998	–	137,860	159,858
Other liabilities	138	107,215	32,631	42,494	116,335	38,671	1,398	338,882
Total liabilities	138	7,243,193	1,491,996	1,395,977	2,848,738	1,155,900	152,939	14,288,881
Long/(short) position	2,531,094	(6,711,273)	(610,116)	(427,828)	3,773	2,493,591	3,795,088	1,074,329
Notional amount of derivatives								
– Interest rate contracts	–	–	6,575	38,615	167,937	45,075	4,252	262,454
– Exchange rate contracts	–	–	470,675	363,364	873,156	26,844	5,946	1,739,985
– Other contracts	–	–	3,978	2,459	8,684	653	–	15,774
Total	–	–	481,228	404,438	1,049,777	72,572	10,198	2,018,213

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

	2014							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,453,866	146,162	–	–	–	–	–	2,600,028
Deposits and placements with banks and non-bank financial institutions	–	81,064	129,070	159,440	151,604	7,030	246	528,454
Financial assets held under resale agreements	–	–	179,145	58,804	35,495	–	–	273,444
Loans and advances to customers	52,150	352,186	242,407	505,451	2,193,056	2,399,377	3,131,619	8,876,246
Investments								
– Financial assets at fair value through profit or loss	–	–	89,739	89,850	75,492	61,869	3,502	320,452
– Available-for-sale financial assets	8,089	–	19,193	57,875	145,283	440,514	173,960	844,914
– Held-to-maturity investments	–	–	6,808	32,906	172,893	1,202,428	879,688	2,294,723
– Debt securities classified as receivables	368	–	1,478	4,660	4,669	57,121	86,280	154,576
– Investments in subsidiaries	26,794	–	–	–	–	–	–	26,794
Other assets	234,772	26,362	24,951	45,858	63,508	3,690	1,011	400,152
Total assets	2,776,039	605,774	692,791	954,844	2,842,000	4,172,029	4,276,306	16,319,783
Liabilities								
Borrowings from central banks	–	–	15,321	67,105	7,983	–	–	90,409
Deposits and placements from banks and non-bank financial institutions	–	589,145	280,045	97,574	190,481	3,653	–	1,160,898
Financial liabilities at fair value through profit or loss	–	17,235	110,889	97,079	67,439	–	–	292,642
Financial assets sold under repurchase agreements	–	–	176,840	276	140	–	–	177,256
Deposits from customers	–	6,716,706	834,896	1,068,206	2,586,501	1,432,356	15,828	12,654,493
Debt securities issued								
– Certificates of deposit issued	–	–	26,144	67,393	93,650	13,821	648	201,656
– Bonds issued	–	–	–	–	499	4,892	608	5,999
– Subordinated bonds issued	–	–	–	–	–	57,956	79,922	137,878
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	1,993	19,978	21,971
Other liabilities	43	116,666	29,664	38,420	104,146	52,674	2,732	344,345
Total liabilities	43	7,439,752	1,473,799	1,436,053	3,050,839	1,567,345	119,716	15,087,547
Long/(short) position	2,775,996	(6,833,978)	(781,008)	(481,209)	(208,839)	2,604,684	4,156,590	1,232,236
Notional amount of derivatives								
– Interest rate contracts	–	–	17,121	13,704	131,685	42,132	2,750	207,392
– Exchange rate contracts	–	–	355,381	291,997	562,810	37,253	5,372	1,252,813
– Other contracts	–	–	6,347	6,912	13,088	–	–	26,347
Total	–	–	378,849	312,613	707,583	79,385	8,122	1,486,552

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis(continued)

Bank (continued)

	2013							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,271,563	197,934	–	–	–	–	–	2,469,497
Deposits and placements with banks and non-bank financial institutions	–	34,693	206,969	146,795	166,207	7,281	269	562,214
Financial assets held under resale agreements	–	–	275,879	3,020	2,060	–	–	280,959
Loans and advances to customers	30,494	270,259	254,957	514,890	2,132,335	2,015,925	2,806,555	8,025,415
Investments								
– Financial assets at fair value through profit or loss	–	–	77,841	136,925	102,392	36,965	2,731	356,854
– Available-for-sale financial assets	9,987	–	9,626	33,969	125,033	327,363	208,767	714,745
– Held-to-maturity investments	544	–	10,462	35,385	174,609	1,072,803	801,938	2,095,741
– Debt securities classified as receivables	368	–	–	7,000	5,022	67,652	102,210	182,252
– Investments in subsidiaries	22,004	–	–	–	–	–	–	22,004
Other assets	223,224	29,724	23,262	40,219	51,782	4,090	1,415	373,716
Total assets	2,558,184	532,610	858,996	918,203	2,759,440	3,532,079	3,923,885	15,083,397
Liabilities								
Borrowings from central banks	–	–	70,212	4,701	3,820	–	–	78,733
Deposits and placements from banks and non-bank financial institutions	–	463,411	241,523	64,968	50,747	6,317	–	826,966
Financial liabilities at fair value through profit or loss	–	21,627	107,297	159,837	88,970	–	–	377,731
Financial assets sold under repurchase agreements	–	–	55,161	247	49	–	–	55,457
Deposits from customers	–	6,627,593	898,020	1,005,768	2,420,030	1,091,390	12,976	12,055,777
Debt securities issued								
– Certificates of deposit issued	–	–	35,709	35,080	75,050	13,083	631	159,553
– Bonds issued	–	–	–	–	499	2,496	–	2,995
– Subordinated bonds issued	–	–	–	12,000	9,998	–	137,860	159,858
Other liabilities	–	102,470	30,244	37,658	97,572	38,385	1,397	307,726
Total liabilities	–	7,215,101	1,438,166	1,320,259	2,746,735	1,151,671	152,864	14,024,796
Long/(short) position	2,558,184	(6,682,491)	(579,170)	(402,056)	12,705	2,380,408	3,771,021	1,058,601
Notional amount of derivatives								
– Interest rate contracts	–	–	6,264	35,983	164,528	43,752	4,252	254,779
– Exchange rate contracts	–	–	414,744	290,086	768,642	22,146	5,946	1,501,564
– Other contracts	–	–	3,925	2,314	7,420	–	–	13,659
Total	–	–	424,933	328,383	940,590	65,898	10,198	1,770,002

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet credit commitments of the Group and the Bank as at the end of reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	2014							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	91,216	92,293	–	15,633	68,081	8,579	–	–
Deposits and placements from banks and non-bank financial institutions	1,206,520	1,218,693	586,146	278,566	110,485	232,376	7,262	3,858
Financial liabilities at fair value through profit or loss	296,009	300,029	18,052	112,230	99,577	70,170	–	–
Financial assets sold under repurchase agreements	181,528	181,633	–	181,179	298	156	–	–
Deposits from customers	12,898,675	13,264,096	6,750,324	904,117	1,176,840	2,763,233	1,651,486	18,096
Debt securities issued								
– Certificates of deposit issued	240,303	242,299	–	28,076	71,278	126,859	15,486	600
– Bond issued	24,533	27,094	–	64	339	3,157	21,089	2,445
– Subordinated bonds issued	144,845	192,199	–	–	1,219	5,739	91,547	93,694
– Eligible Tier 2 capital bonds issued	21,971	34,450	–	–	–	1,294	7,176	25,980
Other financial liabilities	98,912	98,912	96,218	507	320	1,368	–	499
Total	15,204,512	15,651,698	7,450,740	1,520,372	1,528,437	3,212,931	1,794,046	145,172
Off- balance sheet loan commitments and credit card commitments (Note)		926,816	723,996	63,991	31,610	64,423	41,102	1,694
Guarantees, acceptances and other credit commitments (Note)		1,352,581	–	363,442	243,751	447,179	267,126	31,083

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65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Group (continued)

	2013							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	79,157	79,537	–	70,576	4,909	4,052	–	–
Deposits and placements from banks and non-bank financial institutions	848,012	852,612	459,039	240,148	72,900	74,164	6,361	–
Financial liabilities at fair value through profit or loss	380,380	387,188	24,186	108,270	162,019	92,713	–	–
Financial assets sold under repurchase agreements	61,873	61,891	–	60,372	1,453	66	–	–
Deposits from customers	12,223,037	12,543,365	6,654,567	956,794	1,089,270	2,564,169	1,262,662	15,903
Debt securities issued								
– Certificates of deposit issued	193,749	196,291	–	37,609	43,047	100,127	14,721	787
– Bond issued	3,933	4,234	–	–	–	627	3,607	–
– Subordinated bonds issued	159,858	211,824	–	–	13,504	15,972	27,040	155,308
Other financial liabilities	81,203	81,203	78,978	233	289	1,201	–	502
Total	14,031,202	14,418,145	7,216,770	1,474,002	1,387,391	2,853,091	1,314,391	172,500
Off- balance sheet loan commitments and credit card commitments (Note)		919,330	690,271	75,850	29,924	74,029	45,692	3,564
Guarantees, acceptances and other credit commitments (Note)		1,390,897	–	386,481	285,487	421,491	252,247	45,191

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank

	2014							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	90,409	91,463	–	15,571	67,699	8,193	–	–
Deposits and placements from banks and non-bank financial institutions	1,160,898	1,169,583	589,664	280,812	98,868	196,286	3,953	–
Financial liabilities at fair value through profit or loss	292,642	296,625	17,235	111,735	98,343	69,312	–	–
Financial assets sold under repurchase agreements	177,256	177,355	–	176,935	278	142	–	–
Deposits from customers	12,654,493	13,018,382	6,718,141	849,953	1,101,319	2,690,032	1,640,896	18,041
Debt securities issued								
– Certificates of deposit issued	201,656	203,423	–	26,236	67,614	94,718	14,255	600
– Bonds issued	5,999	6,574	–	–	37	660	5,229	648
– Subordinated bonds issued	137,878	182,348	–	–	1,120	5,640	85,040	90,548
– Eligible Tier 2 capital bonds issued	21,971	34,450	–	–	–	1,294	7,176	25,980
Other financial liabilities	59,134	59,134	56,660	489	276	1,210	–	499
Total	14,802,336	15,239,337	7,381,700	1,461,731	1,435,554	3,067,487	1,756,549	136,316
Off-balance sheet loan commitments and credit card commitments (Note)		885,111	723,406	28,782	31,218	62,909	37,102	1,694
Guarantees, acceptances and other credit commitments (Note)		1,417,916	–	368,986	256,049	483,671	278,126	31,084

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank (continued)

	2013							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	78,733	79,104	–	70,475	4,720	3,909	–	–
Deposits and placements from banks and non-bank financial institutions	826,966	829,855	463,560	242,119	65,737	51,932	6,507	–
Financial liabilities at fair value through profit or loss	377,731	384,540	21,627	108,139	162,061	92,713	–	–
Financial assets sold under repurchase agreements	55,457	55,473	–	55,175	249	49	–	–
Deposits from customers	12,055,777	12,375,042	6,629,070	910,625	1,034,089	2,525,313	1,260,117	15,828
Debt securities issued								
– Certificates of deposit issued	159,553	161,643	–	35,790	35,257	75,937	13,872	787
– Bonds issued	2,995	3,235	–	–	–	597	2,638	–
– Subordinated bonds issued	159,858	211,824	–	–	13,504	15,972	27,040	155,308
Other financial liabilities	54,767	54,767	52,722	219	245	1,079	–	502
Total	13,771,837	14,155,483	7,166,979	1,422,542	1,315,862	2,767,501	1,310,174	172,425
Off-balance sheet loan commitments and credit card commitments (Note)		883,644	690,271	45,608	29,725	73,060	41,416	3,564
Guarantees, acceptances and other credit commitments (Note)		1,470,588	–	392,496	314,952	453,868	264,030	45,242

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

65 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In 2014, the Group continued to standardise and strengthen operational risk management. Through integrated application of tools and methods such as operational risk self-assessments, the key risk indicators and the assessments over key risk, the Group continued to establish risk monitoring, risk assessment and inspection over significant business lines and key areas. The Group also strengthened operational risk prevention and control over key business areas and key positions.

– For risk changes in practice, the Group continued to review and improve the development and management of the system of incompatible positions (duties) and emphasised on the rigid mandatory restrictions over checks and balances.

– The Group continued to optimise the information system of operational risk management and further promote its support functions such as self-assessments for risk and control, events of internal and external losses, key risk indicators, scenario analysis, capital measurement and business continuity management.

– In order to guarantee the safety and stability of the operation in respective business lines, the Group continued to promote its business continuity management system, established overall self-assessment of the system and steadily promoted the development of contingency plans and emergency drills, and deepen the applications of operation risk management instruments on risk identification, control improvement and monitoring warning based on system platform to consistently improve the level of specialisation and precision of operation risk management.

– The Group continued to implement the anti-money laundering (AML) policies and improved the system mechanisms and internal controls, focusing on the establishment of AML guidance. The Group has further developed the specialised control for AML, researched on and improved suspicious transactions identification policies, established AML nature analysis, organised the implementation of measures such as AML risk assessments about products and services, etc. to improve the Group's ability to prevent money laundering activities and terrorism financing activities.

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments

(a) Valuation technique, input and process

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Board of Supervisors, Senior Management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

The major valuation techniques and inputs used by the Group are set out in Note 4(3)(g) and Note 4(23)(c). For the year ended 31 December 2014, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2013.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	272	94,846	–	95,118
– Equity instruments and funds	603	8	–	611
Financial assets designated as at fair value through profit or loss				
– Debt securities	31	–	967	998
– Equity instruments	1,905	–	1,951	3,856
– Other debt instruments	–	61,736	169,916	231,652
Positive fair value of derivatives	–	12,470	1,299	13,769
Available-for-sale financial assets				
– Debt securities	29,513	876,918	3,672	910,103
– Equity instruments and funds	8,130	921	4,797	13,848
Total	40,454	1,046,899	182,602	1,269,955
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	295,192	817	296,009
Negative fair value of derivatives	–	11,085	1,288	12,373
Total	–	306,277	2,105	308,382

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Group (continued)

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	236	76,296	–	76,532
– Equity instruments and funds	562	55	–	617
Financial assets designated as at fair value through profit or loss				
– Debt securities	788	–	1,644	2,432
– Equity instruments	1,958	–	3,945	5,903
– Other debt instruments	–	278,566	–	278,566
Positive fair value of derivatives	–	17,921	989	18,910
Available-for-sale financial assets				
– Debt securities	33,912	708,501	4,213	746,626
– Equity instruments and funds	7,912	285	4,041	12,238
Total	45,368	1,081,624	14,832	1,141,824
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	377,820	2,560	380,380
Negative fair value of derivatives	–	18,883	989	19,872
Total	–	396,703	3,549	400,252

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Bank

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	–	88,800	–	88,800
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	–	61,736	169,916	231,652
Positive fair value of derivatives	–	8,592	1,288	9,880
Available-for-sale financial assets				
– Debt securities	12,093	825,991	1,219	839,303
– Equity instruments and funds	3,902	–	1	3,903
Total	15,995	985,119	172,424	1,173,538
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	292,642	–	292,642
Negative fair value of derivatives	–	9,324	1,288	10,612
Total	–	301,966	1,288	303,254

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

Bank (continued)

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	–	76,288	–	76,288
Financial assets designated as at fair value through profit or loss				
– Other debt instruments	–	280,566	–	280,566
Positive fair value of derivatives	–	15,514	989	16,503
Available-for-sale financial assets				
– Debt securities	9,795	695,864	2,754	708,413
– Equity instruments and funds	5,321	–	19	5,340
Total	15,116	1,068,232	3,762	1,087,110
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	377,731	–	377,731
Negative fair value of derivatives	–	15,807	989	16,796
Total	–	393,538	989	394,527

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed WMPs, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial asset at fair value through profit or loss classified as level 3 is the underlying assets of principal guaranteed WMPs. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate.

As at 31 December 2014 and 2013, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group and the Bank.

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	2014									
	Financial assets designated as at fair value through profit or loss				Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Other debt instruments	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2014	1,644	3,945	–	989	4,213	4,041	14,832	(2,560)	(989)	(3,549)
Total gains or losses:										
In profit or loss	(208)	(50)	16,407	307	438	(29)	16,865	224	(307)	(83)
In other comprehensive income	–	–	–	–	(328)	(97)	(425)	–	–	–
Purchases	18	6,824	1,494,792	11	2,406	2,683	1,506,734	–	–	–
Sales and settlements	(487)	(8,768)	(1,341,283)	(8)	(3,057)	(1,801)	(1,355,404)	2,559	8	2,567
Transfer in	–	–	–	–	–	–	–	(1,040)	–	(1,040)
As at 31 December 2014	967	1,951	169,916	1,299	3,672	4,797	182,602	(817)	(1,288)	(2,105)

	2013								
	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2013	3,141	4,760	1,831	4,333	472	14,537	(2,718)	(1,831)	(4,549)
Total gains or losses:									
In profit or loss	(179)	(449)	(724)	420	(55)	(987)	158	724	882
In other comprehensive income	–	–	–	(158)	26	(132)	–	–	–
Purchases	207	3,904	–	2,509	3,638	10,258	–	–	–
Sales and settlements	(1,525)	(4,272)	(118)	(2,891)	(48)	(8,854)	–	118	118
Transfer in	–	2	–	–	8	10	–	–	–
As at 31 December 2013	1,644	3,945	989	4,213	4,041	14,832	(2,560)	(989)	(3,549)

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

Bank

	2014						
			Available-for-sale financial assets				
	Financial assets designated at fair value through profit or loss	**Positive fair value of derivatives**	**Debt securities**	**Equity instruments and funds**	**Total assets**	**Negative fair value of derivatives**	**Total liabilities**
As at 1 January 2014	**–**	**989**	**2,754**	**19**	**3,762**	**(989)**	**(989)**
Total gains or losses:							
In profit or loss	**16,407**	**307**	**395**	**(19)**	**17,090**	**(307)**	**(307)**
In other comprehensive income	**–**	**–**	**(392)**	**–**	**(392)**	**–**	**–**
Purchases	**1,494,792**	**–**	**–**	**1**	**1,494,793**	**–**	**–**
Sales and settlements	**(1,341,283)**	**(8)**	**(1,538)**	**–**	**(1,342,829)**	**8**	**8**
As at 31 December 2014	**169,916**	**1,288**	**1,219**	**1**	**172,424**	**(1,288)**	**(1,288)**

	2013					
		Available-for-sale financial assets				
	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Negative fair value of derivatives	Total liabilities
As at 1 January 2013	1,831	1,608	67	3,506	(1,831)	(1,831)
Total gains or losses:						
In profit or loss	(724)	458	(38)	(304)	724	724
In other comprehensive income	–	(182)	(10)	(192)	–	–
Purchases	–	1,301	–	1,301	–	–
Sales and settlements	(118)	(431)	–	(549)	118	118
As at 31 December 2013	989	2,754	19	3,762	(989)	(989)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

Group

	2014			2013		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(losses)	**16,877**	**(95)**	**16,782**	(313)	208	(105)

Bank

	2014			2013		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains	**16,802**	**(19)**	**16,783**	35	385	420

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Group

	2014					2013	
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value
Debt securities classified as receivables	**170,801**	**166,117**	**–**	**149,821**	**16,296**	189,737	174,379
Held-to-maturity investments	**2,298,663**	**2,323,985**	**2,159**	**2,320,374**	**1,452**	2,100,538	1,998,696
Total	**2,469,464**	**2,490,102**	**2,159**	**2,470,195**	**17,748**	2,290,275	2,173,075

Bank

	2014					2013	
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value
Debt securities classified as receivables	**154,576**	**149,880**	**–**	**149,558**	**322**	182,252	166,587
Held-to-maturity investments	**2,294,723**	**2,320,021**	**2,159**	**2,317,862**	**–**	2,095,741	1,993,931
Total	**2,449,299**	**2,469,901**	**2,159**	**2,467,420**	**322**	2,277,993	2,160,518

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 31 December 2014 was RMB168,614 million and RMB161,397 million (the Group and the Bank 2013: RMB146,810 million), and their carrying value was RMB166,816 million and RMB159,849 million (the Group and the Bank 2013: RMB159,858 million). The carrying values of other financial liabilities approximated their fair values as at the end of the reporting period. The Group use observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified as the Level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 31 December 2014, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

65 RISK MANAGEMENT (CONTINUED)

(7) Insurance Risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognizes insurance contract liabilities accordingly. Insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions of mortality, expenses and interest rates.

(8) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, mainly including management of capital adequacy ratio, capital planning, capital raising and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systemically important domestic banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Measures for Capital Management of Commercial Banks (trial)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	2014	2013
Common Equity Tier 1 ratio	(a)(b)(c)	**12.12%**	10.75%
Tier 1 ratio	(a)(b)(c)	**12.12%**	10.75%
Total capital ratio	(a)(b)(c)	**14.87%**	13.34%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve	(d)	**139,761**	116,321
– Surplus reserve		**130,515**	107,970
– General reserve		**169,478**	153,825
– Retained earnings		**556,756**	442,554
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**4,456**	3,729
– Others	(e)	**(6,262)**	(5,948)
Deductions for Common Equity Tier 1 capital			
– Goodwill	(f)	**2,501**	1,415
– Other intangible assets (excluding land use right)	(f)	**1,592**	1,609
– Cash-flow hedge reserve		**(10)**	(148)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,902**	3,902
Additional Tier 1 capital			
– Non-controlling interest given recognition in Additional Tier 1 capital		**37**	16
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related stock surplus		**149,839**	144,000
– Provisions in Tier 2	(g)	**127,878**	110,918
– Non-controlling interest given recognition in Tier 2 capital		**2,444**	106
Common Equity Tier 1 capital after deduction	(h)	**1,236,730**	1,061,684
Tier 1 capital after deduction	(h)	**1,236,767**	1,061,700
Total capital after deduction	(h)	**1,516,928**	1,316,724
Risk-weighted assets	(i)	**10,203,643**	9,872,790

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) Since the Half Year report of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total Capital ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(d) Capital reserve includes investment revaluation reserve.

(e) Others mainly include foreign exchange reserve.

(f) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(g) Since the Half Year report of 2014, eligible excessive loan provisions was measured based on the advanced approach and implemented parallel period rules.

(h) Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

(i) At 31 December 2014, according to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excessive risk-weighted assets due to the application of capital floor.

66 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

67 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

68 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

(Expressed in millions of RMB, unless otherwise stated)

69 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in the financial statements.

Standards	Effective for annual period beginning on or after
IFRS 9, "Financial Instruments"	1 January 2018
IFRS 14, "Regulatory Deferral Accounts"	1 January 2016
IFRS 15, "Revenue from Contracts with Customers"	1 January 2017
Amendment to IFRS 11, "Joint Arrangement"	1 January 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to IAS 19, "Employee Benefits"	1 July 2016
Amendment to IAS 27, "Separate Financial Statement"	1 January 2016
Amendments to IFRS 10, "Consolidated Financial Statements" and IAS 28, "Investments in Associates"	1 January 2016
Annual improvements 2012	1 July 2014
Annual improvements 2013	1 July 2014
Annual improvements 2014	1 January 2016

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

15 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

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

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

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2014 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2014 or total equity as at 31 December 2014 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

2 LIQUIDITY RATIOS

	As at 31 December 2014	**Average for the year ended 31 December 2014**	As at 31 December 2013	Average for the year ended 31 December 2013
RMB current assets to RMB current liabilities	**48.88%**	**48.30%**	46.57%	49.25%
Foreign currency current assets to foreign currency current liabilities	**57.03%**	**56.87%**	55.20%	49.16%

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

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

3 CURRENCY CONCENTRATIONS

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

Overview | Management discussion & analysis | Corporate governance | Financial statements and others

3 CURRENCY CONCENTRATIONS (CONTINUED)

	2013			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	731,627	141,255	71,352	944,234
Spot liabilities	(540,063)	(174,454)	(117,234)	(831,751)
Forward purchases	740,072	57,311	105,430	902,813
Forward sales	(924,064)	(11,030)	(55,931)	(991,025)
Net options position	200	–	–	200
Net long position	7,772	13,082	3,617	24,471
Net structural position	5,775	3,775	(1,645)	7,905

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

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

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

4 CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

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

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if claims are guaranteed by a party in a country which is different from that of the counterparty or if claims are on an overseas branch of a bank whose head office is located in another country.

	2014			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**21,421**	**1,276**	**274,007**	**296,704**
– of which attributed to Hong Kong	**9,175**	**501**	**204,110**	**213,786**
Europe	**9,889**	**57**	**13,321**	**23,267**
North and South America	**12,792**	**487**	**79,640**	**92,919**
Total	**44,102**	**1,820**	**366,968**	**412,890**

4 CROSS-BORDER CLAIMS (CONTINUED)

	2013			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	18,759	1,760	166,365	186,884
– of which attributed to Hong Kong	9,142	322	138,643	148,107
Europe	2,471	74	15,389	17,934
North and South America	15,232	239	61,755	77,226
Total	36,462	2,073	243,509	282,044

The above cross-border claims are disclosed in accordance with the requirements of the rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	2014	2013
Yangtze River Delta	**33,320**	31,208
Pearl River Delta	**11,151**	7,253
Central	**9,413**	6,950
Bohai Rim	**7,833**	4,139
Western	**7,555**	4,702
Northeastern	**4,923**	4,470
Head office	**3,246**	2,642
Overseas	**1,370**	263
Total	**78,811**	61,627

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

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

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

6 NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2014, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

16 RANKINGS AND AWARDS

THE BANKER

FINANCIAL TIMES

FORBES

THE BANKER

Ranked 2nd in the
“Top 1000 World Banks”
(tier-one capital)

FINANCIAL TIMES

Ranked 29th in the
“FT Global 500”

Ranked 3rd in the
“FT Emerging 500”

FORBES

Ranked 2nd in the
“Forbes Global 2000”

FORTUNE

Ranked 38th in the
“Fortune Global 500”

FORTUNE CHINA

FORTUNE CHINA

Ranked 9th in the
“Fortune China 500”

CORPORATE GOVERNANCE ASIA

Asian Excellence Awards 2014 – Asia’s Best CEO in China

Asian Excellence Awards 2014 – Asia’s Best CFO in China

Asian Excellence Awards 2014 – Best Investor Relations Company in China

EUROMONEY

Awards for excellence 2014 – Best Debt House in China

GLOBAL FINANCE

Star of China – Best Innovative Bank

THE ASIAN BANKER

The Strongest Bank in China for 2014

China Country Awards 2014 – Retail Banking – Best Mortgage and Home Loan Business

China Country Awards 2014 – Retail Banking – Best Credit Card Product/ Business

China Country Awards 2014 – Retail Banking – Best Micro Finance Product

BRANDZ

Ranked 4th in BrandZ Most Valuable Chinese Brands

INTERBRAND

Ranked 4th in Top 100 Most Valuable Brands China 2014

CHINA BANKING ASSOCIATION

Annual Corporate Social Responsibility – Best Charity Contribution

Best China Banking Coverage

THE CHINESE BANKER

Best Image of Financial Institutions

SHANGHAI SECURITIES NEWS

Best Service Experience for Mobile Banking

THE 21ST CENTURY BUSINESS HERALD

Best Risk Management for Banking in Asia

CBN CHINA FINANCIAL VALUE RANKING

Best Risk Management for Banking

Brand of the Year for Banking Wealth Management Products

YAZHOU ZHOUKAN

Ranking of Hong Kong Listed Chinese Enterprises – Enterprise of the Highest Market Value

SINA FINANCE

Best Mobile Bank

HEXUN.COM

The Most Influential National Bank

EASTMONEY.COM

Best Mobile Bank

Best Comprehensive Bank

XINHUA NEWS AGENCY ONLINE AND RESEARCH CENTRE FOR CORPORATE SOCIAL RESPONSIBILITY, THE CHINESE ACADEMY OF SOCIAL SCIENCES (CSSR)

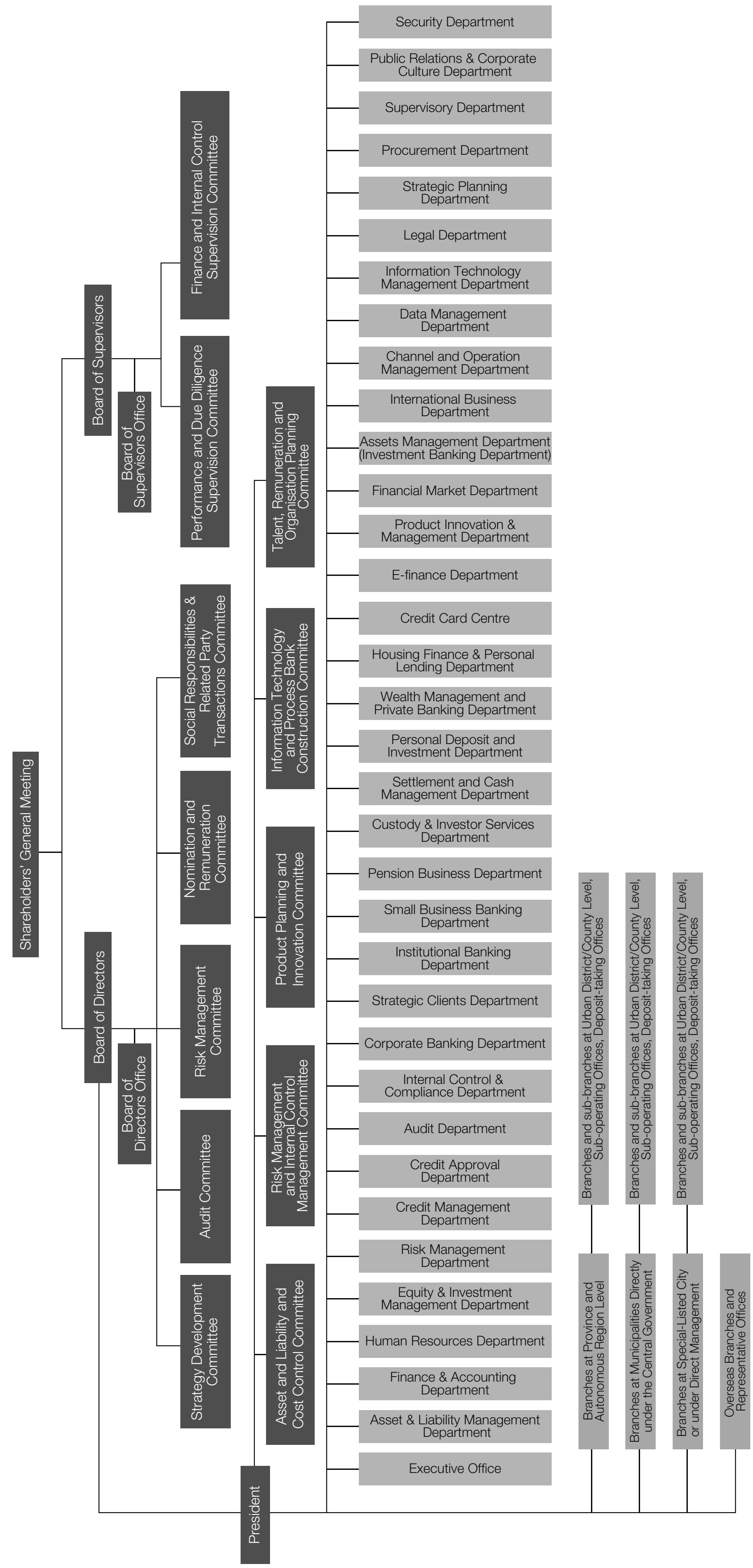
Outstanding Executive Contribution to Corporate Social Responsibility Award

CHINA WOMEN DEVELOPMENT FOUNDATION

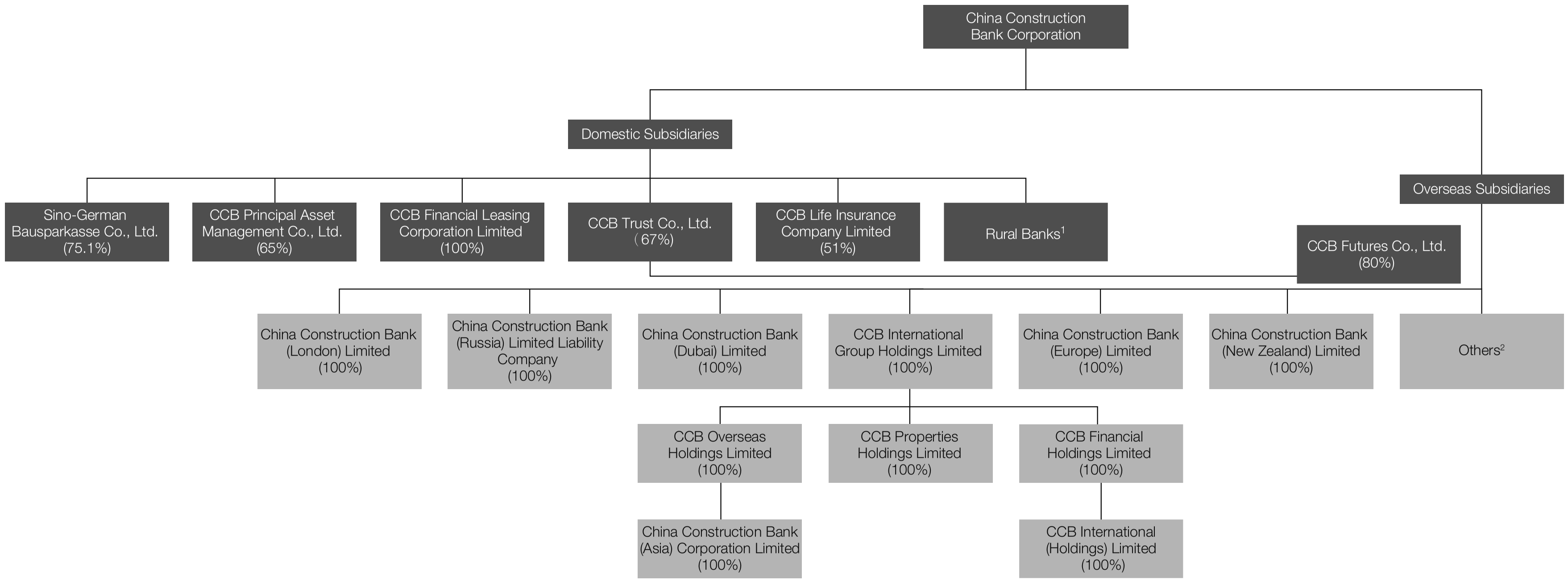
China Women Charity Award

17 ORGANISATIONAL STRUCTURE

CCB'S MANAGEMENT STRUCTURE



CCB'S EQUITY INVESTMENT STRUCTURE



1. As at 31 December 2014, the Bank has set up a total of 27 rural banks. For more information, please refer to the rural banks listed in "Branches and Subsidiaries-Subsidiaries" of this annual report.
2. Others include Golden Fountain Finance Limited and Banco Industrial e Comercial S.A..

18 BRANCHES AND SUBSIDIARIES

TIER-ONE BRANCHES IN MAINLAND CHINA

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 255, Huizhou Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
Beijing Branch	No. 4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No. 142, Guping Road, Fuzhou Postcode: 350003	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 90, Minzu Road, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 148, Zhonghua North Road, Guiyang Postcode: 550001	(0851) 6696000	(0851) 6696377
Hainan Branch	CCB Plaza, No. 8, Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 87888866	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 53619009	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
Hunan Branch	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419378	(0731)84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 88574498	(0431) 88988748

Branches	Address	Telephone	Facsimile
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
Liaoning Branch	No. 176, Zhongshan Road, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22856915
Inner Mongolia Branch	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593018	(0471) 4593890
Ningbo Branch	No. 31, Guangji Street, Ningbo Postcode: 315010	(0574) 87313888	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Street, Yinchuan Postcode: 750001	(0951) 4126111	(0951) 4106165
Qingdao Branch	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261154	(0971) 8261225
Shandong Branch	No. 178, Luoyuan Street, Jinan Postcode: 250012	(0531) 82088108	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi’an Postcode: 710002	(029) 87617515	(029) 87606014
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No.900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	A Section, Rongchao Business Centre, 6003 Yitian Road, Futian District, Shenzhen Postcode: 518026	(0755) 23828888	(0755) 23828111
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suzhou Road West, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 23401166	(022) 23401811

Branches	Address	Telephone	Facsimile
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6836818
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
Yunnan Branch	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060858	(0871) 63060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

BRANCHES OUTSIDE MAINLAND CHINA

Brisbane Branch	340 Queen Street, Brisbane, QLD 4000, Australia Telephone: (61) 7-30691900 Facsimile: (61) 7-31721633
Frankfurt Branch	Bockenheimer Landstrasse 51-53, 60325 Frankfurt am Main, Germany Telephone: (49) 69-9714950 Facsimile: (49) 69-97149588, 97149577
Ho Chi Minh City Branch	1105-1106 Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam Telephone: (84) 8-38295533 Facsimile: (84) 8-38275533
Hong Kong Branch	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39186939 Facsimile: (852) 39186001
Johannesburg Branch	95 Grayston Drive, Morningside, Sandton, South Africa 2196 Telephone: (27) 11-5209400 Facsimile: (27) 11-5209411
Luxembourg Branch	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: (352) 286688 Facsimile: (352) 28668801
Macau Branch	5/F, Circle Square, 61 Avenida de Almeida Ribeiro, Macau Telephone: (853) 82911880 Facsimile: (853) 82911804

Melbourne Branch	410 Collins Street, Melbourne VIC 3000, Australia Telephone: (61) 3-94528500 Facsimile: (61) 3-96706608
New York Branch	33/F, 1095 Avenue of the Americas, New York, USA NY 10036 Telephone: (1) 646-7812400 Facsimile: (1) 212-2078288
Osaka Branch	1/F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan Telephone: (81) 6-61209080 Facsimile: (81) 6-62439080
Seoul Branch	7/F, Seoul Finance Centre #136, Sejongdaero, Jung-gu, Seoul 100-768, Korea Telephone: (82) 2-67301718 Facsimile: (82) 2-67301701
Singapore Branch	9 Raffles Place, #33-01/02, Republic Plaza, Singapore 048619 Telephone: (65) 65358133 Facsimile: (65) 65356533
Sydney Branch	Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia Telephone: (61) 2-80316100 Facsimile: (61) 2-92522779
Taipei Branch	2/F-A3, No.106, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan Telephone: (886) 2-87292008 Facsimile: (886) 2-27235399
Tokyo Branch	West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004 Japan Telephone: (81) 3-52935218 Facsimile: (81) 3-32145157
Toronto Branch	181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3 Telephone: (1) 647-7777700 Facsimile: (1) 647-7777739

SUBSIDIARIES

Banco Industrial e Comercial S.A.	Avenida Brigadeiro Faria Lima, 4440, 1-5F, Itaim Bibi – São Paulo – SP – 04538-132 Postcode: 04538-132 Telephone: 55 (11) 21739190 Facsimile: 55 (11) 32668951 Website: www.bicbanco.com.br
CCB Financial Leasing Corporation Limited	6/F, Building 4, ChangAn XingRong Center, No.1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: (010) 67594583/76 Facsimile: (010) 66275808/9 Website: www.ccbleasing.com

CCB Futures Co., Ltd.	No. 198, Dapu Road, Huangpu District, Shanghai Postcode: 200023 Telephone: (021) 63027929 Facsimile: (021) 63027929 Website: www.ccbfutures.com
CCB International (Holdings) Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39118000 Facsimile: (852) 25301496 Website: www.ccbintl.com.hk
CCB Life Insurance Company Limited	8/F, GC Tower, No.1088 Yuanshen Road, Pudong New District, Shanghai Postcode: 200122 Telephone: (021) 38991666 Facsimile: (021) 33922185 Website: www.ccb-life.com.cn
CCB Principal Asset Management Co., Ltd.	16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: (010) 66228888 Facsimile: (010) 66228889 Website: www.ccbfund.cn
CCB Trust Co., Ltd.	No. 45, Jiushiqiao Street, Hefei, Anhui Province Postcode: 230001 Telephone: (0551) 65295516 Facsimile: (0551) 62679542 Website: www.ccbtrust.com.cn
China Construction Bank (Asia) Corporation Limited	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39186939 Facsimile: (852) 39186001
China Construction Bank (Dubai) Limited	31/F, Tower 2, Al Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE Telephone: (971) 4-5674888 Facsimile: (971) 4-5674777
China Construction Bank (Europe) Limited	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: (352) 286688 Facsimile: (352) 28668801
China Construction Bank (London) Limited	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: (44) 20-70386000 Facsimile: (44) 20-70386001
China Construction Bank (New Zealand) Limited	Level 16, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: (64) 9-3388200 Facsimile: (64) 9-3744275
China Construction Bank (Russia) Limited Liability Company	Lubyanskiy proyezd, 11/1, building 1, 101000 Moscow Russia Telephone: (7) 495-6759800 Facsimile: (7) 495-6759810

Sino-German Bausparkasse Co., Ltd.	No. 19, Guizhou Road, Heping District, Tianjin Postcode: 300051 Telephone: (022) 58086699 Facsimile: (022) 58086808 Website: www.sgb.cn
Anhui Fanchang Jianxin Rural Bank Company Limited	1/F, Oversea-Chinese International Hotel, Fanyang Town, Fanchang County, Anhui Province Postcode: 241200 Telephone: (0553) 7853939 Facsimile: (0553) 7853939
Chongqing Wanzhou Jianxin Rural Bank Company Limited	Podium Building A, Return House, Binjiang Road, Sunjiashufang, Wanzhou District, Chongqing City Postcode: 404000 Telephone: (023) 58690690 Facsimile: (023) 58690692
Hebei Fengning Jianxin Rural Bank Company Limited	No. 5-7, Fengheyuan Community, Xinfeng Road, Dage Town, Fengning County, Hebei Province Postcode: 068350 Telephone: (0314) 5975005 Facsimile: (0314) 5975005
Henan Xinye Jianxin Rural Bank Company Limited	North Chaoyang Road, Xinye County, Henan Province Postcode: 473500 Telephone: (0377) 60917789 Facsimile: (0377) 60917111
Heilongjiang Zhaodong Jianxin Rural Bank Company Limited	Building E, Jiangshandijing, Zhengyang South Road 15, Zhaodong City, Heilongjiang Province Postcode: 151100 Telephone: (0455) 7917001 Facsimile: (0455) 7917001
Hunan Taojiang Jianxin Rural Bank Corporation Limited	Junction of Furong Road and Taohui Road, Taohuajiang Town, Taojiang County, Hunan Province Postcode: 413400 Telephone: (0737) 8213820 Facsimile: (0737) 8213820
Jiangsu Gaochun Wujiazui Jianxin Rural Bank Company Limited	No. 97, Danyanghu North Road, Chunxi Town, Gaochun County, Jiangsu Province Postcode: 211300 Telephone: (025) 57336988 Facsimile: (025) 57336981
Jiangsu Haimen Jianxin Rural Bank Company Limited	No. 248, Middle Jiefang Road, Haimen Town, Haimen City, Jiangsu Province Postcode: 226100 Telephone: (0513) 81262289 Facsimile: (0513) 81262292
Jiangsu Taixing Jianxin Rural Bank Company Limited	No. 177, Zhongxing Avenue, Taixing City, Jiangsu Province Postcode: 225400 Telephone: (0523) 80737889 Facsimile: (0523) 87091017

Jiangsu Wujin Jianxin Rural Bank Company Limited	No. 104, Hutang Changwu North Road, Wujin District, Changzhou City, Jiangsu Province Postcode: 213161 Telephone: (0519) 86711369 Facsimile: (0519) 86707719
Jiangsu Xishan Jianxin Rural Bank Company Limited	No. 10-20, 21, 22, Youyi South Road, Dongting Street, Xishan District, Wuxi City, Jiangsu Province Postcode: 214101 Telephone: (0510) 88824910 Facsimile: (0510) 88824910
Ningbo Cixi Jianxin Rural Bank Company Limited	No. 1582, Bei Er Huan East Road, Baishalu Jiedao, Cixi County, Ningbo City, Zhejiang Province Postcode: 315311 Telephone: (0574) 63993505 Facsimile: (0574) 63993506
Ningbo Ninghai Jianxin Rural Bank Company Limited	No. 600, Qixiang North Road, Ninghai County, Ningbo City, Zhejiang Province Postcode: 315600 Telephone: (0574) 82535268 Facsimile: (0574) 82535268
Shaanxi Ansai Jianxin Rural Bank Company Limited	Chengbei District, Ansai County, Shaanxi Province Postcode: 717400 Telephone: (0911) 6211077 Facsimile: (0911) 6211077
Shandong Tengzhou Jianxin Rural Bank Company Limited	No. 42, North Shanguo Road, Tengzhou City, Shandong Province Postcode: 277500 Telephone: (0632) 3598159 Facsimile: (0632) 3598159
Shandong Wendeng Jianxin Rural Bank Company Limited	No. 29, Wenshan East Road, Wendeng City, Shandong Province Postcode: 264400 Telephone: (0631) 8360189 Facsimile: (0631) 8360189
Shandong Zhaoyuan Jianxin Rural Bank Company Limited	Wenfeng Investment Building, Wenquan Road, Zhaoyuan Economic Development Zone, Yantai City, Shandong Province Postcode: 265400 Telephone: (0535) 8063938 Facsimile: (0535) 8255208
Shandong Zhucheng Jianxin Rural Bank Company Limited	No. 39, Xinghua East Road, Zhucheng City, Shandong Province Postcode: 262200 Telephone: (0536) 2160601 Facsimile: (0536) 2160621
Shandong Zoucheng Jianxin Rural Bank Company Limited	No. 518, Taiping East Road, Zoucheng City, Jining City, Shandong Province Postcode: 273500 Telephone: (0537) 5219639 Facsimile: (0537) 5219876

Shanghai Pudong Jianxin Rural Bank Company Limited	No. 26, Beishi Street, Chuansha Town, Pudong New District, Shanghai Postcode: 201200 Telephone: (021) 58385876 Facsimile: (021) 58385938
Suzhou Changshu Jianxin Rural Bank Company Limited	No. 33, North Haiyu Road, Changshu City, Jiangsu Province Postcode: 215500 Telephone: (0512) 51910510 Facsimile: (0512) 51910526
Zhejiang Cangnan Jianxin Rural Bank Corporation Limited	No. 102-104, Building 2,Yihe City Homeland, Yucang Road, Lingxi Town, Cangnan County, Zhejiang Province Postcode: 325800 Telephone: (0577) 68857896 Facsimile: (0577) 68857893
Zhejiang Chun'an Jianxin Rural Bank Company Limited	No. 15-51, Xinan South Road, Qiandaohu Town, Chunan County, Zhejiang Province Postcode: 311700 Telephone: (0571) 65090006 Facsimile: (0571) 65092226
Zhejiang Jiangshan Jianxin Rural Bank Company Limited	No. 56, the First Street, South Hushan Street, Jiangshan County, Zhejiang Province Postcode: 324100 Telephone: (0570) 4037890 Facsimile: (0570) 4037895
Zhejiang Lishui Liandu Jianxin Rural Bank Company Limited	No. 519, Renmin Street, Liandu District, Lishui City, Zhejiang Province Postcode: 323000 Telephone: (0578) 2227227 Facsimile: (0578) 2227228
Zhejiang Qingtian Jianxin Oversea-Chinese Rural Bank Company Limited	No. 59-75, Shengzhi Street, Qingtian County, Zhejiang Province Postcode: 323900 Telephone: (0578) 6812966 Facsimile: (0578) 6812910
Zhejiang Wuyi Jianxin Rural Bank Company Limited	1/F, No. 4 Area, Business Hall, Jiefang Middle Street, Wuyi County, Zhejiang Province Postcode: 321200 Telephone: (0579) 87679091 Facsimile: (0579) 87679091

DEFINITIONS

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

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

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

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

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