中国建设银行
China Construction Bank

Half-Year Report 2016

China Construction Bank Corporation

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

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

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1 Financial Highlights

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

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Six months ended 30 June 2014
For the period			
Net interest income	**210,990**	224,619	211,292
Net fee and commission income	**67,190**	63,645	60,180
Operating income	**295,679**	297,817	276,727
Profit before tax	**169,878**	169,207	169,516
Net profit	**133,903**	132,244	130,970
Net profit attributable to equity shareholders of the Bank	**133,410**	131,895	130,662
Per share (in RMB)			
Basic and diluted earnings per share	**0.53**	0.53	0.52
Profitability indicators (%)			
Annualised return on average assets[1]	**1.41**	1.51	1.65
Annualised return on average equity	**17.80**	20.18	22.97
Net interest spread	**2.15**	2.48	2.62
Net interest margin	**2.32**	2.67	2.80
Net fee and commission income to operating income	**22.72**	21.37	21.75
Cost-to-income ratio[2]	**22.24**	23.23	24.18

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then annualised.
2. Operating expenses (after deductions of business taxes and surcharges) divided by operating income.

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2016**	As at 31 December 2015	As at 31 December 2014
At the end of the period			
Gross loans and advances to customers	**11,137,877**	10,485,140	9,474,510
Allowances for impairment losses on loans	**(275,887)**	(250,617)	(251,613)
Total assets	**19,760,148**	18,349,489	16,744,093
Deposits from customers	**14,675,541**	13,668,533	12,899,153
Total liabilities	**18,254,188**	16,904,406	15,492,245
Total equity attributable to equity shareholders of the Bank	**1,494,865**	1,434,020	1,241,510
Share capital	**250,011**	250,011	250,011
Total capital after deductions[1]	**1,697,254**	1,650,173	1,516,310
Risk-weighted assets[1]	**11,245,917**	10,722,082	10,203,754
Per share (in RMB)			
Net assets per share	**5.94**	5.78	5.01
Capital adequacy indicators (%)			
Common Equity Tier 1 ratio[1]	**13.06**	13.13	12.11
Tier 1 ratio[1]	**13.24**	13.32	12.11
Total capital ratio[1]	**15.09**	15.39	14.86
Total equity to total assets	**7.62**	7.88	7.48
Asset quality indicators (%)			
Non-performing loan ratio	**1.63**	1.58	1.19
Allowances to non-performing loans	**151.63**	150.99	222.33
Allowances to total loans	**2.48**	2.39	2.66

1. Calculated in accordance with the relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*.

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

Date and place of initial registration	17 September 2004 State Administration for Industry & Commerce of the People's Republic of China (Please refer to the H-share Global Offering Prospectus issued by the Bank on Hong Kong Stock Exchange on 14 October 2005 and the A-share Prospectus issued by the Bank on the Shanghai Stock Exchange on 11 September 2007 for more information.)
Date and place of registration change	2 June 2016 Beijing Administration for Industry & Commerce
Unified social credit code	911100001000044477
Financial licence institution number	B0004H111000001
Certified public accountants	PricewaterhouseCoopers Zhong Tian LLP Address: 11/F, PricewaterhouseCoopers Centre, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai Signing accountants: Ye Shaokuan 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: 3/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 the first half of 2016, facing the complex economic and financial environment, the Group persisted in reform, innovation and business transformation to serve the real economy, constantly expanded business scale and profitability, and maintained a stable market position with good new performance. In the first half of 2016, the asset and liability business of the Group witnessed a steady growth, with the total assets reaching RMB19.76 trillion, an increase of RMB1.41 trillion or 7.69% over the end of last year. The key operating indicators performed well. Net profit amounted to RMB133,903 million, an increase of 1.25% over the same period last year. The annualised return on average assets and the annualised return on average equity were 1.41% and 17.80% respectively. Total capital ratio and common equity tier 1 ratio were 15.09% and 13.06% respectively. The regulatory indicators and core financial indicators continued to lead among peers.

We persisted in serving the real economy and constantly expanded business scale and profitability. By closely following and studying the "13th Five-Year Plan", the structural reforms on the supply side, and business opportunities brought by the implementation of strategies including the construction of Yangtze River Economic Belt, the coordinated development for the Beijing-Tianjin-Hebei region and "One Belt and One Road", the Group leveraged on its advantages in infrastructure construction, cost advisory service and comprehensive licenses to provide major projects and key customers with high-quality and efficient integrated financial services. Loans increased by RMB652,737 million over the end of last year. Meanwhile, the Group actively marketed Financial Total Solutions (FITS™), providing various types of direct financing services including bonds, securitisation, mergers and acquisitions and funds for its customers. The Group continued to maintain a leading edge in housing finance, with the residential mortgages ranking first among peers in terms of both the balance and the increase. Drawing on new technologies such as big data and other internet technologies, the Group innovatively launched "Quick Loans for Small and Micro Businesses" and hi-tech financial service models. It constantly refined business process and risk control mechanism, and established a grand platform of integrated financial services for small and micro businesses, leading to greater support to small and micro businesses. Exploring the new sources of growth in people's livelihood, the Group proactively used new asset-light instruments and approaches to expand county-level markets.

We continued to promote the strategic transformation and achieved sound progress in transformation and development. The Group's ability to provide customer-centric comprehensive services continued to improve. In the first half of 2016, the incorporation of CCB Property Insurance Company Limited was approved, CCB International acquired 75% equity interests of Metdist, and the insurance assets management company of CCB Life officially opened. The Group consolidated its advantage in the number of non-banking licenses, with the total assets of integrated operation subsidiaries reaching RMB342,385 million, up by 28.44% over the end of last year, and the net profit increasing by 27.72% compared to the same period last year. The Group accelerated its pace in international development. In the first half of 2016, Zurich Branch and Chile Branch were opened and so far, the Group has established over 140 overseas institutions in 26 countries and regions. At the end of June, the total assets of overseas commercial banks amounted to RMB1,340,284 million, up by 12.85% over the end of last year, and the net profit was RMB2,910 million, up by 31.65% compared to the same period last year. Three business centres directly run by the head office, namely assets management business centre, financial institutional business centre and financial market trading centre, started to operate, and the integration plan of relocating directly-run centres of the head office to centralised production zones was orderly implemented. The Phase 3.1 projects of the new generation core banking system were successfully put into operation, and the main construction will be completed before the end of 2016. The Group's enterprise-level process system was further improved, effectively supporting the transformation and development. The Group accelerated its transformation towards innovative bank with enhanced innovation capability, as witnessed by numerous innovative products such as "Quick Loans for Small and Micro Businesses" and "Investment, Loans & Mortgage (a package financing services for real estate developers)". The Group took the leading position in mobile finance, with the numbers of active mobile banking and WeChat banking customers as well as its influence ranking first among peers. The smart banking transformation at outlets was carried forward steadily, with over 20,000 pilot Smart Teller Machines (STMs) in use, notably improving the efficiency of business processing. The "three integrations" transformation was further promoted in outlets with integrated marketing teams covering all integrated outlets.

We comprehensively intensified risk management and control, and kept asset quality within expectations. Loan quality saw marginal improvements. In the first half of 2016, newly exposed non-performing loans (NPLs) decreased compared to the same period of 2015, while the default rate of corporate customers decreased quarter by quarter. In addition, the Group actively explored new methods and approaches of risk disposal, in order to raise recovery rate and save disposal costs through market mechanism. In the first half of 2016, the Group maintained a stable and controllable risk condition. The NPL ratio was 1.63% and the ratio of allowances to NPLs was 151.63%.

In the first half of 2016, the Group's performance in various aspects gained wide recognition from the market and community. We received more than 40 accolades from renowned organisations both at home and abroad, including "2016 Best Bank in China" awarded by UK magazine *Euromoney*; "2016 Best Bank for Liquidity Management in Asia-Pacific Region" and "2016 Best Treasury & Cash Management Provider in China" by US magazine *Global Finance*; "Best Social Responsible Financial Institution Award" by China Banking Association; the second place again in the "Top 1000 World Banks" published by UK magazine *The Banker* in terms of total tier-one capital in 2016; the 22nd place in "Fortune Global 500" published by US magazine *Fortune* in 2016, advancing by seven places over last year.

In the first half of 2016, due to expiration of the terms of office, Ms. Chen Yuanling and Mr. Xu Tie ceased to serve as non-executive directors, and Ms. Margaret Leung Ko May Yee ceased to serve as independent non-executive director; at the 2015 annual general meeting of the Bank, Mr. Guo Yanpeng was re-elected as non-executive director, and Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok and Mr. Murray Horn were re-elected as independent non-executive directors. On behalf of the Board, I would like to take this opportunity to express sincere gratitude to Ms. Chen Yuanling, Mr. Xu Tie and Ms. Margaret Leung Ko May Yee for their contributions to the Group.

In the second half of 2016, the Group will continue to keep up with the general trend and serve the overall interests, vigorously promote the implementation of strategic transformation, appropriately adjust and optimise policies, take the lead in innovation to further enhance efficiency and vitality of operation and management, strictly control risks, and strive to achieve our annual goals of operation.

Wang Hongzhang
Chairman and executive director

25 August 2016

4 President's Report

Dear shareholders,

In the first half of 2016, the Group vigorously served national policies and conscientiously implemented regulatory requirements, took proactive efforts to maintain stable operation, and achieved good operating performance as a result of its efforts in deepening transformation and development, strengthening comprehensive risk management and control, and continuously reinforcing the fundamentals of development.

Prudent operating philosophy led to good performance

We made steady growth in assets and liabilities. In the first half of 2016, the Group's total assets increased by 7.69% to RMB19.76 trillion over the end of last year. Total liabilities increased by 7.98% to RMB18.25 trillion over the end of 2015.

We achieved good performance of core financial indicators. While absorbing the influence of the five consecutive interest rate cuts and keeping the ratio of allowances to NPLs in compliance with regulatory requirements, the Group managed to realise net profit of RMB133,903 million, an increase of 1.25% over the same period last year. The annualised return on average assets was 1.41% and annualised return on average equity was 17.80%. Cost-to-income ratio was 22.24%. Net fee and commission income increased by 5.57% and total capital ratio was 15.09%.

We continuously optimised business structure. The low-capital occupation and high-return assets witnessed sound growth, and the proportion of retail loans increased. The Group optimised debt securities investment structure, and maintained a stable return on debt securities investment. The financial institutional business developed rapidly, with a total balance exceeding RMB1 trillion. The balances of loans to over-capacity industries, local government financing vehicles and real estate development decreased. The growth rate of on and off-balance sheet risk-weighted assets was substantially lower than the business growth rate. The low-cost settlement funds enjoyed fast growth, and the proportion of demand deposits was on the rise.

Multi-functional advantage helped increase efforts in serving the real economy

In the first half of 2016, total loans increased by RMB652,737 million over the end of last year, giving priority to meeting the needs in major projects related to the implementation of national strategies. Loans to infrastructure sectors totalled RMB2,782,579 million, an increase of RMB74,794 million over the end of last year. The Group strengthened support in key development areas including green credit, small and micro enterprises and the service industry. More loans were granted to residential mortgages to support the de-stocking in the real estate industry, resulting in the leading position of residential mortgages in terms of both the balance and the increase. Leveraging on its advantage in comprehensive financial services, the Group catered to the needs of customers with non-credit services. The amount of non-credit financing provided through wealth management, trust, lease and debt securities investments exceeded RMB600 billion, up by 25.6%. The Group endeavoured to reduce the financing cost of enterprises with further exemption and reduction of relevant service fees.

Steady transformation contributed to remarkable achievements in comprehensive operation

We achieved fruitful results in key business transformation. With steady and coordinated efforts, the Group made remarkably achievements in 17 key transformation businesses. The spending amount through debit cards reached RMB4.8 trillion, up by 65%. The Group accumulatively issued 87.89 million credit cards, and the total spending amount through credit cards reached RMB1.15 trillion. Multiple indicators of the credit card business maintained a leading position among peers. Income from settlement businesses increased by 6.5% year-on-year. Emerging business developed rapidly. The balance of wealth management products amounted to RMB1.95 trillion, leading the industry in terms of the increase. The underwriting amount of debt financing instruments and number of deals for non-financial enterprises both continued to rank first in China's interbank market. The assets under custody of the Bank totalled RMB8.39 trillion, an increase of 17.02%. Income from key transformation businesses including insurance agency service, wealth management product sales and precious metal sales, increased by 43% year-on-year.

The market competitiveness of subsidiaries further increased. At the end of June 2016, the total assets of integrated operation subsidiaries were RMB342,385 million, up by 28.44% over the end of last year, and the net profit reached RMB2,777 million, a year-on-year increase of 27.72%. The volume of assets under management of CCB Trust ranked first among peers, so did the leasing amount by CCB Financial Leasing. CCB Life gained the highest premium income among the bank-affiliated insurance companies. The numbers of projects for which CCB International acted as sponsor and underwriter, and as mergers and acquisitions financial advisor both ranked high in the market.

Profits contributed by overseas institutions further increased. At the end of June 2016, the Group's total assets of overseas commercial banks were RMB1,340,284 million, up by 12.85% over the end of last year. The net profit of overseas commercial banks was RMB2,910 million, a year-on-year increase of 31.65%.

Comprehensive measures produced effective results in total risk management

We took the initiative to serve the real economy with the optimisation of credit structure, actively responded to the state's requirements of de-capacity and de-stocking, and arduously enhanced our capabilities to manage and control the whole credit process. The Group established differentiated mechanism of comprehensive credit limits assessment and credit approval, and refined the credit rating of customers. It conducted comprehensive credit reviews and annual inspections carefully, and expedited the establishment of the risk management and control mechanism of the three business centres directly run by the head office, namely assets management business centre, financial institutional business centre and financial market trading centre, promoting risk management and control ability. The Group made full use of various disposal methods including cash recoveries, turnarounds and upgrades of NPL, write-offs of bad loans and batch transfers, with optimised disposal structure and efficiency. In the first half of 2016, the Group's NPL ratio was 1.63%, and the ratio of allowances to NPLs was 151.63%.

We optimised the enterprise-wide risk management system gradually. The Group strengthened coordinated liquidity management with a reasonable reserve ratio, and kept liquidity risk under control. The Group strengthened the monitoring and measurement of market risk, keeping various market risk indicators within limits. The Group further consolidated the compliance management fundamentals, and achieved effective control of operational risk and prevention of offences. The Group established the joint conference system for reputation risk management and effectively maintained brand reputation.

Consolidated fundamentals helped improve service capability steadily

We accelerated channel transformation. The Group vigorously innovated outlet service modes, and set up integrated flagship outlets and nimble outlets to promote smart banking at integrated outlets. The Group continuously improved self-service channels, and increased off-bank self-service equipment to effectively extend the service coverage. Leveraging on internet and mobile technologies, the Group accelerated transformation towards comprehensive electronic banking service mode. At the end of June, the Bank's integrated outlets totalled 14,500; there were 95,128 cash-service ATMs, an increase of 3,628; the number of self-service banks reached 25,902, an increase of 1,208. Personal online banking and mobile banking customers both exceeded 200 million, and WeChat banking customers approximated 30 million.

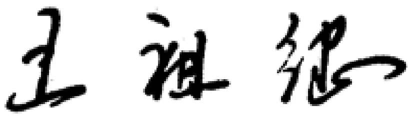
We continued to enhance our capability in product innovation. Adhering to the five development philosophies of "innovation, harmonisation, green, openness, and sharing", the Group actively responded to national major strategies. The Group launched multiple innovative products including "Zhuzhidai" and "Jianyidai", offering financing support for enterprises fulfilling "mass entrepreneurship and innovation". The Group launched and piloted the loan product for dispersal of non-capital city functions. The Group also provided innovative loan products like mortgage loan of rural land contractual management right, land mortgage loan, and agriculture-benefitting loan. Seizing the new technology trends, the Group expedited the building of financial ecosystem, launched products including smart transportation and intelligent office. In the first half of 2016, the Group completed 318 product innovation and 64 innovative duplication projects to support business development and transformation.

We made phased achievements in building the new generation core banking system. The new generation system of credit card was successfully put into operation. The Bank launched brand new online banking website to help provide the best internet customer experience; it succeeded in providing multi-channel, multi-product and integrated contracting service to personal customers, and constantly reinforced the ability in big data analysis. In the first half of 2016, 5,385 business function points were released to help inject new energy into the Bank's operation management and business development through process optimisation and reengineering, business innovation and customer experience enhancement.

Prospects

In the second half of 2016, the Group will stick to the goals laid out in the "13th Five-Year Plan", closely monitor the economic and financial trend, and support the development of the real economy in line with the structural reforms on the supply side. The Group will seize market opportunities, persist in prudent operation, and strive to promote operating capability and profitability while keeping focus on transformation, risk control, and sound management.

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.



Wang Zuji
Vice chairman, executive director and president

25 August 2016

5 Management Discussion and Analysis

5.1 Financial Review

In the first half of 2016, the global economic continued to grow slowly. The US economy grew steadily, with the pace of interest rate hikes slowing down. The Euro zone economy recovered moderately; however, British exit from the EU (Brexit) referendum posed impact on the financial market and brought increasing uncertainties. The risk of deflation for Japan was on the rise. Due to the rebounding of bulk commodity prices and other factors, the emerging market economies remained stable in the short run.

In the first half of 2016, the Chinese economy remained stable, while achieving good performance and sound progress. The gross domestic product (GDP) in the first half of the year increased by 6.7%, in which final consumption contributed to 73.4% of the GDP growth, and the tertiary industry accounted for 59.3%. The consumer prices rose moderately, with the consumer price index (CPI) increased by 2.1% compared to the same period last year. The efforts of "de-capacity, de-stocking, de-leverage, cost-reduction and weakness-remedy" achieved initial success. The money supply and financing demands remained stable, while the stock markets, bond markets and bulk commodity prices continued to fluctuate.

The Group paid close attention to the trends of domestic and foreign economic development as well as changes in regulatory policies, persisted in its transformation and sound operation, strengthened risk prevention and control, and timely adjusted operating strategies. As a result, various businesses grew steadily, with roughly stable asset quality and good core financial indicators.

5.1.1 Statement of Comprehensive Income Analysis

In the first half of 2016, the Group recorded net profit of RMB133,903 million and net profit attributable to equity shareholders of the Bank was RMB133,410 million, up by 1.25% and 1.15% respectively over the same period last year, maintaining steady profitability. Key factors affecting the Group's profitability included the following: First, net interest income decreased by RMB13,629 million, or 6.07%, as compared to the same period in 2015, mainly due to five times consecutive interest rate cuts of the Central Bank in 2015, repricing of the existing portfolio and the influence of price and tax separation caused by "business tax-to-value added tax" (BT-to-VAT) reform; Second, the Group actively expanded its customer base and strengthened product innovation, with its net fee and commission income increased by RMB3,545 million, or 5.57%, over the same period last year; Third, other non-interest income increased by RMB7,946 million, or 83.18%, which was mainly due to the sale of certain available-for-sale financial assets and the fast growth of foreign exchange gains as a result of increased volumes of foreign exchange transactions; Fourth, the Group continued to improve its cost management and optimised its expenses structure. Cost-to-income ratio fell by 0.99 percentage points to 22.24% as compared with the same period last year. In addition, the Group made prudent and sufficient provisions for impairment losses on loans and advances to customers. The impairment losses was RMB46,610 million, up by 13.00% compared to the same period in 2015.

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)	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Change (%)
Net interest income	**210,990**	224,619	(6.07)
Net non-interest income	**84,689**	73,198	15.70
– Net fee and commission income	**67,190**	63,645	5.57
Operating income	**295,679**	297,817	(0.72)
Operating expenses	**(79,116)**	(87,429)	(9.51)
Impairment losses	**(46,610)**	(41,249)	13.00
Share of (loss)/profit of associates and joint ventures	**(75)**	68	(210.29)
Profit before tax	**169,878**	169,207	0.40
Income tax expense	**(35,975)**	(36,963)	(2.67)
Net profit	**133,903**	132,244	1.25
Other comprehensive income for the period, net of tax	**(4,216)**	2,870	(246.90)
Total comprehensive income for the period	**129,687**	135,114	(4.02)

Net interest income

In the first half of 2016, the Group's net interest income amounted to RMB210,990 million, a decrease of RMB13,629 million, or 6.07%, over the same period last year. The net interest income accounted for 71.36% of the operating income.

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2016**			Six months ended 30 June 2015		
	Average balance	**Interest income/ expense**	**Annualised average yield/cost (%)**	Average balance	Interest income/ expense	Annualised average yield/cost (%)
Assets						
Gross loans and advances to customers	**10,822,281**	**239,817**	**4.46**	9,824,337	274,378	5.63
Investments in debt securities	**4,041,210**	**74,943**	**3.73**	3,494,375	70,084	4.04
Deposits with central banks	**2,552,945**	**19,261**	**1.52**	2,606,364	19,862	1.54
Deposits and placements with banks and non-bank financial institutions	**710,147**	**9,903**	**2.80**	729,259	14,609	4.04
Financial assets held under resale agreements	**190,933**	**2,487**	**2.62**	321,288	5,261	3.30
Total interest-earning assets	**18,317,516**	**346,411**	**3.80**	16,975,623	384,194	4.56
Total allowances for impairment losses	**(257,486)**			(266,759)		
Non-interest-earning assets	**1,229,089**			805,242		
Total assets	**19,289,119**	**346,411**		17,514,106	384,194	
Liabilities						
Deposits from customers	**14,144,091**	**106,835**	**1.52**	13,227,666	128,555	1.96
Deposits and placements from banks and non-bank financial institutions	**1,745,309**	**18,047**	**2.08**	1,705,444	19,757	2.34
Financial assets sold under repurchase agreements	**105,103**	**1,335**	**2.55**	22,098	448	4.09
Debt securities issued	**377,421**	**7,600**	**4.05**	441,922	8,961	4.09
Other interest-bearing liabilities	**118,102**	**1,604**	**2.73**	108,848	1,854	3.43
Total interest-bearing liabilities	**16,490,026**	**135,421**	**1.65**	15,505,978	159,575	2.08
Non-interest-bearing liabilities	**1,067,961**			801,808		
Total liabilities	**17,557,987**	**135,421**		16,307,786	159,575	
Net interest income		**210,990**			224,619	
Net interest spread			**2.15**			2.48
Net interest margin			**2.32**			2.67

In the first half of 2016, influenced by the continued effect of interest rate cuts, interest rate liberalisation and the impact of "BT-to-VAT" reform on the Group's net interest income, the Group's cost on interest-bearing liabilities decreased at a lower rate than the yield on interest-earning assets, as a result, the net interest spread and net interest margin decreased by 33 basis points and 35 basis points to 2.15% and 2.32% respectively as compared to the same period in 2015. The Group will proactively deal with the challenges posed by interest rate liberalisation, continue to promote its operation and management transformation, and strengthen its market-driven pricing management with a focus on achieving sound development with balanced volume and prices, in order to improve its overall profitability.

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 changes in interest income and expenses in the first half of 2016 as compared with the same period in 2015.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	26,081	(60,642)	(34,561)
Investments in debt securities	10,469	(5,610)	4,859
Deposits with central banks	(368)	(233)	(601)
Deposits and placements with banks and non-bank financial institutions	(370)	(4,336)	(4,706)
Financial assets held under resale agreements	(1,840)	(934)	(2,774)
Change in interest income	33,972	(71,755)	(37,783)
Liabilities			
Deposits from customers	8,491	(30,211)	(21,720)
Deposits and placements from banks and non-bank financial institutions	467	(2,177)	(1,710)
Financial assets sold under repurchase agreements	1,113	(226)	887
Debt securities issued	(1,276)	(85)	(1,361)
Other interest-bearing liabilities	149	(399)	(250)
Change in interest expense	8,944	(33,098)	(24,154)
Change in net interest income	25,028	(38,657)	(13,629)

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 the volume factor and the interest rate factor.

Net interest income decreased by RMB13,629 million over the same period last year. In this amount, an increase of RMB25,028 million was due to the movement of average balances of assets and liabilities, and a decrease of RMB38,657 million was due to the movements of average yields or costs.

Interest income

In the first half of 2016, the Group's interest income decreased by RMB37,783 million or 9.83% over the same period last year to RMB346,411 million. In this amount, the proportions of interest income from loans and advances to customers, investments in debt securities, deposits with the central bank, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements were 69.23%, 21.63%, 5.56%, 2.86% and 0.72% 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 during the respective periods.

	Six months ended 30 June 2016			Six months ended 30 June 2015		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	5,847,255	138,091	4.75	5,892,531	173,221	5.93
Short-term loans	2,207,775	50,523	4.60	2,012,683	55,696	5.58
Medium to long-term loans	3,639,480	87,568	4.84	3,879,848	117,525	6.11
Personal loans and advances	3,651,802	81,228	4.45	3,004,287	83,715	5.57
Discounted bills	456,687	7,488	3.30	187,797	3,934	4.22
Overseas operations and subsidiaries	866,537	13,010	3.02	739,722	13,508	3.68
Gross loans and advances to customers	10,822,281	239,817	4.46	9,824,337	274,378	5.63

Interest income from loans and advances to customers decreased by RMB34,561 million, or 12.60% over the same period of 2015, to RMB239,817 million, mainly because of the repricing of existing loans and the price and tax separation following the "BT-to-VAT" reform. The yield of loans and advances to customers decreased by 117 basis points to 4.46% from the same period last year. The Group made greater efforts in granting retail loans, leading to the increase of 10.16% in the average balance of loans and advances to customers over the same period last year, partly offset the impact of the decrease in the yield.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB4,859 million, or 6.93%, to RMB74,943 million over the same period last year. This was mainly because the average balance of investments in debt securities increased by 15.65% year-on-year, due to the continuing improvement of portfolio structure and increased efforts in bond investments.

Interest income from deposits with the central bank

Interest income from deposits with the central bank was RMB19,261 million, a decrease of RMB601 million, or 3.03% from the same period last year. This was mainly because the average balance of deposits with the central bank decreased by 2.05% year-on-year, as the PBOC reduced the statutory deposit reserve rate and adopted average balance to assess deposit reserves.

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 decreased by RMB4,706 million, or 32.21% year-on-year, to RMB9,903 million. This was mainly because the average yield of deposits and placements with banks and non-bank financial institutions decreased by 124 basis points from the same period last year, due to the decline of market interest rates.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements decreased by RMB2,774 million, or 52.73% year-on-year, to RMB2,487 million. This was primarily because the average balance of financial assets held under resale agreements deceased by 40.57% over the same period of 2015, and average yield decreased by 68 basis points year-on-year due to the decline of market interest rates.

Interest expense

In the first half of 2016, the Group's interest expense amounted to RMB135,421 million, a year-on-year decrease of RMB24,154 million, or 15.14%.

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 during the respective periods.

	Six months ended 30 June 2016			Six months ended 30 June 2015		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Corporate deposits	**7,190,592**	**49,484**	**1.38**	6,695,242	59,326	1.79
Demand deposits	**4,385,470**	**14,588**	**0.67**	3,835,815	14,418	0.76
Time deposits	**2,805,122**	**34,896**	**2.49**	2,859,427	44,908	3.14
Personal deposits	**6,640,165**	**54,325**	**1.65**	6,126,074	64,867	2.14
Demand deposits	**2,678,428**	**4,068**	**0.31**	2,283,485	4,008	0.35
Time deposits	**3,961,737**	**50,257**	**2.54**	3,842,589	60,859	3.17
Overseas operations and subsidiaries	**313,334**	**3,026**	**1.94**	406,350	4,362	2.16
Total deposits from customers	**14,144,091**	**106,835**	**1.52**	13,227,666	128,555	1.96

Interest expense on deposits from customers amounted to RMB106,835 million, representing a decrease of RMB21,720 million, or 16.90%, over the same period last year. This was mainly because the average cost of deposits from customers decreased by 44 basis points to 1.52% year-on-year, due to the repricing of the existing business.

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 amounted to RMB18,047 million, a decrease of RMB1,710 million, or 8.66%, over the same period last year. This was largely because the average cost of deposits and placements from banks and non-bank financial institutions decreased by 26 basis points over the same period last year.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB887 million or 197.99% year-on-year to RMB1,335 million. This was primarily because the average balance of financial assets sold under repurchase agreements increased by 375.62%. The average cost rate decreased by 154 basis points over the same period in 2015, which offset the above-mentioned impact to some extent.

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)	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Change (%)
Fee and commission income	**70,907**	66,520	6.60
Fee and commission expense	**(3,717)**	(2,875)	29.29
Net fee and commission income	**67,190**	63,645	5.57
Other net non-interest income	**17,499**	9,553	83.18
Total net non-interest income	**84,689**	73,198	15.70

In the first half of 2016, the Group's net non-interest income was RMB84,689 million, an increase of RMB11,491 million, or 15.70% over the same period last year.

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)	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Change (%)
Fee and commission income	**70,907**	66,520	6.60
Bank card fees	**17,785**	16,735	6.27
Agency service fees	**12,738**	11,266	13.07
Wealth management service fees	**11,324**	6,877	64.66
Consultancy and advisory fees	**7,318**	9,809	(25.40)
Settlement and clearing fees	**7,130**	7,728	(7.74)
Commission on trust and fiduciary activities	**6,244**	5,333	17.08
Electronic banking service fees	**4,594**	3,382	35.84
Guarantee fees	**1,574**	1,287	22.30
Credit commitment fees	**1,264**	1,665	(24.08)
Others	**936**	2,438	(61.61)
Fee and commission expense	**(3,717)**	(2,875)	29.29
Net fee and commission income	**67,190**	63,645	5.57

In the first half of 2016, the Group's net fee and commission income increased by RMB3,545 million, or 5.57%, over the same period last year, to RMB67,190 million.

Bank card fees grew by 6.27% to RMB17,785 million, mainly due to the rapid increase in the number of credit cards issued as well as the spending amount through credit cards.

Agency service fees increased by 13.07% to RMB12,738 million. It was mainly because of the solid growth of agency insurance service.

Wealth management service fees increased by 64.66% to RMB11,324 million, mainly due to the fast growth in business scale through product innovations.

Consultancy and advisory fees decreased by 25.40% to RMB7,318 million, mainly due to the increased fee exemptions and reductions for the real economy in line with state policies.

Settlement and clearing fees decreased by 7.74% to RMB7,130 million, mainly due to the decline of settlement income as a result of regulatory policies, external economic environment and concessions to customers.

Commission income from trust and fiduciary activities increased by 17.08% to RMB6,244 million, mainly due to the fast increase in the size of the securities investment funds.

Electronic banking service fees grew by 35.84% to RMB4,594 million, mainly due to the remarkable increase in transaction volume of electronic payments with the continuous improvement of customer experience.

In the second half of the year, the Group will continue to seize business development opportunities, strengthen product innovation, enhance its comprehensive service capability, continue to optimise product structure and income structure, and strive to maintain the stable growth of its fee and commission income.

Other net non-interest income

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Change (%)
Net trading gain	**1,696**	1,750	(3.09)
Dividend income	**1,405**	471	198.30
Net gain arising from investment securities	**7,337**	3,432	113.78
Other net operating income	**7,061**	3,900	81.05
Total other net non-interest income	**17,499**	9,553	83.18

Other net non-interest income of the Group was RMB17,499 million, an increase of RMB7,946 million, or 83.18%, over the same period last year. In this amount, dividend income was RMB1,405 million, an increase of RMB934 million over the same period last year, mainly because of the increase in dividend income from CCB Life; net gain on investment securities was RMB7,337 million, an increase of RMB3,905 million year-on-year, mainly due to the sale of certain available-for-sale financial assets; and other net operating income was RMB7,061 million, an increase of RMB3,161 million over the same period last year, mainly due to the increase of foreign exchange transactions and the exchange gains from appreciation of US dollars.

Operating expenses

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Staff costs	**39,972**	40,861
Premises and equipment expenses	**13,708**	14,727
Business taxes and surcharges	**13,359**	18,234
Others	**12,077**	13,607
Total operating expenses	**79,116**	87,429
Cost-to-income ratio	**22.24%**	23.23%

In the first half of 2016, the Group enhanced cost management and optimised expenses structure. Cost-to-income ratio fell by 0.99 percentage points to 22.24% year-on-year. The Group's operating expenses were RMB79,116 million, a year-on-year decrease of RMB8,313 million, or 9.51%. In this amount, staff costs were RMB39,972 million, a year-on-year decrease of RMB889 million, or 2.18%. Premises and equipment expenses were RMB13,708 million, a decrease of RMB1,019 million, or 6.92% over the same period last year. Business tax and surcharges were RMB13,359 million, a decrease of RMB4,875 million, or 26.74% year-on-year, mainly due to the "BT-to-VAT" reform. Other operating expenses were RMB12,077 million, a year-on-year decrease of RMB1,530 million, or 11.24%. This was mainly because the Group further improved its refined management on expenses and strengthened control over key expenditure items, contributing to the decrease of both administrative and operating expenses.

Impairment losses

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

(In millions of RMB)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Loans and advances to customers	**46,798**	40,441
Investments	**(1,027)**	(141)
Available-for-sale financial assets	**(59)**	(320)
Held-to-maturity investments	**(512)**	172
Investment classified as receivables	**(456)**	7
Others	**839**	949
Total impairment losses	**46,610**	41,249

In the first half of 2016, the Group's impairment losses were RMB46,610 million, an increase of RMB5,361 million, or 13.00% over the same period last year. In this amount, impairment losses on loans and advances to customers were RMB46,798 million, an increase of RMB6,357 million year-on-year. Impairment losses on investments were reversed at an amount of RMB1,027 million, an increase of RMB886 million over the same period last year.

Income tax expense

In the first half of 2016, the Group's income tax expense amounted to RMB35,975 million, a decrease of RMB988 million over the same period last year. The effective income tax rate was 21.18%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC government bonds held by the Group was tax-exempted.

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 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Gross loans and advances to customers	11,137,877		10,485,140	
Allowances for impairment losses on loans	(275,887)		(250,617)	
Net loans and advances to customers	10,861,990	54.97	10,234,523	55.78
Investments[1]	4,671,740	23.64	4,271,406	23.28
Cash and deposits with central banks	2,584,262	13.08	2,401,544	13.09
Deposits and placements with banks and non-bank financial institutions	915,009	4.63	663,745	3.62
Financial assets held under resale agreements	81,218	0.41	310,727	1.69
Interest receivable	104,543	0.53	96,612	0.52
Other assets[2]	541,386	2.74	370,932	2.02
Total assets	19,760,148	100.00	18,349,489	100.00

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

As at 30 June 2016, the Group's total assets were RMB19,760,148 million, an increase of RMB1,410,659 million or 7.69% over the end of last year, mainly due to increases in loans and advances to customers, investments, and deposits and placements with banks and non-bank financial institutions. The proportion of net loans and advances to customers in total assets decreased by 0.81 percentage points to 54.97%. The proportion of investments in total assets increased by 0.36 percentage points to 23.64%, mainly due to the increase in debt securities investments. Following the Group's adjustments of interbank fund use in light of the liquidity situation, the proportion of deposit and placements with banks and non-bank financial institutions in total assets increased by 1.01 percentage points to 4.63%. The proportions of cash and deposits with central banks and financial assets held under resale agreements dropped by 0.01 and 1.28 percentage points respectively.

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 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate loans and advances	**5,840,309**	**52.44**	5,777,513	55.11
Short-term loans	**1,849,895**	**16.61**	1,811,557	17.28
Medium to long-term loans	**3,990,414**	**35.83**	3,965,956	37.83
Personal loans and advances	**3,885,451**	**34.89**	3,466,810	33.06
Residential mortgages	**3,181,677**	**28.56**	2,773,895	26.45
Credit card loans	**396,062**	**3.56**	390,274	3.72
Personal consumer loans	**61,882**	**0.56**	55,427	0.53
Personal business loans	**54,307**	**0.49**	63,153	0.60
Other loans[1]	**191,523**	**1.72**	184,061	1.76
Discounted bills	**517,300**	**4.64**	433,153	4.13
Overseas operations and subsidiaries	**894,817**	**8.03**	807,664	7.70
Gross loans and advances to customers	**11,137,877**	**100.00**	10,485,140	100.00

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

As at 30 June 2016, the Group's gross loans and advances to customers rose by RMB652,737 million, or 6.23% over the end of last year, to RMB11,137,877 million.

Domestic corporate loans and advances of the Bank reached RMB5,840,309 million, an increase of RMB62,796 million, or 1.09% over the end of last year, mainly extended to infrastructures, small and micro enterprises and other sectors. In this amount, short-term loans increased by RMB38,338 million, or 2.12%, and medium to long-term loans increased by RMB24,458 million, or 0.62%.

Domestic personal loans and advances of the Bank increased by RMB418,641 million, or 12.08%, to RMB3,885,451 million over the end of 2015. In this amount, residential mortgages increased by RMB407,782 million or 14.70%; credit card loans increased by RMB5,788 million, or 1.48%; personal consumer loans increased by RMB6,455 million, or 11.65%, mainly to support the normal financing needs for consumer purpose, and personal business loans decreased as a result of tighter loan risk control and adjustment of loan product structure.

Discounted bills increased by RMB84,147 million, or 19.43%, to RMB517,300 million over the end of last year.

For overseas operations and subsidiaries, loans and advances to customers rose by RMB87,153 million or 10.79% to RMB894,817 million over the end of last year, mainly attributable to the increased efforts in expanding overseas local customers and the 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.

(In millions of RMB, except percentages)	**As at 30 June 2016**		As at 31 December 2015	
	Amount	**% of total**	Amount	% of total
Unsecured loans	**3,263,110**	**29.30**	3,034,953	28.95
Guaranteed loans	**1,922,847**	**17.26**	1,833,933	17.49
Loans secured by tangible assets other than monetary assets	**4,907,746**	**44.06**	4,591,009	43.78
Loans secured by monetary assets	**1,044,174**	**9.38**	1,025,245	9.78
Gross loans and advances to customers	**11,137,877**	**100.00**	10,485,140	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	**Six months ended 30 June 2016**			
	Allowances for loans and advances collectively assessed for impairment	**Allowances for impaired loans and advances – collectively assessed for impairment**	**Allowances for impaired loans and advances – individually assessed for impairment**	**Total**
As at 1 January	**157,632**	**10,789**	**82,196**	**250,617**
Charge for the period	**15,606**	**4,993**	**32,726**	**53,325**
Release during the period	**–**	**(18)**	**(6,509)**	**(6,527)**
Unwinding of discount	**–**	**–**	**(1,904)**	**(1,904)**
Transfers out	**(135)**	**40**	**(7,191)**	**(7,286)**
Write-offs	**–**	**(2,486)**	**(10,941)**	**(13,427)**
Recoveries	**–**	**346**	**743**	**1,089**
As at 30 June	**173,103**	**13,664**	**89,120**	**275,887**

The Group adhered to its prudent principle by fully considering the impact of changes in external environment including the macro economy and government adjustment policies on credit asset quality, and made full allowances for impairment losses on loans and advances to customers. As at 30 June 2016, the allowances for impairment losses on loans and advances to customers were RMB275,887 million, an increase of RMB25,270 million over the end of last year. The ratio of allowances to NPLs was 151.63%, an increase of 0.64 percentage points over the end of the last year. The ratio of allowances to total loans stood at 2.48%, 0.09 percentage points higher than that of the end of the last year.

Investments

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

	As at 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities investments	4,279,215	91.60	3,986,820	93.34
Equity instruments	30,249	0.65	18,534	0.43
Funds	64,480	1.38	17,188	0.40
Other debt instruments	297,796	6.37	248,864	5.83
Total investments	4,671,740	100.00	4,271,406	100.00

In the first half of 2016, in accordance with its annual investment and trading strategies and risk policy requirements, the Group proactively dealt with regulatory and market changes to achieve the balance between risks and returns. As at 30 June 2016, the Group's investments totalled RMB4,671,740 million, an increase of RMB400,334 million, or 9.37% over the end of last year. In this amount, debt securities investments accounted for 91.60% of total investments, a decrease of 1.74 percentage points over the end of 2015. Other debt instruments accounted for 6.37% of total investments, an increase of 0.54 percentage points over the end of last year.

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

	As at 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	365,430	7.82	271,173	6.35
Available-for-sale financial assets	1,259,746	26.96	1,066,752	24.97
Held-to-maturity investments	2,562,778	54.86	2,563,980	60.03
Investment classified as receivables	483,786	10.36	369,501	8.65
Total investments	4,671,740	100.00	4,271,406	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 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	4,103,764	95.90	3,880,262	97.33
USD	58,035	1.36	58,790	1.47
HKD	65,151	1.52	19,781	0.50
Other foreign currencies	52,265	1.22	27,987	0.70
Total debt securities investments	4,279,215	100.00	3,986,820	100.00

As at 30 June 2016, total debt securities investments increased by RMB292,395 million, or 7.33%, to RMB4,279,215 million over the end of 2015. In this amount, RMB debt securities increased by RMB223,502 million, or 5.76%, and the foreign currency debt securities increased by RMB68,893 million, or 64.65% over the end of last year.

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

	As at 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Government	2,351,677	54.95	1,851,649	46.44
Central banks	142,498	3.33	162,225	4.07
Policy banks	406,828	9.50	484,102	12.14
Banks and non-bank financial institutions	904,171	21.13	1,055,838	26.48
Public sector entities	21	0.01	20	0.01
Other enterprises	474,020	11.08	432,986	10.86
Total debt securities investments	4,279,215	100.00	3,986,820	100.00

Interest receivable

As at 30 June 2016, the Group's interest receivable was RMB104,543 million, an increase of RMB7,931 million or 8.21% over the end of last year, mainly due to the growth of loans, debt securities investments, and deposits with banks and non-bank financial institutions.

Liabilities

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

	As at 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Deposits from customers	14,675,541	80.40	13,668,533	80.86
Deposits and placements from banks and non-bank financial institutions	1,962,595	10.75	1,761,107	10.42
Financial assets sold under repurchase agreements	100,505	0.55	268,012	1.58
Debt securities issued	399,676	2.19	415,544	2.46
Others[1]	1,115,871	6.11	791,210	4.68
Total liabilities	18,254,188	100.00	16,904,406	100.00

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

As at 30 June 2016, the Group's total liabilities were RMB18,254,188 million, an increase of RMB1,349,782 million or 7.98% over the end of last year. In this amount, deposits from customers accounted for 80.40% of the total liabilities, a decrease of 0.46 percentage points over the end of last year. The proportion of deposits and placements from banks and non-bank financial institutions increased by 0.33 percentage points to 10.75%. The proportion of financial assets sold under repurchase agreements decreased by 1.03 percentage points to 0.55% as a result of relatively ample market liquidity.

Deposits from customers

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

	As at 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate deposits	**7,535,432**	**51.35**	6,891,295	50.42
Demand deposits	**4,656,031**	**31.73**	4,213,395	30.83
Time deposits	**2,879,401**	**19.62**	2,677,900	19.59
Personal deposits	**6,707,162**	**45.70**	6,367,364	46.58
Demand deposits	**2,719,294**	**18.53**	2,584,774	18.91
Time deposits	**3,987,868**	**27.17**	3,782,590	27.67
Overseas operations and subsidiaries	**432,947**	**2.95**	409,874	3.00
Total deposits from customers	**14,675,541**	**100.00**	13,668,533	100.00

As at 30 June 2016, the Group's total deposits from customers reached RMB14,675,541 million, an increase of RMB1,007,008 million, or 7.37% over the end of last year. In this amount, domestic demand deposits of the Bank increased by RMB577,156 million, or 8.49% from the end of 2015, accounting for 50.26% of total deposits from customers, an increase of 0.52 percentage points.

Shareholders' 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 30 June 2016	As at 31 December 2015
Share capital	**250,011**	250,011
Other equity instruments – preference shares	**19,659**	19,659
Capital reserve	**135,008**	135,249
Investment revaluation reserve	**16,261**	23,058
Surplus reserve	**153,032**	153,032
General reserve	**210,874**	186,422
Retained earnings	**712,609**	672,154
Exchange reserve	**(2,589)**	(5,565)
Total equity attributable to equity shareholders of the Bank	**1,494,865**	1,434,020
Non-controlling interests	**11,095**	11,063
Total equity	**1,505,960**	1,445,083

As at 30 June 2016, the Group's total shareholders' equity amounted to RMB1,505,960 million, an increase of RMB60,877 million over the end of 2015. The ratio of total equity to total assets for the Group was 7.62%.

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 other contracts. Please refer to Note "Derivatives and hedge accounting" in the "Financial Statements" of this half-year report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the most significant component, with a balance of RMB2,652,755 million as at 30 June 2016, an increase of RMB250,471 million over the end of 2015. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" in this half-year 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 loans.

	As at 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Normal	**10,615,050**	**95.31**	10,016,243	95.53
Special mention	**340,878**	**3.06**	302,917	2.89
Substandard	**85,842**	**0.77**	92,452	0.88
Doubtful	**81,813**	**0.73**	60,160	0.57
Loss	**14,294**	**0.13**	13,368	0.13
Gross loans and advances to customers	**11,137,877**	**100.00**	10,485,140	100.00
Non-performing loans	**181,949**		165,980	
Non-performing loan ratio		**1.63**		1.58

In the first half of 2016, the Group made more efforts in improving risk prevention and control system with stronger mechanism of early-warning and early-prevention so as to achieve better performance in risk mitigation, improved the efficiency in disposal of NPLs, and maintained overall stable credit asset quality. As at 30 June 2016, the Group's NPLs amounted to RMB181,949 million, an increase of RMB15,969 million over the end of 2015; the NPL ratio stood at 1.63%, up by 0.05 percentage points over the end of 2015. The special mention loans accounted for 3.06%, up by 0.17 percentage points over the end of 2015.

Distribution of loans and NPLs by product type

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

	As at 30 June 2016			As at 31 December 2015		
(In millions of RMB, except percentages)	**Loans**	**NPLs**	**NPL ratio (%)**	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	**5,840,309**	**155,914**	**2.67**	5,777,513	144,187	2.50
Short-term loans	**1,849,895**	**102,663**	**5.55**	1,811,557	101,269	5.59
Medium- to long-term loans	**3,990,414**	**53,251**	**1.33**	3,965,956	42,918	1.08
Personal loans and advances	**3,885,451**	**22,155**	**0.57**	3,466,810	18,153	0.52
Residential mortgages	**3,181,677**	**10,744**	**0.34**	2,773,895	8,602	0.31
Credit card loans	**396,062**	**5,087**	**1.28**	390,274	4,204	1.08
Personal consumer loans	**61,882**	**1,147**	**1.85**	55,427	1,009	1.82
Personal business loans	**54,307**	**2,063**	**3.80**	63,153	1,977	3.13
Other loans[1]	**191,523**	**3,114**	**1.63**	184,061	2,361	1.28
Discounted bills	**517,300**	**–**	**–**	433,153	–	–
Overseas operations and subsidiaries	**894,817**	**3,880**	**0.43**	807,664	3,640	0.45
Gross loans and advances to customers	**11,137,877**	**181,949**	**1.63**	10,485,140	165,980	1.58

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

As at 30 June 2016, the NPL ratio for domestic corporate loans and advances was 2.67%, an increase of 0.17 percentage points over the end of 2015, the NPL ratio for personal loans and advances was 0.57%, an increase of 0.05 percentage points over the end of 2015; the NPL ratio for overseas operations and subsidiaries decreased by 0.02 percentage points to 0.43% over the end of last year.

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 30 June 2016				As at 31 December 2015			
(In millions of RMB, except percentages)	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	**5,840,309**	**52.44**	**155,914**	**2.67**	5,777,513	55.11	144,187	2.50
Manufacturing	**1,237,326**	**11.13**	**76,963**	**6.22**	1,217,122	11.61	71,641	5.89
Transportation, storage and postal services	**1,188,879**	**10.67**	**4,300**	**0.36**	1,146,028	10.93	3,204	0.28
Production and supply of electric power, heat, gas and water	**653,909**	**5.87**	**1,432**	**0.22**	642,026	6.12	2,092	0.33
Real estate	**406,194**	**3.65**	**7,105**	**1.75**	449,334	4.29	5,510	1.23
Leasing and commercial services	**682,687**	**6.13**	**5,482**	**0.80**	629,274	6.00	4,090	0.65
– Commercial services	**608,181**	**5.46**	**5,453**	**0.90**	579,115	5.52	4,021	0.69
Wholesale and retail trade	**397,998**	**3.57**	**36,958**	**9.29**	386,916	3.69	37,353	9.65
Water, environment and public utility management	**304,530**	**2.73**	**152**	**0.05**	313,258	2.99	95	0.03
Construction	**256,715**	**2.30**	**6,375**	**2.48**	258,699	2.47	6,915	2.67
Mining	**223,980**	**2.01**	**12,210**	**5.45**	226,027	2.16	9,032	4.00
– Exploitation of petroleum and natural gas	**8,210**	**0.07**	**90**	**1.10**	5,122	0.05	90	1.76
Education	**75,028**	**0.67**	**204**	**0.27**	77,248	0.74	173	0.22
Information transmission, software and information technology services	**28,027**	**0.25**	**363**	**1.30**	30,216	0.29	734	2.43
– Telecommunications, broadcast and television, and satellite transmission services	**18,870**	**0.17**	**29**	**0.15**	22,236	0.21	–	–
Others	**385,036**	**3.46**	**4,370**	**1.13**	401,365	3.82	3,348	0.83
Personal loans and advances	**3,885,451**	**34.89**	**22,155**	**0.57**	3,466,810	33.06	18,153	0.52
Discounted bills	**517,300**	**4.64**	**–**	**–**	433,153	4.13	–	–
Overseas operations and subsidiaries	**894,817**	**8.03**	**3,880**	**0.43**	807,664	7.70	3,640	0.45
Gross loans and advances to customers	**11,137,877**	**100.00**	**181,949**	**1.63**	10,485,140	100.00	165,980	1.58

In the first half of 2016, in light of changes in the external policy environment, the Group timely optimised its credit policy and reviewed its lending rules, refined its credit management, maintained strict industry limits, and carried forward credit structural adjustments steadily. The loan quality in infrastructure sectors remained stable, and the wholesale and retail trade recorded decreases in both NPLs and NPL ratio over the end of 2015. The manufacturing and mining sectors witnessed more increases in NPLs.

Restructured loans and advances to customers

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

(In millions of RMB, except percentages)	**As at 30 June 2016**		As at 31 December 2015	
	Amount	**% of gross loans and advances**	Amount	% of gross loans and advances
Restructured loans and advances to customers	**6,491**	**0.06**	6,466	0.06

As at 30 June 2016, the balance of restructured loans and advances to customers increased by RMB25 million to RMB6,491 million over the end of 2015, while its proportion in gross loans and advances remained the same as at the end of the prior year.

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.

(In millions of RMB, except percentages)	**As at 30 June 2016**		As at 31 December 2015	
	Amount	**% of gross loans and advances**	Amount	% of gross loans and advances
Overdue for no more than 3 months	**70,704**	**0.64**	70,492	0.67
Overdue for 3 months to 1 year	**101,621**	**0.91**	69,798	0.66
Overdue for 1 to 3 years	**44,798**	**0.40**	26,865	0.26
Overdue for over 3 years	**4,726**	**0.04**	6,026	0.06
Total overdue loans and advances to customers	**221,849**	**1.99**	173,181	1.65

As at 30 June 2016, overdue loans and advances to customers increased by RMB48,668 million to RMB221,849 million over the end of 2015, mainly due to the economic slowdown in China and intensified structural adjustments, leading to financial strains to certain borrowers and more overdue loans.

5.1.4 Differences between the Financial Statements Prepared under PRC GAAP and Those Prepared under IFRS

There is no difference in the net profit for the six months ended 30 June 2016 or total equity as at 30 June 2016 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 operations and subsidiaries.

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

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

5.2.1 Corporate Banking

Corporate deposits

The Bank strengthened the retention of existing customers and maintained a steady growth of corporate deposits. At the end of June, domestic corporate deposits of the Bank amounted to RMB7,535,432 million, an increase of RMB644,137 million, or 9.35% over the end of last year.

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 June, domestic corporate loans and advances of the Bank amounted to RMB5,840,309 million, an increase of RMB62,796 million, or 1.09% over the end of last year. Loans to infrastructure sectors totalled RMB2,782,579 million, an increase of RMB74,794 million over the end of last year. Agriculture-related loans were RMB1,754,425 million, and in this amount, loans to new countryside construction were RMB75,714 million. The accumulated amount of loans granted to internet merchants since 2007 was RMB217,260 million, extending to over 18,800 customers. The Bank further expanded cooperation with the high quality internet commerce platforms, and the number of platforms in cooperation reached 116.

The Bank strictly implemented list management. The outstanding balance of credit to the five over-capacity industries, namely iron and steel, cement, electrolytic aluminium, plate glass and shipbuilding, decreased by RMB854 million over the end of last year to RMB129,405 million. The Bank strictly controlled the total amount of loans to government financing vehicles, and continued to optimise the cash flow coverage structure. Those classified under the regulatory category decreased by RMB36,463 million over the end of last year, while the loans fully covered by project cash flows accounted for 96.22%. Property development loans were mainly extended to the high quality real estate customers and general commercial housing projects with high credit ratings, high profitability and effective closed management and controls. The outstanding balance of real estate development loans was RMB368,478 million, a decrease of RMB45,719 million over the end of 2015.

Small enterprise business

In the first half of 2016, in its commitment to support the real economy, the Bank increased credit resource inputs to small and micro enterprises, and fulfilled the regulatory requirements of "Three No Less Than", i.e. "the growth rate no less than the average growth rate of total loans, the number of borrowers no less than that of the same period last year, and the success rate of loan application no less than the same period last year". Focusing on the needs of the small and micro enterprises, the Bank continued to serve its customers with innovations, including big data and "Internet Plus", and created the full online financial service model of "Quick Loan for Small and Micro Businesses". The Bank increased its support to "innovations and entrepreneurs" with innovative financial technologies to boost their development. The Bank fully promoted the key products and service models, including "Credit Cooperation Loan", Big Data Products and Scorecards Credit Model, and achieved sound growth with more small and micro enterprise customers in the first half of 2016, which eased the financing difficulties facing the borrowers. At the end of June, according to the categorisation policy of small and medium-sized enterprises in 2011 as well as the CBRC's latest regulatory requirements, loans to small and micro enterprises were RMB1,334,564 million, an increase of RMB56,685 million from the end of 2015; the number of borrowers reached 275,306, an increase of 23,362; and the success rate of loan application of small and micro enterprises rose to 93%.

Cost advisory service

Cost advisory service is the Bank's unique fee-based product with a strong brand. With a history of 62 years, the cost advisory service emerged and developed along with the Bank's long-term involvement in fixed assets investments and agency role in public finance. The Bank's 36 tier-one branches had grade-A qualifications for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, and 223 tier-two branches have set up specialised units for cost advisory service. In the first half of 2016, the Bank continued to improve its market position and brand image by reinforcing fundamental management, pushing forward business transformation, improving specialised institutions and innovating businesses and products. Income from cost advisory service amounted to RMB3,676 million.

Institutional business

The Bank organised "Year of Institutional Business Marketing" campaign, which achieved good results. The coverage of pension business at public institutions continued to expand, while the issuance of financial social security cards continued to grow. The Bank launched new brands "Jianronghuixue" and "Jianrongzhiyi" in education and medical industries. Universities and hospitals cooperated with the Bank through "Yinxiaotong" and "Yinyitong" channels increased by 292. In the first half of 2016, the Bank won the bidding of time deposits of local treasuries as cash manager for a cumulative amount of RMB160.9 billion. It ranked first among peer banks in terms of the number of customers of the central finance authorised payment and non-tax revenue collection agency service. The issuance of civil service bank cards in central fiscal budget units continued to be first in the market.

International business

International business maintained sound growth momentum. In the first half of 2016, international settlement volume of the Bank amounted to US$638,527 million, a year-on-year increase of 5.04%. Cross-border RMB settlement volume totalled RMB1,093,486 million, covering 153 countries and regions. CCB's influence as RMB clearing bank in London continued to grow, and its RMB clearing banks in Switzerland and Chile were officially launched in January and June respectively.

Asset custodial business

The Bank proactively responded to the fluctuations in capital market and adopted various measures to promote marketing, achieving stable custodial operations and rapid development of custodial business. At the end of June, the Bank's assets under custody increased by 17.02% over the end of 2015 to RMB8.39 trillion. In this amount, insurance assets under custody totalled RMB2.27 trillion, up by 48.37%.

Treasury management and settlement business

Treasury management and settlement business maintained steady development. The market influence of "Yudao" was further promoted. The Bank deployed its global treasury management business by integrating the two-way cross-border RMB cash pooling, and introducing overseas collection and payment service, overseas multi-currency cash pools and other products. The Bank also successfully launched electronic business license corporate settlement cards, and issued innovative virtual corporate settlement cards to customers in batches. At the end of June, the Bank had 6,206.2 thousand corporate RMB settlement accounts, an increase of 500.9 thousand over the end of last year. The Bank had 548.2 thousand active cash management customers.

5.2.2 Personal Banking

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 June, domestic personal deposits of the Bank rose to RMB6,707,162 million, with an increase of RMB339,798 million, or 5.34% over the end of last year. In this amount, demand deposits increased by 5.20% and time deposits increased by 5.43%.

Personal loans

The Bank enhanced product innovation and optimised its business processes to proactively meet the customers' credit needs. At the end of June 2016, domestic personal loans of the Bank rose to RMB3,885,451 million, with an increase of RMB418,641 million or 12.08% over the end of last year. In this amount, residential mortgages of RMB3,181,677 million were granted, an increase of RMB407,782 million or 14.70% over the end of last year, to support customers' reasonable housing needs. Both the loan balance and the increase ranked first among peers. The Bank's transformation and development of personal consumer and operational loans achieved initial success, with a balance of personal consumer loans of RMB61,882 million, personal business loans of RMB54,307 million, and personal agriculture-related loans of RMB7,946 million.

Bank card business

Credit card business

The size of the Bank's credit card business continued to grow with higher profitability. The Bank vigorously expanded the young customer base, accelerated the marketing of competitive products, including shopping card, auto card and global payment credit card, and focused on the development of car purchase, bill payments, overseas studies, education, instalment payments, revolving overdraft and cash withdrawals. It also innovatively launched consumer products including e-Pay Long Card, Tencent e-Pay Long Card, and Family Love Card, credit products such as "Fenqitong", and mobile payment services based on Internet including Apple Pay, HCE Cloud Pay, and Samsung Pay. At the end of June, the number of credit cards issued totalled 87.89 million, an increase of 7.16 million over the end of last year. The spending amount through credit cards reached RMB1.15 trillion, a year-on-year increase of 14.38%, and the loan balance was RMB396,064 million. The asset quality remained sound.

Debit card business

At the end of June, the number of debit cards issued totalled 793 million, an increase of 54 million over the end of last year. The spending amount through debit cards reached RMB4.81 trillion, a year-on-year increase of 65.19%. The number of financial IC debit cards issued totalled 365 million, an increase of 55 million over the end of last year. The number of express settlement cards issued totalled 38.91 million, an increase of 7.64 million over the end of last year, targeted at individual business proprietors in trade and commerce for their payment and settlement demands.

Private banking

Driven by the needs of the customers and their families and enterprises, the Bank continued to improve marketing and customer relationship management of private banking business. It provided a set of products and services exclusive to private banking customers, developed family trusts and other competitive products. The Bank increased the offering of wealth management products (WMPs) at different risk and yield levels for its private banking customers, vigorously pushed forward the issuance of net-value-based products, and innovatively released 8 consumer trust products and 13 structured option products. The Bank also established an all-channel private banking service mechanism, and optimised its model of specialised marketing team service. At the end of June, the number of private banking customers with financial assets above RMB10 million grew by 10.77%, and their total financial assets increased by 13.77%.

Entrusted housing finance business

The Bank proactively improved its IT system to support the entrusted housing finance service, and strengthened process reengineering and product innovation for provident housing fund loans to provide comprehensive and high-quality housing finance service. At the end of June, the housing fund deposit was RMB631,153 million, while personal housing loan of housing provident fund was RMB1,704,115 million. The Bank steadily carried forward loan business for indemnificatory housing to meet the housing needs of low and middle-income residents, accumulatively provided housing provident fund project loans of more than RMB50 billion for 219 pilot projects, and accumulatively granted indemnificatory housing loans of over RMB100 billion to nearly 650,000 low and middle-income households.

5.2.3 Treasury Business

Financial market business

In the first half of 2016, the Bank focused on increasing trading activity and market influence of its financial market business, and strengthened customer development and business innovation. As a result, the profitability and risk management and control capabilities grew steadily.

Money market business

The Bank actively responded to market movements, and took initiatives to broaden the channels of financing and use of fund to safeguard the Bank's liquidity. With regard to the use of RMB funds, the Bank actively strengthened the research on market liquidity, closely monitored the changes in fund positions, and made reasonable arrangement in short and middle-term financing structures to ensure its liquidity reserve. With regard to the use of foreign currency funds, the Bank adhered to prudence principle, made reasonable deployment of fund inflow structure, and actively took advantage of market movements and relatively high interest rates to carry out outflow operation to increase yields of fund.

Investments in debt securities

Through reasonably balancing the risks and returns, the Bank continuously enhanced refinement of portfolio management, optimised product variety, and maintained stable return on investment portfolios. It strengthened the analysis of market trends, reasonably grasped chances in market fluctuations and actively adjusted the structure of debt securities portfolio. It explored new investment instruments and broadened the channels for fund utilisation. The Bank enhanced its role as a market maker in RMB-denominated bonds quotation, which not only strengthened its market influence, but also significantly increased its market making activity.

Customer-driven foreign exchange and interest rate trading business

The Bank proactively responded to changes in the market and regulatory policies, and ensured that its business operations were conducted prudently and in compliance with the requirements. With more efforts in product innovation and customer marketing, its trading activeness and market influence were also improved. It innovatively launched cash settled forward foreign exchange and a series of combined products, and increased the number of tradable foreign currencies to 29 to effectively meet customer demands. In the first half of 2016, the transaction volume of customer-driven foreign exchange and interest rate trading business reached US$223,991 million, while the Bank continued to maintain its leading position in China interbank foreign exchange market in terms of comprehensive ranking.

Precious metals

As affected by the weak recovery of the US economy and volatility in global financial markets, the prices of precious metals experienced rises with fluctuations in the first half of 2016. The Bank actively seized the market opportunity, carried out multiple marketing activities, launched innovative new products including customised comprehensive financial services, LBMA Gold Price Auction, LBMA Silver Price Auction and Shanghai Gold Benchmark Price Trading, and became the first domestic bank to release bulk commodity index. In the first half of 2016, the total trading volume of precious metals of the Bank reached 34 thousand tonnes, a year-on-year increase of 21.43%, and the number of personal precious metal trading customers was approximately 22.86 million, an increase of 1.71 million over the end of last year.

Assets management business

In line with the major state strategies, including “One Belt and One Road”, the coordinated development of Beijing, Tianjin and Hebei region, and Yangtze River Economic Belt, the Bank applied various direct financing instruments to support the development of the real economy, including debt investments, equity investments, industry funds and debt securities underwriting. The Bank actively promoted net-value WMPs mainly through fixed income assets, carried out innovations in quantitative investments and derivative products. With the help of third-party professional institutions, the Bank improved its capability of investment in standard assets. In the first half of 2016, the Bank independently issued 3,135 batches of WMPs with a total amount of RMB3,665,884 million to effectively meet the investment needs of customers. The balance of WMPs was RMB1,948,059 million. In this amount, the balance of non-principal-guaranteed WMPs was RMB1,645,229 million and the balance of principal-guaranteed WMPs was RMB302,830 million.

Investment banking business

The Bank promoted Financial Total Solutions (FITS™), a brand of its investment banking business, to provide customers with comprehensive financing products and advisory services. Under the guidance of supply-side structural reform, the Bank played an active role in debt underwriting markets to meet the needs of real economy for increasing direct financing and reducing financial costs, continued to push forward the launch of innovative products including Panda bonds and Green bonds, and successfully issued securities backed by housing provident fund loans and final housing payments. In the first half of 2016, the accumulative underwriting amount of debt financing instruments for non-financial enterprises was RMB286,372 million. Income from financial advisory services of the Bank reached RMB2,178 million while income from new-type financial advisory services totalled RMB2,005 million.

5.2.4 Overseas Commercial Banking Business

In the first half of 2016, the Group achieved new progress in the laying-out of its overseas presence. The Zurich Branch and Chile Branch were officially opened on 14 January and 20 June respectively. At the end of June, the Group had 28 tier-one overseas branches, covering 26 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, Korea, US, UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, and Chile. The total number of overseas institutions of the Group exceeded 140. At the end of June, the Group’s total assets of overseas commercial banks were RMB1,340,284 million, up by 12.85% over the end of last year. The net profit of overseas commercial banks was RMB2,910 million, a year-on-year increase of 31.65%.

5.2.5 Integrated Operation Subsidiaries

The Group progressively improved its comprehensive financial services with subsidiaries in non-banking financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures, CCB International and CCB Pension, and set up a number of banking entities providing specific and differentiated services in specific sectors and regions, including Sino-German Bausparkasse and 27 rural banks. The Group enhanced cross-selling and business collaboration between parent bank and subsidiaries, and actively promoted synergistic collaboration in terms of channels, customers and products with better business synergy mechanism. The overall business development of integrated operation subsidiaries was in good condition with steady business expansion. At the end of June, the total assets of integrated operation subsidiaries were RMB342,385 million, up by 28.44% over the end of last year, and the net profit reached RMB2,777 million, a year-on-year increase of 27.72%.

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:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**25,582**	**15.06**	20,057	11.86
Pearl River Delta	**20,816**	**12.25**	18,465	10.91
Bohai Rim	**29,266**	**17.23**	28,041	16.57
Central	**25,732**	**15.15**	26,415	15.61
Western	**24,801**	**14.60**	27,617	16.32
North-eastern	**7,263**	**4.27**	7,953	4.70
Head Office	**32,451**	**19.10**	37,627	22.24
Overseas	**3,967**	**2.34**	3,032	1.79
Profit before tax	**169,878**	**100.00**	169,207	100.00

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

	As at 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**3,191,937**	**13.78**	2,565,723	12.82
Pearl River Delta	**1,975,214**	**8.53**	1,756,844	8.78
Bohai Rim	**2,701,156**	**11.66**	1,988,554	9.94
Central	**2,741,868**	**11.84**	2,855,335	14.27
Western	**2,651,341**	**11.44**	2,798,176	13.99
North-eastern	**854,630**	**3.68**	1,056,288	5.28
Head Office	**7,801,602**	**33.68**	5,835,333	29.17
Overseas	**1,248,832**	**5.39**	1,149,541	5.75
Total assets[1]	**23,166,580**	**100.00**	20,005,794	100.00

1. Total assets excluded eliminations 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:

(In millions of RMB, except percentages)	**As at 30 June 2016**				As at 31 December 2015			
	Loans and advances	**% of total**	**NPLs**	**NPL ratio (%)**	Loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	**2,056,561**	**18.46**	**46,585**	**2.27**	1,968,394	18.77	49,223	2.50
Pearl River Delta	**1,613,378**	**14.49**	**33,694**	**2.09**	1,432,094	13.66	30,285	2.11
Bohai Rim	**1,878,963**	**16.87**	**25,681**	**1.37**	1,812,640	17.29	22,941	1.27
Central	**1,896,881**	**17.03**	**22,650**	**1.19**	1,768,362	16.86	19,617	1.11
Western	**1,894,479**	**17.01**	**32,474**	**1.71**	1,803,236	17.20	24,668	1.37
North-eastern	**632,868**	**5.68**	**12,881**	**2.04**	612,441	5.84	11,998	1.96
Head Office	**407,735**	**3.66**	**5,087**	**1.25**	402,733	3.84	4,671	1.16
Overseas	**757,012**	**6.80**	**2,897**	**0.38**	685,240	6.54	2,577	0.38
Gross loans and advances to customers	**11,137,877**	**100.00**	**181,949**	**1.63**	10,485,140	100.00	165,980	1.58

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

(In millions of RMB, except percentages)	**As at 30 June 2016**		As at 31 December 2015	
	Amount	**% of total**	Amount	% of total
Yangtze River Delta	**2,681,456**	**18.27**	2,493,253	18.24
Pearl River Delta	**2,186,308**	**14.90**	1,950,388	14.27
Bohai Rim	**2,666,983**	**18.17**	2,471,917	18.08
Central	**2,875,802**	**19.60**	2,669,673	19.53
Western	**2,820,836**	**19.22**	2,657,132	19.44
North-eastern	**1,021,623**	**6.96**	997,192	7.30
Head Office	**13,974**	**0.10**	36,645	0.27
Overseas	**408,559**	**2.78**	392,333	2.87
Total deposits from customers	**14,675,541**	**100.00**	13,668,533	100.00

5.2.7 Distribution Channels and Transformation of Outlets

Physical channels

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

At the end of June, the Bank had a total of 14,938 domestic business institutions, including the Head Office, 37 tier-one branches, 336 tier-two branches, 12,325 sub-branches, 2,238 entities under the sub-branches and a specialised credit card centre run by the Head Office. The number of business institutions increased by 21 over the end of last year. The operating outlets were mainly distributed in large cities, central cities, more developed counties and rich towns. In the first half of 2016, the Bank accumulatively carried out 637 outlet renovation projects, 94 of which were for newly established outlets, further improving physical environment and customer experience at the outlet.

At the end of June, the Bank's total number of specialised private banking entities reached 306, the number of small business operating centres in the form of "Credit Factory" reached 288, and the number of personal loan centres exceeded 1,500. The overall layout was improved with growing brand influence.

The Bank continued to improve the network of self-service channels by increasing the deployment of off-site self-service equipment and channelling more resources in county areas, and effectively extended its service coverage with the expanding network of self-service channels and further improved service efficiency. Meanwhile, it accelerated the function innovation and new technology application of self-service equipment. With more functions of the self-service equipment, customer experience and satisfaction rose significantly. At the end of June, there were 95,128 cash-service ATMs in operation, an increase of 3,628, or 3.97% over the end of last year. There were 25,902 self-service banks in operation, an increase of 1,208, or 4.89% over the end of last year. The number of account transactions through cash-service ATMs was 4.84 times of that through counter services, continuing to ease the pressure of counter business.

Transformation of outlets

At the end of June, the number of integrated outlets reached 14,500, 98% of which provided corporate banking services. The integrated tellers reached 100,000, or 93.5% of all bank tellers. The number of integrated marketing teams reached 22,000 accumulatively, covering all integrated outlets. Customers may enjoy the convenient and comfortable "one-stop" services at these transformed outlets. With the continuous expansion of service to corporate, institutional, and small and micro enterprise customers, the comprehensive service capabilities of the outlets rose notably.

The Bank made new progress in deepening the segregation between front-office and back-office functions, enhancing the intensive service capability. Pursuant to the segregation, 37 types of businesses and products at the Bank's outlets and specialised units received centralised processing at head office level, with the average daily volume of 1.02 million transactions. The quality of centralised processing was stable, and the efficiency of handling businesses rose by 60% with improved customer experience.

Electronic channels

To respond to the needs of market and customers quickly, the Bank made full use of Internet thinking and technology, and underwent a transformation from traditional banking services to the model of comprehensive electronic banking services.

Mobile finance

New functions were added to the Bank's mobile banking, including online customer services, foreign exchange settlement and sale, inter-bank cash pooling and scheduled precious metal investments. The Bank also innovatively applied fingerprint identification technology to improve security level for mobile banking. With a total of 75 financial functions of mobile banking, customers have easy access to a host of services, including investment and wealth management, general bill payments, business travels, and credit card applications. At the end of June, the number of mobile banking users was 202.57 million, up by 10.79% over the end of last year; the transaction volume was RMB13.04 trillion, a year-on-year increase of 125.63%; and the number of transactions was 9,742 million, a year-on-year increase of 244.56%. The number of CCB SMS financial service users reached 310.51 million, an increase of 6.65% over the end of last year. The number of WeChat banking users who followed the Bank's WeChat official account and bound their bank cards was 29.32 million, an increase of 33.31% over the end of last year.

Online banking

The Bank launched a new version of personal online banking, with a focus on the individualised needs of customers. Through customisation and big data application, it experienced the transition from transactional online banking to a comprehensive online banking that covers not only transaction, but also marketing and service. At the end of June, the number of personal online banking users increased by 6.31% to 221.95 million over the end of last year; the volume of transactions was RMB19.60 trillion; the number of transactions was 7,648 million, a year-on-year increase of 10.74%. The number of corporate online banking users reached 4.42 million, an increase of 10.17% over the end of last year; the transaction volume was RMB94.60 trillion, a year-on-year increase of 14.92%; the number of transactions was 1,153 million.

E.ccb.com

E.ccb.com continued to increase the functions of e-commerce malls for corporate and individual customers, and refine its management. It was awarded the "Top 10 Innovations in Internet Finance" from the Banker magazine. In line with the state strategy of targeted poverty alleviation through financial services, the website set up "e.ccb.com – Gansu" to provide a platform for off-line orders, on-line transactions and promotions. By the end of June, "e.ccb.com" had developed 59.6 thousand merchants and 16.38 million registered members. The transaction volume totalled RMB74,581 million in the first half of 2016.

Telephone banking

At the end of June, the number of telephone banking users was 222 million, including 150 million contracted users. The structure of customer service was refined, with smart customer service accounting for 62% of all customer services through telephone banking.

5.2.8 Information Technology and Product Innovation

Information technology

In the first half of 2016, the Bank focused on ensuring safe production and the building of the "New Generation Core Banking System" in information technology (IT) area, to support business development. The availability for critical systems was above 99.99%, and the Bank ranked top among its Chinese peers in the number and volume of the transactions, and technical indicators including system processing capacity, successful transaction ratio, average response time and batch processing efficiency, which effectively support business development. The Bank also took the lead in the operations management of information system in terms of its mechanism, sophistication, automation, intensification and independence. The Bank was among the first to put self-developed financial cloud management platform into operation, which remained a frontrunner among peers. In the first half of 2016, 5,385 business function points were released to help inject new energy and motivation into the Bank's operation management and business development through optimising and rebuilding process, business innovation and customer experience enhancement. The Bank launched brand new online banking and website to help provide the best internet customer experience. The adoption efforts and application of Smart Teller Machine (STM) received remarkable results, which accelerated the Bank's transformation to smart bank.

Product innovation

The Bank continued to enhance its capability of product innovation, with various innovation projects in orderly development. The Bank optimised the start-up loans by introducing products such as "Zhuzhidai" and "Jianyidai". It also increased support to major projects related to the implementation of national strategies, such as the coordinated development of Beijing, Tianjin and Hebei region, by launching and piloting the loan product for dispersal of non-capital city functions; it supported the development of "agriculture, farmers and rural areas" by providing innovative loan products including mortgage loan of rural land contractual management right, land mortgage loan, and agriculture-benefitting loan. For remote areas, the Bank provided innovative e-banking solutions and medical insurance banking products. Moreover, the Bank also launched smart transportation and intelligent office to accelerate the building of its financial ecosystem. It introduced WeChat-based "E Shenche" and "E Jiesuan" to adapt to the fast-growing Internet financial needs, and strengthened the Group's internal cooperation by collaborating with CCB Pension to provide an all-round solution for pension insurance fund business. In the first half of 2016, the Bank completed 318 product innovation projects and 64 innovative duplication projects.

5.2.9 Human Resources and Institutional Management

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

	As at 30 June 2016			
	Number of staff	**% of total**	**Number of institutions**	**% of total**
Yangtze River Delta	**55,228**	**15.24**	**2,446**	**16.34**
Pearl River Delta	**45,504**	**12.55**	**1,918**	**12.81**
Bohai Rim	**59,743**	**16.48**	**2,426**	**16.21**
Central	**81,169**	**22.39**	**3,610**	**24.12**
Western	**68,470**	**18.89**	**3,050**	**20.37**
Northeastern	**36,564**	**10.09**	**1,485**	**9.92**
Head Office	**14,963**	**4.13**	**3**	**0.02**
Overseas	**821**	**0.23**	**31**	**0.21**
Total	**362,462**	**100.00**	**14,969**	**100.00**

At the end of June 2016, the Bank had 362,462 employees (in addition, the Bank had 5,317 workers dispatched by labour leasing companies). The employees with academic qualifications of bachelor's degree or above were 229,132, or 63.22%, and the number of local employees in overseas entities was 620. In addition, the Bank assumed the expenses of 58,233 retired employees.

At the end of June 2016, the Bank had a total of 14,969 institutions, including 14,938 domestic institutions and 31 overseas institutions.

Profiles of institutions and staff in subsidiaries

The Bank had 42 subsidiaries with a total of 281 branches, including 171 domestic branches and 110 overseas branches. The subsidiaries had 11,753 employees (in addition, the subsidiaries had 311 workers dispatched by labour leasing companies), in which 7,846 were domestic employees and 3,907 were overseas employees. In addition, the subsidiaries assumed the expenses of 37 retired employees.

5.3 Risk Management

In the first half of 2016, the Group actively implemented risk management with the involvement of all staff members, and continued to improve specialisation in division of responsibilities. It enhanced comprehensive risk planning, reporting and management, continued to refine the comprehensive risk management and control system at the Group level, and advanced its transformation and development as well as risk prevention and control in a balanced manner. The risk management and control efforts have achieved fruitful results.

5.3.1 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 the first half of 2016, the Bank reinforced the disposal of NPLs, continued to optimise risk measurement models, and improved credit procedures and systems, aiming at enhancing credit risk management capability.

Refining the credit approval management. The Bank promoted the establishment of differentiated comprehensive credit assessment and credit approval mechanism, and optimised the differentiated delegation system for credit approval. The risk control capabilities were raised with better customer credit rating approval, more reviews in comprehensive credit approval and routine annual inspections. The Bank established credit approval censorship, provided assistance for key branches and entities, and strengthened the off-site monitoring to enhance the control over credit approval in key risk areas.

Implementing multi-dimensional stress tests timely. The Bank continued to implement multi-dimensional macro stress tests, including the Financial Sector Assessment Program (FSAP) stress tests, to evaluate the negative impact of economic downturn on its asset quality and enhance the forward-looking capability of systematic risk management and control. As part of its overall efforts to anticipate, prevent and take mitigation measures against the risks faced by the Group, it actively promoted the implementation of the US EPS stress tests, benchmarked against the US regulatory standards and the advanced stress testing technology at the international banks, and comprehensively assessed the negative impact of the macro economy and external environment on the business development of the Group.

Re-examining and optimising measurement models. The Bank optimised its rating models for customers in manufacturing, wholesale and retail trade, construction, and risk limits for local governments as well as small business enterprises, and applied scorecard-based automatic approval and decision-making mechanism in residential mortgages, personal consumer loans, personal auto loans and credit card business. The development and application of retail risk measurement tools centring on retail scorecards and retail pooling system effectively improved the Bank's market response, ensuring the Bank's leading position in the overall asset quality of the retail business. Benchmarking the regulatory requirements for advanced internal rating-based approach as part of the advanced approach of capital management, the Bank has applied its third-generation Exposure At Default (EAD) and Loss Given Default (LGD) measurement models and relevant systems to rate the non-retail credit loans.

Sparing no efforts to resolve and dispose non-performing assets. With the help of expert diagnoses, list management, and parent-subsidiary collaboration, the Bank intensified its recovery and revitalisation efforts, in order to increase the percentage of recovery and revitalisation in disposal. The Bank also made greater efforts to recover written-off assets and assets under trusteeship, innovated methods of disposal of NPLs and expanded disposal channels. The audit results were used effectively in batch transfers and bad loan write-offs to ensure that the daily management of NPLs was proper and in due diligence, and the disposal was in accordance with laws and regulations.

Concentration of credit risks

In line with regulatory requirements, the Group proactively adopted a series of measures to prevent large credit concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, revitalising existing credit assets and innovating products.

At the end of June 2016, the Group's gross loans to the largest single borrower accounted for 5.11% of the total capital after deductions, while those to the top ten borrowers accounted for 13.70% of the total capital after deductions.

Concentration of loans

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

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

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

5.3.2 Liquidity Risk Management

Liquidity risk is the risk that occurs when commercial banks cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet the other funding needs in regular business development. The Group's objective for liquidity risk management is to maintain a reasonable level of liquidity in compliance with the regulatory requirements to ensure the safety of payment and clearing, while striving to enhance fund yields by deploying its funds in an effective and reasonable way.

In the first half of 2016, the overall liquidity in the banking system was sufficient, as the PBOC lowered the statutory deposit reserve ratio, which provided targeted support for funding to "agriculture, farmers and rural areas" and small and micro businesses, and employed a combination of tools to adjust liquidity, including open market operations, short-term liquidity operations (SLO) and medium-term lending facilities (MLF). The Group took timely measures in accordance with its funding situation, coordinated liquidity management at the Group level, adjusted the use of products that significantly affected liquidity, such as investments in debt securities, financial assets held under resale agreements, deposits and placements with banks and non-bank financial institutions and investment in banks and non-bank financial institutions, and strengthened large fund flow alert. The Group maintained liquidity at a reasonable level and ensured normal payments and clearing.

The Group conducts liquidity risk stress testing on a quarterly basis, and performs ad hoc or special stress tests if and when necessary in light of changes in external business environment and regulatory requirements, in order to gauge its ability to withstand risks in highly unlikely extreme scenarios and other adverse circumstances. The results of stress testing indicated a higher but controllable level of liquidity risk under such stress scenarios.

The following table sets forth the liquidity ratios of RMB and foreign currency, and loan-to-deposit ratio of the Group as at the dates indicated:

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

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBRC.
2. In accordance with the CBRC's requirements, from 2016, loan-to-deposit ratio should be calculated on the basis of domestic legal person instead of legal person.

The following table sets forth the liquidity coverage ratio of the Group in the second quarter of 2016:

No.	(In millions of RMB, except percentages)	Value before translation	Value after translation
	Qualified and high-quality liquid assets		
1	Qualified and high-quality liquid assets		3,715,872
	Cash outflow		
2	Deposits from retail and deposits from small enterprise customers, including:	7,411,531	721,248
3	Stable deposits	393,435	19,438
4	Deposits with a low degree of stability	7,018,095	701,810
5	Unsecured (unpledged) wholesale financing, including:	8,173,113	2,801,929
6	Business relations deposits (excluding agent bank business)	5,170,627	1,282,242
7	Non-business relations Deposits (all counterparties)	2,970,243	1,487,445
8	Unsecured (unpledged) debts	32,242	32,242
9	Secured (pledged) financing		–
10	Other projects, including:	1,483,018	167,531
11	Cash outflows related with the requirement of derivatives and other collateral (pledged goods)	34,097	34,097
12	Cash outflows related with financing loss of mortgage (pledged goods) debt instrument	1,757	1,757
13	Credit facilities and liquidity facilities	1,447,163	131,677
14	Other contractual financing obligations	–	–
15	Contingent financing obligations	1,796,647	284,048
16	**Total amount of expected cash outflows**		3,974,756
	Cash inflow		
17	Mortgage (pledge) lending (including reverse repurchase and borrowed securities)	79,572	79,572
18	Cash inflow from normal full settlement	1,248,617	826,381
19	Other cash inflows	33,543	31,905
20	**Total amount of expected cash inflows**	1,361,731	937,858

		Value after adjustment
21	**Qualified and high-quality liquid assets**	3,715,872
22	**Net cash outflows**	3,036,898
23	**Liquidity coverage ratio (%)**[1]	122.39%

1. The average monthly liquidity coverage ratio in this quarter was calculated in compliance with the current applicable regulatory requirements, definitions and accounting standards.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional)*, the liquidity coverage ratio of commercial banks is calculated by dividing qualified and high-quality liquid assets by net cash outflows of the next 30 days, which should reach 100% before the end of 2018. During the transitional period, the ratio should be no less than 80% and 90% before the end of 2016 and 2017 respectively. The qualified and high-quality liquid assets of the Group mainly include securities guaranteed and issued by sovereign states and central banks with the risk of zero or 20%, and the available deposit reserve in the central bank under stress circumstances. The average monthly liquidity coverage ratio of the Group in the second quarter of 2016 was 122.39%, meeting the regulatory requirements. The liquidity coverage ratio in the second quarter decreased by 10.7 percentage points over the previous quarter, mainly due to the fast growth of unsecured (unpledged) wholesale financing, leading to the increase of net cash outflows under stress circumstances.

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

(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
Long/(short) position as at 30 June 2016	**2,851,760**	**(7,916,877)**	**(608,659)**	**(174,035)**	**(389,396)**	**2,490,017**	**5,253,150**	**1,505,960**
Long/(short) position as at 31 December 2015	2,518,047	(7,542,847)	(818,968)	(363,656)	549,310	2,274,010	4,829,187	1,445,083

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 30 June 2016, the accumulated gap of various maturities classes of the Group was RMB1,505,960 million, an increase of RMB60,877 million over the end of 2015. Despite the negative gap for repayment on demand totalling RMB7,916,877 million, the Group was expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and extensive deposit customer base, relatively stable core demand deposits, and steady growth in deposits.

5.3.3 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 the first half of 2016, the Group continued to refine its market risk management and control systems with innovated management methods, and improved its market risk management tools. It strengthened risk management of the business centres directly run by the head office, and put forward measures for more refined management, to further enhance risk management and control over asset management and transactions with other banks and financial institutions; it reinforced the monitoring and reporting of the market risk for the Group's trading business and actively conducted on-site inspections and walk-through testing, so as to identify potential high-risk customers, develop contingency plans, and mitigate risks in advance; it deepened the proactive risk management mode that is part of the business processes, promoted the computer control level of market risk management for trading business, and continuously conducted risk assessment and post-launch assessment of new products. With a focus on the capital measurement of market risk, the Group intensified the construction of IT management tools, optimised the risk management system for counterparties in derivative transactions to raise the effectiveness of credit risk monitoring and early warning for counterparties, and refined the parameter management mechanism of transaction system, to improve the accuracy of risk measurement data.

Value at Risk analysis

The Bank divides its on and off-balance sheet assets and liabilities into two major categories, namely the trading book and the 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 portfolios 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 dates and for relevant periods is as follows:

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

Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Repricing risk and basis risk of asset and liability portfolios 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 fluctuations, while keeping interest rate risk within a tolerable range in accordance with the risk appetite and risk management capability.

In the first half of 2016, the Bank proactively pushed forward the strategies in response to interest rate liberalisation, strengthened pricing incentive and constraint mechanism, pushed forward pricing management over key products and customers, focused on balanced development between volume and price, and effectively improved the Bank's liberalisation and differentiated pricing capability. Meanwhile, the Bank measured interest rate risk by employing a host of methods, such as interest rate sensitivity gap, net interest income sensitivity analysis and stress testing, conducted regular analysis and net interest income prediction, and made judicious adjustments to the term structure and product structure of asset and liability portfolios, in order to maintain the overall interest rate risk within its determined acceptable range.

Interest rate sensitivity gap analysis

The Group's interest rate sensitivity gap, as at the dates indicated, by the next expected repricing dates or maturity dates (whichever occur earlier) is set out below:

(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**
Interest rate sensitivity gap as at 30 June 2016	**245,077**	**(5,091,670)**	**4,416,470**	**486,143**	**1,449,940**	**1,505,960**
Interest rate sensitivity gap as at 31 December 2015	30,905	(1,981,159)	1,836,320	227,707	1,331,310	1,445,083

As at 30 June 2016, the negative repricing gap of the Group's assets and liabilities for a period less than one year was RMB675,200 million, an increase of RMB530,361 million over the end of last year, mainly due to the increase of deposits and borrowings from the central banks. The Group's positive gap for a period more than one year was RMB1,936,083 million, an increase of RMB377,066 million over the end of last year, mainly due to the growth of long-term investments.

Net interest income sensitivity analysis

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

The interest rate sensitivity of the Group's net interest income as at the dates indicated is set out below:

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

Foreign exchange rate risk management

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

In the first half of 2016, the Group continued to optimise the methods for measuring the risk exposure of its capital debt, and improve system coverage ratio and accuracy of measurement for newly established entities; promptly tracked the impact of Brexit referendum and analysed the foreign exchange rate risk, with the conclusion that the Group's foreign exchange rate risk arising from the leave vote was under control, given its small euro and pound positions.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below:

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

As at 30 June 2016, the net exposure of the Group's foreign exchange rate risk was RMB42,872 million, a decrease of RMB11,405 million over the end of last year.

5.3.4 Operational Risk Management

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

In the first half of 2016, the Group continued to strengthen its operational risk management. With the help of its new generation core banking system, the Group continuously raised the percentage and capability of computer control over incompatible positions, and strengthened the checks and balances between positions. The Group widely used key risk indicators for monitoring and giving early warnings of operational risk in key control areas. It continued to carry out overall self-assessments of its business continuity management, and supervised its branches and subsidiaries to further strengthen their business continuity management.

Anti-money laundering

In the first half of 2016, the Group strictly implemented laws, regulations and regulatory policies for anti-money laundering (AML) and counter-terrorism financing (CTF), and further improved the AML compliance mechanisms and internal control system. The Group strengthened the requirements for managing client on-boarding and client identity verification, improved the risk assessment index system, optimised rules for detecting suspicious transactions, and actively conducted AML training and publicity, so as to continuously improve the overall AML and CTF management quality and competence.

5.3.5 Reputational Risk Management

Reputational risk is the risk or potential risk of negative impacts on 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 the first half of 2016, the Group continued to refine the reputational risk management system and mechanism to raise the comprehensive competence of the Group in managing its reputational risk. The Group organised internal self-assessment and inspections of reputational risk, enhanced the researches and judgements, early warning and early planning for reputational risk, so as to strengthen the source management of reputational risk. The Group set up a joint conference system for tackling reputational risk to address relevant issues in a coordinated and synergistic manner, and effectively safeguarded its brand and reputation. The Group also innovated ways of promoting its brand, expanded channels and platforms, and actively communicated "Stories about CCB" to the society, thus creating a favourable public opinion atmosphere.

5.3.6 Consolidated Management

Consolidated management means the Bank performs comprehensive and sustained management and control over corporate governance, capital and finance of the Group and its subsidiaries, with effective identification, measurement, monitoring and control of the Group's overall risk profile.

In the first half of 2016, in accordance with the requirements of *Guidelines on Consolidated Management and Supervision of Commercial Banks* promulgated by the CBRC, the Bank continued to improve the Group's consolidated management capability and prevented the cross-border and cross-industrial operational risks. The Bank performed the self-assessment over the consolidated management, improved the Group's overall risk management system and refined the business coordination mechanisms. The Bank strengthened the Group's capital management by constantly monitoring and analysing the capital adequacy ratios of the Group; enhanced the monitoring over the limit indicators for liquidity risk at the Group level and comprehensively planned and managed the Group's capital flows; refined the annual management plan of the industry limits and constantly conducted monitoring and reporting of its concentration risks; reinforced the management of internal transactions by organising the assessment of internal control of overseas institutions and subsidiaries.

5.3.7 Internal Audit

The Bank adheres to a relatively independent and vertically managed internal audit system. Designed 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 controls and risk management, the effect of corporate governance procedures, the efficiency of business operations, and the economic responsibilities of relevant personnel, and puts forward suggestions for improvement.

In the first half of 2016, against the backdrop of the business transformation and the changes in economic and financial trends, the Bank organised systematic audit projects, including dynamic audit and investigation on fundamental management of credit business, dynamic audit investigation on key businesses in strategic transformation, audit investigation on the expansion of profitability, audit on characteristics of financial behaviours of customer segments; audit on operations and management of principal businesses for overseas institutions; and audit on economic responsibility within tenure. Audit offices carried out various selective audit projects based on actual situations of local branches, to further expand the audit coverage. The Bank's internal audit department also further promoted its own transformation and development, with greater focuses on integration with the Bank's operation and management, strengthened early warning and forecast of risks, and continued to improve the quality of its audit suggestions to facilitate process optimisation, mechanism improvement and problem solving. It made greater efforts to promote the follow-up auditing on rectification and identification of accountability, so as to support the Bank's transformation and development in a more effective way.

5.4 Capital Management

The Group has implemented a comprehensive capital management, including the policy making in capital management, capital blueprint and planning, capital measurement, the assessment of internal capital adequacy, capital allocation, capital incentive, constraint and transmission, capital raising, monitoring and reporting, and the application of advanced capital measurement method in its daily operations. The overall principle of the Bank's capital management is to: First, keep an adequate capital level on an on-going basis, and keep a safety margin and buffer space while meeting regulatory requirements to ensure the sufficient coverage of capital over various risks; Second, implement reasonable and effective capital allocation, strengthen capital constraint and incentive mechanism, effectively support the implementation of the bank's strategic planning while fully exerting the constraint and guidance effect of capital on the business, and improve capital efficiency and returns level continuously. Third, consolidate capital strength, keep the capital quality at a properly high level, supplement capital first through internal accumulation, and then use various capital instruments reasonably to optimise capital structure. Fourth, continuously deepen the application of advanced capital measurement method in credit policy, credit approval and pricing management.

In the first half of 2016, the Group continued to strengthen the fundamental capability of capital management, improved capital transmission and constraint mechanism, and proactively carried forward operational transformation towards more intensive use of capital. The Group conducted in-depth analyses on the capital occupation and risk-weighted asset items to push forward structural optimisation; and made on-going efforts to enhance the refined management of capital, so as to reduce less effective capital occupation and further improve capital efficiency, enabling capital to play a more important role in guiding and restraining business development.

5.4.1 Analysis of Capital Adequacy Ratio

As approved by the CBRC, the Group began to calculate capital adequacy ratios with the advanced approach from the second quarter of 2014. In this approach, the Group 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. In accordance with the regulatory requirements, the Group calculates and discloses capital adequacy ratios in accordance with both the *Capital Rules for Commercial Banks (Provisional)* and the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* and complies with the relevant capital floors. 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).

As at 30 June 2016, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* while observing relevant rules in the transition period were 15.09%, 13.24% and 13.06%, respectively, which were in compliance with the regulatory requirements. The total capital ratio, tier 1 ratio and common equity tier 1 ratio decreased by 0.30, 0.08 and 0.07 percentage points, respectively compared with that as at 31 December 2015. In the first half of 2016, the Group proactively optimised the structure of on and off-balance sheet businesses and accelerated the development of businesses with less capital occupation and higher return. The decline in the Group's total capital ratio was mainly due to the slower growth rate of total capital after deductions than that of risk-weighted assets, as a result of the distribution of 2015 dividends and the decrease of unqualified subordinated debt securities that could be included in capital.

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 30 June 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	The Group	The Bank
Calculated in accordance with the ***Capital Rules for Commercial Banks (Provisional)***				
Common Equity Tier 1 capital after deduction	**1,468,897**	**1,385,763**	1,408,127	1,328,994
Tier 1 capital after deduction	**1,488,636**	**1,405,423**	1,427,847	1,348,654
Total capital after deduction	**1,697,254**	**1,610,043**	1,650,173	1,567,187
Common Equity Tier 1 ratio	**13.06%**	**12.92%**	13.13%	12.94%
Tier 1 ratio	**13.24%**	**13.10%**	13.32%	13.13%
Total capital ratio	**15.09%**	**15.01%**	15.39%	15.26%
Calculated in accordance with the ***Measures for the Management of Capital Adequacy Ratios of Commercial Banks***				
Core capital adequacy ratio	**12.64%**	**12.66%**	12.35%	12.32%
Capital adequacy ratio	**15.58%**	**15.43%**	15.43%	15.19%

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 30 June 2016**	As at 31 December 2015
Common Equity Tier 1 capital		
Paid-in capital	**250,011**	250,011
Capital reserve[1]	**151,111**	157,613
Surplus reserve	**153,032**	153,032
General reserve	**210,835**	186,383
Retained earnings	**710,181**	669,802
Non-controlling interest given recognition in Common Equity Tier 1 capital	**3,616**	4,121
Others[2]	**(2,318)**	(5,330)
Deductions for Common Equity Tier 1 capital		
Goodwill[3]	**2,118**	1,946
Other intangible assets (excluding land use right)[3]	**1,551**	1,657
Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	**3,902**	3,902
Additional Tier 1 capital		
Other directly issued qualifying additional Tier 1 instruments including related stock surplus	**19,659**	19,659
Non-controlling interest given recognition in Additional Tier 1 capital	**80**	61
Tier 2 capital		
Directly issued qualifying Tier 2 instruments including related stock surplus	**155,067**	170,147
Provisions in Tier 2	**51,989**	50,014
Non-controlling interest given recognition in Tier 2 capital	**1,562**	2,165
Common Equity Tier 1 capital after deduction[4]	**1,468,897**	1,408,127
Tier 1 capital after deduction[4]	**1,488,636**	1,427,847
Total capital after deduction[4]	**1,697,254**	1,650,173

1. The investment revaluation reserve is included in capital reserve.
2. Others mainly include foreign exchange reserve.
3. Both balances of goodwill and other intangible assets (excluding land use rights) are the net amounts after deducting relevant deferred tax liabilities.
4. 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.

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)*.

(In millions of RMB)	**As at 30 June 2016**	As at 31 December 2015
Credit risk-weighted assets	**10,183,227**	9,632,990
Covered by internal ratings-based approach	**7,341,115**	7,285,947
Uncovered by internal ratings-based approach	**2,842,112**	2,347,043
Market risk-weighted assets	**75,784**	71,624
Covered by internal models approach	**37,920**	36,663
Uncovered by internal models approach	**37,864**	34,961
Operational risk-weighted assets	**986,906**	986,906
Additional risk-weighted assets arising from the application of capital floors	**–**	30,562
Total risk-weighted assets	**11,245,917**	10,722,082

Credit risk exposures

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

	As at 30 June 2016	
(In millions of RMB)	**Covered by internal ratings-based approach**	**Uncovered by internal ratings-based approach**
Risk exposures of on and off-balance sheet assets	**10,803,616**	**10,906,339**
Corporate risk exposures	**6,863,358**	**1,568,860**
Sovereign risk exposures	**–**	**2,810,208**
Financial institution risk exposures	**–**	**3,449,840**
Retail risk exposures	**3,940,258**	**222,625**
Equity risk exposures	**–**	**17,826**
Securitisation risk exposures	**–**	**4,418**
Other risk exposures	**–**	**2,832,562**
Counterparty credit risk exposures	**–**	**74,263**
Total	**10,803,616**	**10,980,602**

Capital requirements of market risks

The Group's capital requirements for market risks are calculated with the internal models approach. Requirements not covered by the internal models approach are calculated using the standardised approach. The following table sets forth, as at the dates indicated, the information related to capital requirements for various market risks at 30 June 2016.

(In millions of RMB)	As at 30 June 2016 Capital requirements	As at 31 December 2015 Capital requirements
Covered by internal models approach	**3,034**	2,933
Covered by standardised approach	**3,029**	2,797
Interest rate risk	**769**	725
Equity position risk	**159**	87
Foreign exchange risk	**2,101**	1,985
Commodity risk	**–**	–
Option risk	**–**	–
Total	**6,063**	5,730

The Group adopted Value-at-risk (VaR) model to measure its market risks. The VaR model is an approach to estimate potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices within a specific timeframe and a fixed confidence interval. The Group calculates VaR and stressed VaR, and conducts back-testing in compliance with the regulatory requirements. At the end of the reporting period, the number of non-compliant back-testing results fell within the green zone set by the CBRC, and no anomalies were identified.

The following table shows the VaR and stressed VaR of the Group measured with the internal model approach as at 30 June 2016.

	Six months ended 30 June 2016			
(In millions of RMB)	Average	Highest	Lowest	Period end
VaR	**427**	**690**	**206**	**206**
Stressed VaR	**704**	**973**	**443**	**660**

Equity risk exposures of the banking book

The following table sets forth, as at the dates indicated, the information related to the equity risk exposures of the banking book and the unrealised potential risk gains or losses of the Group.

(In millions of RMB)	As at 30 June 2016			As at 31 December 2015		
Invested institution categories	**Publicly traded equity risk exposures[1]**	**Non-publicly traded equity risk exposures[1]**	**Unrealised potential risk gains or losses[2]**	Publicly traded equity risk exposures[1]	Non-publicly traded equity risk exposures[1]	Unrealised potential risk gains or losses[2]
Financial institutions	**1,914**	**1,563**	**790**	1,887	1,529	807
Non-financial institutions	**1,957**	**8,326**	**699**	2,161	6,235	841
Total	**3,871**	**9,889**	**1,489**	4,048	7,764	1,648

1. Publicly traded equity risk exposures are the equity exposures of invested institutions that are listed companies. Non-publicly traded equity risk exposures are the equity exposures of invested institutions that are unlisted companies.
2. Unrealised potential risk gains or losses are the portion of gains or losses that have been recognised in the balance sheet but not in the income statement.

5.4.2 Leverage Ratio

From the first quarter of 2015, the Group calculates the leverage ratio in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) promulgated by the CBRC in January 2015. Leverage ratio refers to the ratio of the eligible Tier 1 capital held by a commercial bank to the adjusted balance of on and off-balance sheet assets. As at 30 June 2016, the Group's leverage ratio was 7.05%, which met the regulatory requirements. Compared to 31 December 2015, the Group's leverage ratio declined by 0.23 percentage points, mainly due to the slower growth rate of Tier 1 capital after deductions than that of on and off-balance sheet assets, as a result of the Bank's distribution of 2015 dividends in the first half of 2016.

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

(In millions of RMB, except percentages)	**As at 30 June 2016**	As at 31 March 2016	As at 31 December 2015	As at 30 September 2015
Leverage ratio	**7.05%**	7.27%	7.28%	6.95%
Tier 1 capital after deduction	**1,488,636**	1,493,236	1,427,847	1,357,843
On and off-balance sheet assets after adjustments	**21,109,915**	20,533,512	19,616,647	19,523,861

The following table sets forth, as at the date indicated, the accounting items related to the Group's leverage ratio and their reconciliation with the regulatory items.

(In millions of RMB)	**As at 30 June 2016**
Total on-balance sheet assets	**19,760,148**
Consolidated adjustment	**(60,119)**
Customer assets adjustment	**–**
Derivatives adjustment	**22,833**
Securities financing transactions adjustment	**313**
Off-balance sheet items adjustment	**1,394,311**
Other adjustments	**(7,571)**
On and off-balance sheet assets after adjustments	**21,109,915**

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

(In millions of RMB, except percentages)	As at 30 June 2016
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	19,578,432
Less: Deductions from tier 1 capital	(7,571)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**19,570,861**
Replacement costs of various derivatives (excluding eligible margin)	25,828
Potential risk exposures of various derivatives	37,770
Total collaterals deducted from the balance sheet	–
Less: Asset receivables arising from the provision of eligible margin	–
Less: Derivative assets arising from central counterpart transactions while providing clearing services to customers	–
Nominal principals arising from sales of credit derivatives	–
Less: Deductible assets arising from sales of credit derivatives	–
Derivative assets	**63,598**
Accounting assets arising from securities financing transactions	80,832
Less: Deductible assets arising from securities financing transactions	–
Counterparty credit risk exposure arising from securities financing transactions	313
Assets arising from the agency services in connection with securities financing transactions	–
Securities financing transactions assets	**81,145**
Off-balance sheet assets	2,713,454
Less: Decrease in off-balance sheet assets due to credit conversion	(1,319,143)
Off-balance sheet assets after adjustments	**1,394,311**
Tier 1 capital after deduction	**1,488,636**
On and off-balance sheet assets after adjustments	**21,109,915**
Leverage ratio[2]	**7.05%**

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

5.5 Prospects

In the second half of 2016, the global economy will continue its slow growth with increasing uncertainties in the process of development. The US economy shows a clear trend of continuous but slowing-down growth and interest rate increase by the US Federal Reserve is expected to be further delayed. The Euro zone is experiencing slow economic recovery, while Brexit will bring a series of negative impacts on EU politics and economy and increasing instability within the EU. Japan presents a relatively rapid growth in the short run but lacks growth impetus. The structural problems hindering the long-term growth of the emerging economies still exist. The qualities of high resilience, great potential and large leeway that characterise Chinese economy remain unchanged. It is gaining new economic momentum brought about by the structural reforms on the supply side, deregulation and the strategy of innovation-driven development, while accelerating the upgrading of traditional advantages for development. The new economies, new industries and new business modes develop rapidly.

The banking industry faces complex and severe external operating environment and the coexistence of challenges and opportunities. On the one hand, de-leveraging and de-capacity exert pressure on the banks' assets quality; liberalisation of interest rate and exchange rate, diversified financing options for customers and displacement of local government bonds put the banks' abilities in customer service and product innovation to the test; regulatory institutions sets higher requirements on capitals, broad credit, and service charges, etc. On the other hand, the implementation of China's strategies on stabilising growth and promoting development provides numerous business opportunities, and the increasing investment in infrastructure, the rapid growth of emerging industries and new business types, upgrades in the consumption areas, urbanisation of rural migrant workers are expected to create enormous business opportunities in the second half of 2016; the rapid development of the financial market brings about new development space for integrated and comprehensive banking operations.

The Group will adhere to the "13th Five-Year Plan", keep up with the changes in operating environment, seize the opportunities of new economies' development, and maintain prudent banking practices to promote its business transformation and development. Efforts will be made in the following areas. First, the Group will make full use of its advantages and actively support the development of the real economy. The Group will seize opportunities in major projects guided by national major strategies, support the upgrade of traditional industries, and cultivate and develop new industries. Moreover, the Group will increase support to small and micro enterprises and agriculture-related sectors, consolidate and improve its traditional advantage in residential mortgages, and actively promote the development of consumer finance, people's livelihood and inclusive finance. Second, the Group will solidify foundation, strive for business expansion and innovation, and build new competitiveness. The Group will continue to carry forward its transformation and development under the guidance of the five development philosophies of "innovation, harmonisation, green, openness, and sharing". Third, the Group will prioritise risk prevention and control in all its business activities. The Group will strengthen the unified management and control of credit risk, conduct in-depth inspection on credit and effectively keep asset quality under control. Fourth, based on the intensive operating principle, the Group will strive to achieve a coordinated and balanced development of assets and liabilities, continuously push forward its refined management, make efforts to increase revenues while reduce expenditures, so as to enhance operating capabilities.

6 Changes in Share Capital and Particulars of Shareholders

6.1 Changes in Ordinary Shares

Unit: share

	1 January 2016		Increase/(Decrease) during the reporting period					30 June 2016	
	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	93,199,798,499	37.28	–	–	–	–	–	93,199,798,499	37.28
3. Others[1]	147,217,521,381	58.88	–	–	–	–	–	147,217,521,381	58.88
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares not subject to selling restrictions held by the promoters of the Bank, i.e. Huijin, Baosteel Group, State Grid, and Yangtze Power.

6.2 Number of Ordinary Shareholders and Particulars of Shareholdings

At the end of the reporting period, based on the register of members as at 30 June 2016, the Bank had a total of 465,719 ordinary shareholders, of whom 48,502 were holders of H-shares and 417,217 were holders of A-shares.

Unit: share

Total number of shareholders	**465,719 (Total number of registered holders of A-shares and H-shares as at 30 June 2016)**				
Particulars of shareholdings 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-owned	57.03	142,590,494,651 (H-shares)	None	None
		0.08	195,941,976 (A-shares)	None	None
HKSCC Nominees Limited[1]	Foreign legal person	31.89	79,725,021,173 (H-shares)	None	Unknown
Temasek[1,2]	Foreign legal person	4.81	12,018,825,216 (H-shares)	None	None
China Securities Finance Corporation Limited	State-owned legal person	1.02	2,541,591,389 (A-shares)	None	None
Baosteel Group[1]	State-owned legal person	0.80	2,000,000,000 (H-shares)	None	None
		0.02	50,000,000 (A-shares)	None	None
State Grid[1,3]	State-owned legal person	0.64	1,611,413,730 (H-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
Central Huijin Asset Management Ltd.[4]	State-owned legal person	0.20	496,639,800 (A-shares)	None	None
PICC Life Insurance Company Limited – Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.07	167,651,692 (A-shares)	None	None

1. On 20 June 2016, Temasek declared its interests to Hong Kong Stock Exchange. It disclosed that it held 12,018,825,216 H-shares of the Bank under the name of HKSCC Nominees Limited. As at 30 June 2016, State Grid and Yangtze Power held 1,611,413,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited; Baosteel Group held 2,000,000,000 H-shares of the Bank, in which 550,000,000 H-shares were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by Temasek, State Grid and Yangtze Power, as well as 550,000,000 H-shares held by Baosteel Group, 79,725,021,173 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
2. Fullerton Financial Holdings Pte. Ltd., a subsidiary indirectly wholly-owned by Temasek, reduced 555,000,000 H-shares of the Bank through over-the-counter trading of Hong Kong Stock Exchange on 16 June 2016. Please refer to "6.4 Material Interests and Short Positions" for details of the changes.
3. As at 30 June 2016, 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 54,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 230,000,000 shares and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.
4. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Apart from this, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.

6.3 Changes in Controlling Shareholders and Actual Controlling Parties

During the reporting period, there was no change in controlling shareholders and actual controlling parties.

6.4 Material Interests and Short Positions

As at 30 June 2016, the interests and short positions of substantial shareholders and other persons in the shares and underlying 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 A-shares or H-shares issued	% of total ordinary shares issued
Huijin[1]	A-share	692,581,776	Long position	7.22	0.28
Huijin[2]	H-share	133,262,144,534	Long position	59.31	57.03
Temasek[3]	H-share	12,018,825,216	Long position	4.99	4.81

1. On 29 December 2015, Huijin declared its interests to Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% of A-shares issued (9,593,657,606 shares) and 0.28% of total ordinary shares issued (250,010,977,486 shares) at that time respectively, in which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin. As at 30 June 2016, according to the A-share register of members of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
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 ordinary shares issued (233,689,084,000 shares) at that time respectively. As at 30 June 2016, 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 ordinary shares issued (250,010,977,486 shares) at the end of the period respectively.
3. On 20 June 2016, Temasek declared its interests to Hong Kong Stock Exchange. According to the declaration, Fullerton Financial Holdings Pte. Ltd., a subsidiary indirectly wholly-owned by Temasek, reduced 555,000,000 H-shares of the Bank through over-the-counter trading of Hong Kong Stock Exchange on 16 June 2016. Its aggregate H-shares of the Bank reduced from 12,573,825,216 before the change in shareholding to 12,018,825,216 after the change in shareholding. Its aggregate H-shares account for 4.99% and 4.81% of the H-shares issued (240,417,319,880 shares) and total shares issued (250,010,977,486 shares) after the change in shareholding, reducing from 5.23% and 5.03% of the H-shares issued and total ordinary shares issued before the change in shareholding.

6.5 Details of Preference Shares

6.5.1 Details of Issuance and Listing of Preference Shares in the Past Three Years

On 16 December 2015, the Bank made a non-public issuance of offshore preference shares in the offshore market and listed on the Hong Kong Stock Exchange on 17 December 2015. After the deduction of issuance fees, all proceeds raised from the issued offshore preference shares were used to replenish additional tier 1 capital of the Bank (Please refer to 2015 Annual Report for details).

6.5.2 Number of Preference Shareholders and Particulars of Shareholding

At the end of reporting period, the Bank had one preference shareholder (or proxy). Particulars of its shareholding were as follows:

Unit: share

Name of preference shareholder	Nature of shareholder	Type of shares	Increase/ decrease during the reporting period	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	–	100.00	152,500,000	–	Unknown

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

6.5.3 Profit Distribution of Preference Shares

During the reporting period, there was no dividend payment in respect of preference shares.

6.5.4 Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of preference shares issued by the Bank.

6.5.5 Restoration of Voting Rights of Preference Shares

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

6.5.6 Accounting Policy Adopted for Preference Shares and Grounds

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

7 Profiles of Directors, Supervisors, and Senior Management

7.1 Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

Members of the Bank's Board included executive directors: Mr. Wang Hongzhang, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; non-executive directors: Mr. Li Jun, Ms. Hao Aiqun, Mr. Guo Yanpeng and Mr. Dong Shi; and independent non-executive directors: Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, and Mr. Murray Horn.

Supervisors of the Bank

Members of the Bank's board of supervisors included shareholder representative supervisors: Mr. Guo You, Ms. Liu Jin and Ms. Li Xiaoling; employee representative supervisors: Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu; and external supervisor: Mr. Bai Jianjun.

Senior Management of the Bank

Senior management of the Bank included Mr. Wang Zuji, Mr. Pang Xiusheng, Mr. Zhang Gengsheng, Mr. Yang Wensheng, Mr. Huang Yi, Mr. Yu Jingbo, Mr. Zhu Kepeng, Mr. Zeng Jianhua, Mr. Xu Yiming, and Mr. Chen Caihong.

7.2 Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Upon election at the 2015 annual general meeting of the Bank, from 17 June 2016, Mr. Guo Yanpeng was re-elected as non-executive director of the Bank and Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, and Mr. Murray Horn were re-elected as independent non-executive directors of the Bank. The terms of office of Mr. Guo Yanpeng and Mr. Wim Kok shall expire on the date of the 2016 annual general meeting of the Bank and the terms of office of Mr. Zhang Long, Mr. Chung Shui Ming Timpson and Mr. Murray Horn shall expire on the date of the 2018 annual general meeting of the Bank.

The Bank published an announcement on 4 January 2016, pursuant to which, Ms. Elaine La Roche ceased to serve as independent non-executive director of the Bank from 31 December 2015 due to the expiration of her term of office.

From the end of the 2015 annual general meeting of the Bank, Ms. Chen Yuanling and Mr. Xu Tie no longer served as non-executive directors of the Bank and Ms. Margaret Leung Ko May Yee no longer served as independent non-executive director of the Bank, due to the expiration of their terms of office.

Supervisors of the Bank

In accordance with the resolution at the first meeting of the fourth employee representatives' meeting of the Bank, Mr. Li Xiukun, Mr. Jin Yanmin, and Mr. Li Zhenyu commenced their positions as employee representative supervisors of the Bank from January 2016.

Due to work arrangement, Mr. Jin Panshi, Mr. Zhang Huajian, and Mr. Wang Lin resigned from their positions as employee representative supervisors of the Bank from January 2016.

The Bank published an announcement on 17 June 2016, pursuant to which, Mr. Wang Xinmin ceased to serve as external supervisor of the Bank due to expiration of his term of office.

7.3 Changes in Personal Information of Directors, Supervisors and Senior Management

Mr. Chung Shui Ming Timpson, independent non-executive director of the Bank, ceased to serve as independent non-executive director of Henderson Land Development Company Limited from June 2016. Since August 2016, Mr. Chung has been the pro-chancellor of City University of Hong Kong.

Mr. Murray Horn, independent non-executive director of the Bank, ceased to serve as chairman of Wynyard Group and director of Spark New Zealand (formerly Telecom New Zealand) from May 2016.

7.4 Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

Mr. Zhang Gengsheng, director of the Bank, indirectly held 19,304 H-shares through participating in the employee stock incentive plan before he was appointed as director. Mr. Zhang Long, director of the Bank, held 235,400 A-shares. Some of the supervisors of the Bank indirectly held H-shares of the Bank through participating in the employee stock incentive plan before they assumed their current positions. Mr. Li Xiukun held 12,366 H-shares, Mr. Jin Yanmin held 15,739 H-shares and Mr. Li Zhenyu held 3,971 H-shares. Save as disclosed above, as at 30 June 2016, none of the directors or 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* in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange.

As of 30 June 2016, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

7.5 Directors' and Supervisors' Securities Transactions

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* in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code during the six months ended 30 June 2016.

7.6 Shares of the Bank held by Directors, Supervisors and Senior Management

During the reporting period, Mr. Zhang Gengsheng, director of the Bank, indirectly held 19,304 H-shares of the Bank via participating in the employee stock incentive plan before he assumed the current position. Mr. Zhang Long, director of the Bank, held 235,400 A-shares of the Bank, and Ms. Margaret Leung Ko May Yee, departed director of the Bank, held 100,000 H-shares of the Bank. Some of the Bank's supervisors and senior management indirectly held H-shares of the Bank via participating in the employee stock incentive plan before they assumed their current positions. Mr. Li Xiukun held 12,366 H-shares, Mr. Jin Yanmin held 15,739 H-shares, Mr. Li Zhenyu held 3,971 H-shares, Mr. Yang Wensheng held 10,845 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Zeng Jianhua held 25,838 H-shares, Mr. Xu Yiming held 17,925 H-shares and Mr. Chen Caihong held 19,417 H-shares. The departed supervisors, Mr. Zhang Huajian and Mr. Wang Lin, held 18,999 and 19,304 H-shares respectively. Apart from the above, none of the directors, supervisors or senior management of the Bank held any shares of the Bank.

Corporate Governance

The Bank continued to improve its corporate governance structure in strict compliance with the *Company Law of the People's Republic of China*, the Law of the People's Republic of China on Commercial Banks and other laws and regulations, as well as the listing rules of the relevant stock exchanges, based on its practical conditions, in order to enhance its corporate governance.

During the reporting period, the general meeting of the Bank reviewed and approved the resolutions of electing directors. In order to achieve the strategic goals of the Bank, promote sustainable development and 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 working ethics of the candidates, and at the same time, take into account the requirements under the diversity policy. 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 candidates' overall competence and possible contributions to the Board. Nomination and Remuneration Committee supervises the implementation of the Diversity Policy for the Board of Directors.

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 complied with the recommended best practices therein.

Formulation and Implementation of Cash Dividend Policy

As approved by the 2015 annual general meeting, the Bank distributed the 2015 cash dividend of RMB0.274 per share (including tax), totalling RMB2,629 million, on 30 June 2016 to all of its holders of A-shares whose names appeared on the register of members on 29 June 2016. It distributed the 2015 cash dividend of RMB0.274 per share (including tax), totalling RMB65,874 million, on 22 July 2016 to all of its holders of H-shares whose names appeared on the register of members on 29 June 2016. The Bank would not declare 2016 interim dividend nor would it propose any capitalisation of capital reserve into share capital during the reporting period.

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

The Bank has sound procedures and mechanism for the decision-making 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 legal rights and interests of the small and medium investors, and submitted the profit distribution plan to the general meeting for approval. The independent directors conducted due diligence and played their due 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.

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 continued to hold any shares of the Bank, or was defined 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 would not engage or participate in any competing commercial banking businesses, including but not limited to extending loans, taking deposits and providing settlement, and providing fund custody, bank card and currency exchange services. However, Huijin may still engage or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin agreed to: (1) fairly weigh its investments in commercial banks, and 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 others; (2) exercise its shareholder's rights in the best interests of the Bank.

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

On 6 April 2016, in accordance with relevant regulations of the CSRC, in order to ensure that measures which intend to make up the immediate return diluted by the issuance of preference shares of the Bank can be effectively fulfilled, Huijin made the following undertakings: never overstepping its authority to interfere with the Bank's operation or management activities, and never violating the Bank's interests.

As at 30 June 2016, Huijin had not breached any of the above undertakings.

Apart from the above, the Bank and shareholders holding 5% or more of the shares did not give new undertakings.

Progress of Implementation of Employee Stock Incentive Plan

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

Acquisition and Sale of Major Assets and Merger of Enterprises

During the reporting period, there was no acquisition or sale of major assets, or merger of enterprises.

Use of Proceeds

During the reporting period, the Bank did not raise funds from public offering.

The proceeds raised from offering of H-shares and A-shares, subordinated bonds, tier 2 capital bonds and offshore preference shares before the reporting period, were all used to strengthen the capital base of the Bank as to support the business development.

Material Investment with Funds other than Raised Proceeds

During the reporting period, there was no material investment with funds other than raised proceeds.

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.

Material Related Party Transactions

During the reporting period, there was no material related party transaction of the Bank.

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.

Purchase, Sale and Redemption of Shares

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

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.

Review of Half-Year Report

The Group's 2016 half-year financial statements prepared under PRC GAAP have been reviewed by PricewaterhouseCoopers Zhong Tian LLP and the Group's 2016 half-year financial statements prepared under IFRS have been reviewed by PricewaterhouseCoopers.

The Group's half-year report has been reviewed by the Audit Committee of the Bank.

Other Shareholdings or Share Participations

Top ten investments in securities

No.	Stock Code	Stock Abbreviation	Initial investment amount (RMB)	% of shareholding at the beginning of the period	% of shareholding at the end of the period	Carrying amount at the end of the period (RMB)	Accounting item
1	998.HK	CITIC BANK	415,305,300	0.36	0.36	817,028,495	Available-for-sale financial assets
2	000792	QINGHAI SALT LAKE	65,643,997	1.62	1.62	633,099,592	Available-for-sale financial assets
3	VTBR.RM	JSC VTB Bank	667,976,613	0.59	0.59	545,010,256	Available-for-sale financial assets
4	2322.HK	NOBLE CENTURY	231,273,967	–	9.91	315,032,647	Financial assets at fair value through profit or loss
5	2666.HK	UNI MEDICAL	179,532,952	3.90	3.90	314,512,796	Available-for-sale financial assets
6	NYSE: V	Visa Inc	44,874,400	0.02	0.02	297,607,194	Available-for-sale financial assets
7	000001	PINGAN BANK	46,572,479	0.18	0.18	268,859,107	Available-for-sale financial assets
8	600900	YANGTZE POWER	254,628,027	–	0.10	261,301,404	Available-for-sale financial assets
9	6166.HK	CHINA VAST	168,288,714	5.01	4.84	199,503,557	Available-for-sale financial assets
10	1115.HK	TIBET WATER	92,283,711	2.85	2.85	169,500,692	Financial assets at fair value through profit or loss
Total			2,166,380,160			3,821,455,740	

1. Investments in securities in this table refer to stocks, warrants, convertible bonds and open-ended or close-ended funds that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

Interests in non-listed financial institutions

Name	Initial investment amount (RMB)	% of shareholding at the beginning of the period	% of shareholding at the end of the period	Carrying amount at the end of the period (RMB)
Xiamen International Bank Co., Ltd.	300,000,000	2.18	1.57	338,282,760
China UnionPay Co., Ltd.	215,000,000	4.78	4.78	215,000,000
Evergrowing Bank Co., Ltd.	118,488,658	1.65	1.65	118,488,658
Shaanxi Yanchang Petroleum Finance Co., Ltd.	80,000,000	8.00	8.00	80,000,000
China Guangfa Bank Co., Ltd.	48,558,031	0.09	0.09	48,558,031
China Insurance Investment LLC	24,000,000	2.00	2.00	24,000,000
Shanghai Insurance Exchange Co., Ltd.	20,000,000	–	0.89	20,000,000
Huarong Xiangjiang Bank Corporation Limited	4,693,500	0.07	0.07	2,173,535

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.

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 61 to 146, which comprises the consolidated statements of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2016

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Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)
Interest income		**346,411**	384,194
Interest expense		**(135,421)**	(159,575)
Net interest income	3	**210,990**	224,619
Fee and commission income		**70,907**	66,520
Fee and commission expense		**(3,717)**	(2,875)
Net fee and commission income	4	**67,190**	63,645
Net trading gain	5	**1,696**	1,750
Dividend income	6	**1,405**	471
Net gain arising from investment securities	7	**7,337**	3,432
Other operating income net:			
– Other operating income		**46,186**	18,767
– Other operating expense		**(39,125)**	(14,867)
Other operating income, net	8	**7,061**	3,900
Operating income		**295,679**	297,817
Operating expenses	9	**(79,116)**	(87,429)
		216,563	210,388
Impairment losses on:			
– Loans and advances to customers		**(46,798)**	(40,441)
– Others		**188**	(808)
Impairment losses	10	**(46,610)**	(41,249)
Share of (loss)/profit of associates and joint ventures		**(75)**	68
Profit before tax		**169,878**	169,207
Income tax expense	11	**(35,975)**	(36,963)
Net profit		**133,903**	132,244
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations		**49**	444
Others		**7**	2
Subtotal		**56**	446
Items that may be reclassified subsequently to profit or loss			
(Losses)/Gains of available-for-sale financial assets arising during the period		**(4,690)**	5,863
Income tax impact relating to available-for-sale financial assets		**1,254**	(1,407)
Reclassification adjustments included in profit or loss		**(3,812)**	(1,128)
Net losses on cash flow hedges		**–**	(2)
Exchange difference on translating foreign operations		**2,976**	(902)
Subtotal		**(4,272)**	2,424
Other comprehensive income for the period, net of tax		**(4,216)**	2,870
Total comprehensive income for the period		**129,687**	135,114
Net profit attributable to:			
Equity shareholders of the Bank		**133,410**	131,895
Non-controlling interests		**493**	349
		133,903	132,244
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**129,645**	134,504
Non-controlling interests		**42**	610
		129,687	135,114
Basic and diluted earnings per share (in RMB Yuan)	12	**0.53**	0.53

The notes on pages 67 to 146 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016
(Expressed in millions of RMB, unless otherwise stated)

	Note	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Assets:			
Cash and deposits with central banks	13	**2,584,262**	2,401,544
Deposits with banks and non-bank financial institutions	14	**634,094**	352,966
Precious metals		**210,272**	86,549
Placements with banks and non-bank financial institutions	15	**280,915**	310,779
Financial assets at fair value through profit or loss	16	**365,430**	271,173
Positive fair value of derivatives	17	**41,323**	31,499
Financial assets held under resale agreements	18	**81,218**	310,727
Interest receivable	19	**104,543**	96,612
Loans and advances to customers	20	**10,861,990**	10,234,523
Available-for-sale financial assets	21	**1,259,746**	1,066,752
Held-to-maturity investments	22	**2,562,778**	2,563,980
Investment classified as receivables	23	**483,786**	369,501
Interests in associates and joint ventures	25	**5,746**	4,986
Fixed assets	27	**161,362**	159,531
Land use rights	28	**14,980**	15,231
Intangible assets	29	**1,989**	2,103
Goodwill	30	**2,312**	2,140
Deferred tax assets	31	**34,312**	25,379
Other assets	32	**69,090**	43,514
Total assets		**19,760,148**	18,349,489
Liabilities:			
Borrowings from central banks	34	**210,013**	42,048
Deposits from banks and non-bank financial institutions	35	**1,622,024**	1,439,395
Placements from banks and non-bank financial institutions	36	**340,571**	321,712
Financial liabilities at fair value through profit or loss	37	**339,357**	302,649
Negative fair value of derivatives	17	**53,173**	27,942
Financial assets sold under repurchase agreements	38	**100,505**	268,012
Deposits from customers	39	**14,675,541**	13,668,533
Accrued staff costs	40	**29,033**	33,190
Taxes payable	41	**36,667**	49,411
Interest payable	42	**205,035**	205,684
Provisions	43	**8,290**	7,108
Debt securities issued	44	**399,676**	415,544
Deferred tax liabilities	31	**343**	624
Other liabilities	45	**233,960**	122,554
Total liabilities		**18,254,188**	16,904,406
Equity:			
Share capital	46(1)	**250,011**	250,011
Other equity instruments Preference Shares	46(2)	**19,659**	19,659
Capital reserve	47	**135,008**	135,249
Investment revaluation reserve	48	**16,261**	23,058
Surplus reserve	49	**153,032**	153,032
General reserve	50	**210,874**	186,422
Retained earnings	51	**712,609**	672,154
Exchange reserve		**(2,589)**	(5,565)
Total equity attributable to equity shareholders of the Bank		**1,494,865**	1,434,020
Non-controlling interests		**11,095**	11,063
Total equity		**1,505,960**	1,445,083
Total liabilities and equity		**19,760,148**	18,349,489

Approved and authorised for issue by the Board of Directors on 25 August 2016.

Wang Zuji	**Chung Shui Ming Timpson**	**Dong Shi**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

The notes on pages 67 to 146 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016
(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments – preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2015	250,011	19,659	135,249	23,058	153,032	186,422	672,154	(5,565)	11,063	1,445,083
Movements during the period	–	–	(241)	(6,797)	–	24,452	40,455	2,976	32	60,877
(1) Total comprehensive income for the period	–	–	56	(6,797)	–	–	133,410	2,976	42	129,687
(2) Changes in share capital										
i Acquisition of subsidiaries	–	–	(269)	–	–	–	–	–	25	(244)
ii Additional investments by non-controlling interests	–	–	–	–	–	–	–	–	13	13
iii Change in shareholdings in subsidiaries	–	–	(28)	–	–	–	–	–	(19)	(47)
(3) Profit distribution										
i Appropriation to general reserve	–	–	–	–	–	24,452	(24,452)	–	–	–
ii Appropriation to equity shareholders	–	–	–	–	–	–	(68,503)	–	(29)	(68,532)
As at 30 June 2016	250,011	19,659	135,008	16,261	153,032	210,874	712,609	(2,589)	11,095	1,505,960

	(Unaudited)								
	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2014	250,011	135,391	4,066	130,515	169,496	558,705	(6,674)	10,338	1,251,848
Movements during the period	–	444	3,038	–	16,430	40,212	(873)	836	60,087
(1) Total comprehensive income for the period	–	444	3,038	–	–	131,895	(873)	610	135,114
(2) Changes in share capital									
i Non-controlling interests of new subsidiaries	–	–	–	–	–	–	–	4	4
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	234	234
(3) Profit distribution									
i Appropriation to general reserve	–	–	–	–	16,430	(16,430)	–	–	–
ii Appropriation to equity shareholders	–	–	–	–	–	(75,253)	–	(12)	(75,265)
As at 30 June 2015	250,011	135,835	7,104	130,515	185,926	598,917	(7,547)	11,174	1,311,935

The notes on pages 67 to 146 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016
(Expressed in millions of RMB, unless otherwise stated)

	(Audited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments – preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2014	250,011	–	135,391	4,066	130,515	169,496	558,705	(6,674)	10,338	1,251,848
Movements during the year	–	19,659	(142)	18,992	22,517	16,926	113,449	1,109	725	193,235
(1) Total comprehensive income for the year	–	–	65	18,992	–	–	228,145	1,109	1,412	249,723
(2) Changes in share capital										
i Capital injection by other equity holders	–	19,659	–	–	–	–	–	–	–	19,659
ii Establishment of subsidiaries	–	–	–	–	–	–	–	–	9	9
iii Change in shareholdings in subsidiaries	–	–	(207)	–	–	–	–	–	(687)	(894)
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	22,517	–	(22,517)	–	–	–
ii Appropriation to general reserve	–	–	–	–	–	16,926	(16,926)	–	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	–	(75,253)	–	(9)	(75,262)
As at 31 December 2015	250,011	19,659	135,249	23,058	153,032	186,422	672,154	(5,565)	11,063	1,445,083

The notes on pages 67 to 146 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2016
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities			
Profit before tax		**169,878**	169,207
Adjustments for:			
– Impairment losses	10	**46,610**	41,249
– Depreciation and amortisation	9	**7,803**	9,649
– Interest income from impaired financial assets		**(1,917)**	(1,355)
– Revaluation loss/(gain) on financial instruments at fair value through profit or loss		**516**	(2,055)
– Share of loss/(profit) of associates and joint ventures		**75**	(68)
– Dividend income	6	**(1,405)**	(471)
– Unrealised foreign exchange gain		**(4,261)**	(2,781)
– Interest expense on bonds issued		**5,660**	4,664
– Net gain on disposal of investment securities	7	**(7,337)**	(3,432)
– Net (gain)/loss on disposal of fixed assets and other long-term assets		**(64)**	2
		215,558	214,609
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(276,260)**	(285,879)
Net increase in placements with banks and non-bank financial institutions		**(10,396)**	(25,230)
Net increase in loans and advances to customers		**(648,979)**	(707,240)
Net decrease/(increase) in financial assets held under resale agreements		**229,510**	(222,107)
Net (increase)/decrease in financial assets at fair value through profit or loss		**(91,993)**	149,128
Increase in other operating assets		**(144,850)**	(69,660)
		(942,968)	(1,160,988)
Changes in operating liabilities:			
Net increase/(decrease) in borrowings from central banks		**167,495**	(51,102)
Net increase in placements from banks and non-bank financial institutions		**12,766**	111,470
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,166,928**	1,528,787
Net decrease in financial assets sold under repurchase agreements		**(167,563)**	(173,030)
Net decrease in certificates of deposit issued		**(16,487)**	(25,478)
Income tax paid		**(52,801)**	(58,090)
Net increase/(decrease) in financial liabilities at fair value through profit or loss		**36,386**	(90,800)
Increase in other operating liabilities		**52,418**	24,249
		1,199,142	1,266,006
Net cash from operating activities		**471,732**	319,627
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**516,005**	489,960
Dividends received		**1,412**	482
Proceeds from disposal of fixed assets and other long-term assets		**128**	728
Purchase of investment securities		**(833,804)**	(701,289)
Purchase of fixed assets and other long-term assets		**(9,153)**	(6,942)
Acquisition of subsidiaries, associates and joint ventures		**(1,010)**	(681)
Net cash used in investing activities		**(326,422)**	(217,742)
Cash flows from financing activities			
Issue of bonds		**7,009**	21,086
Capital contribution by non-controlling interests		**38**	238
Consideration paid for acquisition of non-controlling interests		**(19)**	–
Dividends paid		**(2,620)**	(2,838)
Repayment of borrowings		**(8,894)**	(882)
Interest paid on bonds issued		**(1,191)**	(2,751)
Net cash (used)/from financing activities		**(5,677)**	14,853

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)
Effect of exchange rate changes on cash and cash equivalents		**4,141**	(89)
Net increase in cash and cash equivalents		**143,774**	116,649
Cash and cash equivalents as at 1 January	52	**387,921**	353,718
Cash and cash equivalents as at 30 June	52	**531,695**	470,367
Cash flows from operating activities include:			
Interest received		**336,641**	374,000
Interest paid, excluding interest expense on bonds issued		**(133,572)**	(143,912)

The notes on pages 67 to 146 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 our 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 unified social credit code No. 911100001000044477 from the Beijing Administration for Industry and Commerce. 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 operates in Mainland China and also has several overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

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

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2015. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

(2) Use of estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

(3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

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. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

(4) Significant accounting policies

In the current interim period, the Group has adopted amendment to IFRS 11 (Joint Arrangement) on acquisitions of interests in joint operations, amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets) on clarification of acceptable methods of depreciation and amortisation, amendment to IAS 27 (Separate Financial Statements) on equity method in separate financial statements, amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) on investment entities: Applying the consolidation exception, amendments to IAS 1 (Presentation of financial statements) disclosure initiative and annual improvements 2014. After assessments, the adoption of the accounting standards has no significant impact to the interim financial statements.

Except for those described above, the accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

2 Basis of preparation and significant accounting policies (continued)

(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.

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, business tax used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016. VAT taxation rate is 6%.

City construction tax

City construction tax is calculated as 1% – 7% of business tax or VAT.

Education surcharge

Education surcharge is calculated as 3% of business tax or VAT.

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" on the balance sheet.

(6) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 25 August 2016. The interim financial statements have also been reviewed by the Bank's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial statements as previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in the report dated 30 March 2016.

(Expressed in millions of RMB, unless otherwise stated)

3 Net interest income

	Six months ended 30 June	
	2016	2015
Interest income arising from:		
Deposits with central banks	**19,261**	19,862
Deposits with banks and non-bank financial institutions	**5,651**	6,374
Placements with banks and non-bank financial institutions	**4,252**	8,235
Financial assets at fair value through profit or loss	**271**	584
Financial assets held under resale agreements	**2,487**	5,261
Investment securities	**74,673**	69,500
Loans and advances to customers		
– Corporate loans and advances	**149,496**	185,556
– Personal loans and advances	**82,824**	84,879
– Discounted bills	**7,496**	3,943
Total	**346,411**	384,194
Interest expense arising from:		
Borrowings from central banks	**(1,604)**	(1,854)
Deposits from banks and non-bank financial institutions	**(14,681)**	(17,263)
Placements from banks and non-bank financial institutions	**(3,366)**	(2,494)
Financial assets sold under repurchase agreements	**(1,335)**	(448)
Debt securities issued	**(7,600)**	(8,961)
Deposits from customers		
– Corporate deposits	**(51,505)**	(62,600)
– Personal deposits	**(55,330)**	(65,955)
Total	**(135,421)**	(159,575)
Net interest income	**210,990**	224,619

(1) Interest income from impaired financial assets is listed as follows:

	Six months ended 30 June	
	2016	2015
Impaired loans and advances	**1,904**	1,355
Other impaired financial assets	**13**	55
Total	**1,917**	1,410

(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)

4 Net fee and commission income

	Six months ended 30 June	
	2016	2015
Fee and commission income		
Bank card fees	**17,785**	16,735
Agency service fees	**12,738**	11,266
Wealth management service fees	**11,324**	6,877
Consultancy and advisory fees	**7,318**	9,809
Settlement and clearing fees	**7,130**	7,728
Commission on trust and fiduciary activities	**6,244**	5,333
Electronic banking service fees	**4,594**	3,382
Guarantee fees	**1,574**	1,287
Credit commitment fees	**1,264**	1,665
Others	**936**	2,438
Total	**70,907**	66,520
Fee and commission expense		
Bank card transaction fees	**(1,915)**	(1,295)
Inter-bank transaction fees	**(442)**	(310)
Others	**(1,360)**	(1,270)
Total	**(3,717)**	(2,875)
Net fee and commission income	**67,190**	63,645

5 Net trading gain

	Six months ended 30 June	
	2016	2015
Debt securities	**18**	376
Derivatives	**720**	1,339
Equity investments	**(196)**	559
Others	**1,154**	(524)
Total	**1,696**	1,750

For the six months ended 30 June 2016, the trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB4,676 million (for the six months ended 30 June 2015: RMB5,423 million gain). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB9,268 million (for the six months ended 30 June 2015: RMB4,930 million loss).

(Expressed in millions of RMB, unless otherwise stated)

6 Dividend income

	Six months ended 30 June	
	2016	2015
Dividend income from listed trading equity investments	**32**	21
Dividend income from available-for-sale equity investments		
– Listed	**1,157**	43
– Unlisted	**216**	407
Total	**1,405**	471

7 Net gain arising from investment securities

	Six months ended 30 June	
	2016	2015
Net gain on sale of available-for-sale financial assets	**960**	2,174
Net revaluation gain reclassified from other comprehensive income on disposal	**5,024**	1,185
Net gain on sale of held-to-maturity investments	**467**	189
Net gain on sale of receivables	**748**	–
Others	**138**	(116)
Total	**7,337**	3,432

8 Other operating income, net

Other operating income

	Six months ended 30 June	
	2016	2015
Insurance related income	**38,029**	14,259
Foreign exchange gain	**5,221**	2,278
Gain on disposal of fixed assets	**96**	33
Gain on disposal of repossessed assets	**4**	24
Others	**2,836**	2,173
Total	**46,186**	18,767

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 six months ended 30 June 2016, other operating expenses of the Group mainly contain insurance related claims from CCB Life.

(Expressed in millions of RMB, unless otherwise stated)

9 Operating expenses

	Six months ended 30 June	
	2016	2015
Staff costs		
– Salaries, bonuses, allowances and subsidies	**26,393**	27,213
– Other social insurance and welfare	**3,453**	3,516
– Housing funds	**3,097**	3,040
– Union running costs and employee education costs	**837**	977
– Defined contribution plans accrued	**6,174**	6,060
– Early retirement expenses	**17**	51
– Compensation to employees for termination of employment relationship	**1**	4
	39,972	40,861
Premises and equipment expenses		
– Depreciation charges	**6,742**	8,409
– Rent and property management expenses	**4,411**	4,164
– Maintenance	**889**	923
– Utilities	**890**	988
– Others	**776**	243
	13,708	14,727
Business taxes and surcharges	**13,359**	18,234
Amortisation expenses	**1,061**	1,240
Audit fees	**69**	71
Other general and administrative expenses	**10,947**	12,296
Total	**79,116**	87,429

10 Impairment losses

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	**46,798**	40,441
– Additions	**53,325**	45,924
– Releases	**(6,527)**	(5,483)
Available-for-sale debt securities	**(59)**	(320)
Held-to-maturity investments	**(512)**	172
Investment classified as receivables	**(456)**	7
Others	**839**	949
Total	**46,610**	41,249

(Expressed in millions of RMB, unless otherwise stated)

11 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2016	2015
Current tax	**42,851**	39,211
– Mainland China	**42,221**	38,370
– Hong Kong	**360**	582
– Other countries and regions	**270**	259
Adjustments for prior years	**(187)**	(1,216)
Deferred tax	**(6,689)**	(1,032)
Total	**35,975**	36,963

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

		Six months ended 30 June	
	Note	**2016**	2015
Profit before tax		**169,878**	169,207
Income tax calculated at statutory tax rates at 25%		**42,470**	42,302
Non-deductible expenses	(i)	**3,305**	1,968
Non-taxable income	(ii)	**(9,613)**	(6,091)
Adjustments on income tax for prior years which affect profit or loss		**(187)**	(1,216)
Income tax expense		**35,975**	36,963

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and PRC local government bonds.

(Expressed in millions of RMB, unless otherwise stated)

12 Earnings per share

Basic earnings per share for the six months ended 30 June 2016 and 2015 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

The Bank issued non-cumulative preference shares during the year ended 31 December 2015. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank. The Bank has not declared any dividend on preference shares for the six months ended 30 June 2016.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2016 and the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2016	2015
Net profit attributable to common shareholders of the Bank	**133,410**	131,895
Weighted average number of common shares (in million shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to common shareholders of the Bank (in RMB Yuan)	**0.53**	0.53

13 Cash and deposits with central banks

	Note	**30 June 2016**	31 December 2015
Cash		**67,110**	77,678
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,383,549**	2,159,725
– Surplus deposit reserves	(2)	**91,940**	140,511
– Fiscal deposits		**41,663**	23,630
Subtotal		**2,517,152**	2,323,866
Total		**2,584,262**	2,401,544

(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 were as follows:

	30 June 2016	31 December 2015
Reserve rate for RMB deposits	**17.0%**	17.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(Expressed in millions of RMB, unless otherwise stated)

14 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2016	31 December 2015
Banks	622,813	337,260
Non-bank financial institutions	11,288	15,713
Gross balances	634,101	352,973
Allowances for impairment losses (Note 33)	(7)	(7)
Net balances	634,094	352,966

(2) Analysed by geographical sectors

	30 June 2016	31 December 2015
Mainland China	599,353	323,959
Overseas	34,748	29,014
Gross balances	634,101	352,973
Allowances for impairment losses (Note 33)	(7)	(7)
Net balances	634,094	352,966

15 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2016	31 December 2015
Banks	124,105	150,589
Non-bank financial institutions	156,843	160,226
Gross balances	280,948	310,815
Allowances for impairment losses (Note 33)	(33)	(36)
Net balances	280,915	310,779

(2) Analysed by geographical sectors

	30 June 2016	31 December 2015
Mainland China	188,859	209,267
Overseas	92,089	101,548
Gross balances	280,948	310,815
Allowances for impairment losses (Note 33)	(33)	(36)
Net balances	280,915	310,779

(Expressed in millions of RMB, unless otherwise stated)

16 Financial assets at fair value through profit or loss

Analysed by nature

	Note	30 June 2016	31 December 2015
Held for trading purposes	(1)		
– Debt securities		**60,162**	17,421
– Equity instruments		**1,073**	553
– Funds		**9**	10
		61,244	17,984
Designated at fair value through profit or loss	(2)		
– Debt securities		**2,478**	586
– Equity instruments		**3,912**	3,739
– Other debt instruments		**297,796**	248,864
		304,186	253,189
Total		**365,430**	271,173

Analysed by types of issuer

(1) Held for trading purposes

(a) Debt securities

	Note	30 June 2016	31 December 2015
Government		**10,653**	6,529
Policy banks		**207**	296
Banks and non-bank financial institutions		**20,407**	4,705
Enterprises		**28,895**	5,891
Total		**60,162**	17,421
Listed	(i)	**60,162**	17,404
– of which in Hong Kong		**336**	93
Unlisted		**–**	17
Total		**60,162**	17,421

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified in the listed category.

(b) Equity instruments and funds

	30 June 2016	31 December 2015
Banks and non-bank financial institutions	**270**	116
Enterprises	**812**	447
Total	**1,082**	563
Listed	**812**	447
– of which in Hong Kong	**789**	421
Unlisted	**270**	116
Total	**1,082**	563

(Expressed in millions of RMB, unless otherwise stated)

16 Financial assets at fair value through profit or loss (continued)

Analysed by types of issuer (continued)

(2) Designated at fair value through profit or loss

(a) Debt securities

	30 June 2016	31 December 2015
Unlisted enterprises	**2,478**	586
Total	**2,478**	586

(b) Equity instruments

	30 June 2016	31 December 2015
Banks and non-bank financial institutions	**574**	808
Enterprises	**3,338**	2,931
Total	**3,912**	3,739
Listed	**1,051**	1,412
– of which in Hong Kong	**982**	1,390
Unlisted	**2,861**	2,327
Total	**3,912**	3,739

(c) Other debt instruments

	30 June 2016	31 December 2015
Banks and non-bank financial institutions	**187,067**	145,028
Enterprises	**110,729**	103,836
Total	**297,796**	248,864

Other debt instruments were mainly the deposits with banks and credit assets invested by principal guaranteed wealth management products (Note 26(2)).

There was no significant limitation on the ability of the Group to dispose of financial assets at fair value through profit or loss.

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives and hedge accounting

(1) Analysed by type of contract

	30 June 2016			31 December 2015		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**436,015**	**1,611**	**1,384**	506,536	1,372	1,291
Exchange rate contracts	**3,466,539**	**32,250**	**30,888**	2,427,232	25,675	25,715
Other contracts (Note)	**285,333**	**7,462**	**20,901**	119,735	4,452	936
Total	**4,187,887**	**41,323**	**53,173**	3,053,503	31,499	27,942

(2) Analysed by credit risk-weighted assets

	30 June 2016	31 December 2015
Counterparty credit default risk-weighted assets		
– Interest rate contracts	**946**	1,579
– Exchange rate contracts	**19,735**	23,298
– Other contracts (Note)	**5,158**	3,559
Subtotal	**25,839**	28,436
Credit value adjustment	**15,864**	13,008
Total	**41,703**	41,444

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of the status of counterparties, maturity characteristics and back-to-back client-driven transactions.

Note: Other contracts mainly consist of precious metals contracts.

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives and hedge accounting (continued)

(3) Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments as disclosed above.

	30 June 2016			31 December 2015		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**4,936**	**187**	**(163)**	9,091	62	(30)
Total	**4,936**	**187**	**(163)**	9,091	62	(30)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value of available-for-sale financial assets, certificates of deposit issued, placements with banks and non-bank financial institutions and loans and advances to customers arising from changes in interest rates.

Net (losses)/gains on fair value hedges are as follows:

	Six months ended 30 June	
	2016	2015
Net (losses)/gains on		
– hedging instruments	**(8)**	(25)
– hedged items	**8**	25

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the six month ended 30 June 2015 and 2016.

(b) Cash flow hedge

As at 30 June 2016, there is no cash flow hedge for the Group. For the six months ended 30 June 2016, there is no gain or loss from cash flow hedge for the Group (The Group for the six months ended 30 June 2015: net loss 2 million).

18 Financial assets held under resale agreements

Financial assets held under resale agreements by underlying assets are shown as follows:

	30 June 2016	31 December 2015
Debt securities		
– Government bonds	**10,268**	27,673
– Debt securities issued by banks and non-bank financial institutions	**34,991**	94,313
Subtotal	**45,259**	121,986
Discounted bills	**35,959**	188,741
Total and net balances	**81,218**	310,727

(Expressed in millions of RMB, unless otherwise stated)

19 Interest receivable

	30 June 2016	31 December 2015
Deposits with central banks	**999**	1,059
Deposits with banks and non-bank financial institutions	**2,515**	3,525
Financial assets held under resale agreements	**184**	704
Loans and advances to customers	**27,904**	26,100
Debt securities	**67,701**	61,921
Others	**5,294**	3,304
Gross balances	**104,597**	96,613
Allowances for impairment losses (Note 33)	**(54)**	(1)
Net balances	**104,543**	96,612

20 Loans and advances to customers

(1) Analysed by nature

	30 June 2016	31 December 2015
Corporate loans and advances		
– Loans	**6,532,302**	6,398,830
– Finance leases	**110,635**	94,232
	6,642,937	6,493,062
Personal loans and advances		
– Residential mortgages	**3,206,582**	2,797,226
– Credit cards	**400,625**	395,549
– Personal consumer loans	**71,896**	63,796
– Personal business loans	**59,043**	67,716
– Others	**216,918**	207,696
	3,955,064	3,531,983
Discounted bills	**539,876**	460,095
Gross loans and advances to customers	**11,137,877**	10,485,140
Allowances for impairment losses (Note 33)	**(275,887)**	(250,617)
– Individual assessment	**(89,120)**	(82,196)
– Collective assessment	**(186,767)**	(168,421)
Net loans and advances to customers	**10,861,990**	10,234,523

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(2) Analysed by assessment method of allowances for impairment losses

	Note	Loans and advances for which allowance are collectively assessed	Impaired loans and advances for which allowance are collectively assessed	Impaired loans and advances for which allowance are individually assessed	Total
		(a)	(b)	(b)	
As at 30 June 2016					
Gross loans and advances to customers		**10,955,928**	**22,718**	**159,231**	**11,137,877**
Allowances for impairment losses		**(173,103)**	**(13,664)**	**(89,120)**	**(275,887)**
Net loans and advances to customers		**10,782,825**	**9,054**	**70,111**	**10,861,990**
As at 31 December 2015					
Gross loans and advances to customers		10,319,160	18,474	147,506	10,485,140
Allowances for impairment losses		(157,632)	(10,789)	(82,196)	(250,617)
Net loans and advances to customers		10,161,528	7,685	65,310	10,234,523

(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 30 June 2016 is 1.63% (as at 31 December 2015: 1.58%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 59(1).

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses

	Note	Six months ended 30 June 2016			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		**157,632**	**10,789**	**82,196**	**250,617**
Charge for the period		**15,606**	**4,993**	**32,726**	**53,325**
Release during the period		**–**	**(18)**	**(6,509)**	**(6,527)**
Unwinding of discount		**–**	**–**	**(1,904)**	**(1,904)**
Transfers out	(a)	**(135)**	**40**	**(7,191)**	**(7,286)**
Write-offs		**–**	**(2,486)**	**(10,941)**	**(13,427)**
Recoveries		**–**	**346**	**743**	**1,089**
As at 30 June		**173,103**	**13,664**	**89,120**	**275,887**

	Note	2015			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		186,252	7,588	57,773	251,613
Charge for the year		708	8,631	150,252	159,591
Release during the year		(29,228)	(7)	(37,746)	(66,981)
Unwinding of discount		–	–	(3,070)	(3,070)
Transfers out	(a)	(100)	(49)	(57,436)	(57,585)
Write-offs		–	(5,702)	(29,149)	(34,851)
Recoveries		–	328	1,572	1,900
As at 31 December		157,632	10,789	82,196	250,617

(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)

20 Loans and advances to customers (continued)

(4) Overdue loans analysed by overdue period

	30 June 2016				
	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	**9,680**	**7,670**	**3,381**	**1,092**	**21,823**
Guaranteed loans	**20,668**	**43,467**	**16,917**	**1,958**	**83,010**
Loans secured by tangible assets other than monetary assets	**38,860**	**48,877**	**23,133**	**1,621**	**112,491**
Loans secured by monetary assets	**1,496**	**1,607**	**1,367**	**55**	**4,525**
Total	**70,704**	**101,621**	**44,798**	**4,726**	**221,849**
As a percentage of gross loans and advances to customers	**0.64%**	**0.91%**	**0.40%**	**0.04%**	**1.99%**

	31 December 2015				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,774	4,654	3,818	1,266	18,512
Guaranteed loans	21,819	28,007	8,329	2,318	60,473
Loans secured by tangible assets other than monetary assets	37,445	33,603	13,753	2,179	86,980
Loans secured by monetary assets	2,454	3,534	965	263	7,216
Total	70,492	69,798	26,865	6,026	173,181
As a percentage of gross loans and advances to customers	0.67%	0.66%	0.26%	0.06%	1.65%

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)

21 Available-for-sale financial assets

Analysed by nature

	Note	30 June 2016	31 December 2015
Debt securities	(1)	**1,170,010**	1,035,332
Equity instruments	(2)	**25,266**	14,242
Funds	(2)	**64,470**	17,178
Total	(3)	**1,259,746**	1,066,752

(1) Debt securities

Analysed by type of issuers

	Note	30 June 2016	31 December 2015
Government		**601,399**	409,857
Central banks		**34,259**	11,135
Policy banks		**105,272**	140,916
Banks and non-bank financial institutions		**270,481**	286,723
Public sector entities		**20**	20
Enterprises		**158,579**	186,681
Total		**1,170,010**	1,035,332
Listed	(i)	**1,105,624**	982,143
– of which in Hong Kong		**32,009**	18,059
Unlisted		**64,386**	53,189
Total		**1,170,010**	1,035,332

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified in the listed category.

(Expressed in millions of RMB, unless otherwise stated)

21 Available-for-sale financial assets (continued)

Analysed by nature (continued)

(2) Equity instruments and funds

	30 June 2016	31 December 2015
Debt equity swap ("DES") investments	**1,035**	1,172
Other equity instruments	**24,231**	13,070
Funds	**64,470**	17,178
Total	**89,736**	31,420
Listed	**70,309**	23,113
– of which in Hong Kong	**2,757**	2,969
Unlisted	**19,427**	8,307
Total	**89,736**	31,420

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 30 June 2016, the Group's cost of available for sale debt securities was RMB1,152,723 million (as at 31 December 2015: RMB1,010,316 million). The Group's cost of available for sale equity instruments and funds was RMB92,567 million (as at 31 December 2015: RMB24,831 million).

22 Held-to-maturity investments

Analysed by types of issuers

	Note	30 June 2016	31 December 2015
Government		**1,528,884**	1,353,114
Central banks		**108,239**	151,090
Policy banks		**301,349**	342,889
Banks and non-bank financial institutions		**511,164**	585,907
Enterprises		**114,678**	133,013
Gross balances		**2,564,314**	2,566,013
Allowances for impairment losses (Note 33)		**(1,536)**	(2,033)
Net balances		**2,562,778**	2,563,980
Listed	(1)	**2,537,875**	2,552,087
– of which in Hong Kong		**1,050**	1,011
Unlisted		**24,903**	11,893
Total		**2,562,778**	2,563,980
Market value of listed securities		**2,632,637**	2,653,065

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in the listed category.

(Expressed in millions of RMB, unless otherwise stated)

23 Investment classified as receivables

	Note	30 June 2016	31 December 2015
Government			
– Special government bonds	(1)	**49,200**	49,200
– Others		**161,580**	82,177
Banks and non-bank financial institutions		**81,177**	91,717
Enterprises		**49,441**	60,348
Others	(2)	**143,840**	87,967
Gross balances		**485,238**	371,409
Allowance for impairment losses (Note 33)		**(1,452)**	(1,908)
Net balances		**483,786**	369,501
Listed outside Hong Kong	(3)	**259,123**	191,407
Unlisted		**224,663**	178,094
Total		**483,786**	369,501

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank's use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) Others include asset management plans and capital trust plan with fixed or determined payments. They will mature from July 2016 to October 2017 and bear interest rates ranging from 2.8% to 4.1% per annum. During the reporting period, matured plans have been repaid without overdue.

(3) Debt securities traded on the China Domestic Interbank Bond Market are included in the Listed outside Hong Kong category.

24 Investments in subsidiaries

(1) Investment cost

	30 June 2016	31 December 2015
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**8,163**	8,163
CCB Brazil Financial Holding – Investimentos e Participações Ltda	**6,906**	5,495
CCB Life Insurance Company Limited ("CCB Life")	**3,902**	3,902
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
China Construction Bank (London) Limited ("CCB London")	**2,861**	2,861
CCB Pension Management Co., Ltd. ("CCB Pension")	**1,955**	1,955
China Construction Bank (Europe) S.A. ("CCB Europe")	**1,629**	1,629
Sino-German Bausparkasse Co., Ltd. ("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 (New Zealand) Limited ("CCB New Zealand")	**314**	314
CCB Principal Asset Management Co., Ltd. ("CCB Principal")	**130**	130
China Construction Bank (Dubai) Limited ("CCB Dubai")	**–**	620
CCB International Group Holdings Limited ("CCBIG")	**–**	–
Rural Banks	**1,378**	1,378
Total	**33,676**	32,885

The total investment amount of rural banks consists of investment costs of 27 rural banks, which are established and controlled by the Bank in substance (as at 31 December 2015: 27 rural banks).

(Expressed in millions of RMB, unless otherwise stated)

24 Investments in subsidiaries (continued)

(2) Major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCBFLCL	Beijing, the PRC	RMB8,000 million	Financial leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Insurance	51%	–	51%	Acquisition
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Commercial banking	100%	–	100%	Establishment
CCB Europe	Luxembourg	Euro200 million	Commercial banking	100%	–	100%	Establishment
Sino-German	Tianjin, the PRC	RMB2,000 million	House savings	75.1%	–	75.1%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Commercial banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Investment	100%	–	100%	Acquisition
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%	Establishment
CCB New Zealand	New Zealand	US$50 million	Commercial banking	100%	–	100%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%	Establishment
CCB Pension	Beijing, the PRC	RMB2,300 million	Pension management	85%	–	85%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda	Sao Paulo, Brazil	R$3,018 million	Investment	99.99%	–	100%	Acquisition
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Commercial banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A ("CCB Brasil")	Sao Paulo, Brazil	R$2,012 million	Commercial banking	–	99.31%	99.74%	Acquisition

(3) As at 30 June 2016, the amount of the non-controlling interests of subsidiaries was immaterial to the Group.

(Expressed in millions of RMB, unless otherwise stated)

25 Interests in associates and joint ventures

(1) The movement of the Group's interests in associates and joint ventures is as follows:

	Six months ended 30 June 2016	2015
As at 1 January	**4,986**	3,084
Acquisition during the period/year	**1,010**	1,657
Disposal during the period/year	**(235)**	(103)
Share of (loss)/profit	**(75)**	275
Cash dividend receivable	**(7)**	(14)
Effect of exchange difference and others	**67**	87
As at 30 June/31 December	**5,746**	4,986

(2) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of incorporation	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,732	1,530	100	42
Guangdong SOE Reorganization Development Fund (Limited Partnership)	Zhuhai, the PRC	RMB810 million	Investment management and consultancy	49.67%	33.00%	847	–	–	(3)
CCBT Private Equity Fund	Beijing, the PRC	RMB365 million	Investment management and consultancy	45.70%	50.00%	719	249	(97)	(113)
Guoji Capital Limited	Beijing, the PRC	RMB2,370 million	Investment management and consultancy	12.66%	12.66%	2,582	89	31	22

(Expressed in millions of RMB, unless otherwise stated)

26 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, commission and custodian fees.

As at 30 June 2016 and 31 December 2015, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	30 June 2016	31 December 2015
Financial assets at fair value through profit or loss	**2,394**	1,639
Interest receivables	**101**	129
Available-for-sale financial assets	**79,627**	24,728
Held-to-maturity investments	**8**	–
Investment classified as receivables	**137,328**	18,535
Interest in associates and joint ventures	**2,232**	2,606
Other assets	**5,368**	2,441
Total	**227,058**	50,078

For the six months ended 30 June 2016 and 2015, the income from these unconsolidated structured entities held by the Group was as follows:

	Six months ended 30 June	
	2016	2015
Interest income	728	841
Fee and commission income	11,711	6,944
Net trading gain	61	64
Dividend income	1,297	310
Net gain arising from investment securities	84	19
Share of (loss)/profit of associates and joint ventures	(101)	36
Total	13,780	8,214

As at 30 June 2016, the balance of the non-principal guaranteed wealth management product set up by the Group amounted to RMB1,645,229 million (as at 31 December 2015: RMB1,366,318 million). For the 30 June 2016, there were debt securities purchased and sold between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions were not material to the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products (Note 16(2)c) and certain asset management plans and trust plan investments.

(Expressed in millions of RMB, unless otherwise stated)

27 Fixed assets

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2016	**113,844**	**27,274**	**51,305**	**50,778**	**243,201**
Additions	**97**	**768**	**343**	**7,379**	**8,587**
Transfer in/(out)	**1,298**	**(1,903)**	**35**	**570**	**–**
Other movements	**71**	**(277)**	**(614)**	**(529)**	**(1,349)**
As at 30 June 2016	**115,310**	**25,862**	**51,069**	**58,198**	**250,439**
Accumulated depreciation					
As at 1 January 2016	**(26,319)**	**–**	**(32,101)**	**(24,749)**	**(83,169)**
Charge for the period	**(1,983)**	**–**	**(2,504)**	**(2,255)**	**(6,742)**
Other movements	**(17)**	**–**	**590**	**762**	**1,335**
As at 30 June 2016	**(28,319)**	**–**	**(34,015)**	**(26,242)**	**(88,576)**
Allowances for impairment losses (Note 33)					
As at 1 January 2016	**(423)**	**–**	**–**	**(78)**	**(501)**
As at 30 June 2016	**(423)**	**–**	**–**	**(78)**	**(501)**
Net carrying value					
As at 1 January 2016	**87,102**	**27,274**	**19,204**	**25,951**	**159,531**
As at 30 June 2016	**86,568**	**25,862**	**17,054**	**31,878**	**161,362**

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/Deemed cost					
As at 1 January 2015	105,224	28,378	46,807	42,350	222,759
Additions	2,017	8,688	7,044	9,182	26,931
Transfer in/(out)	6,830	(8,821)	43	1,948	–
Other movements	(227)	(971)	(2,589)	(2,702)	(6,489)
As at 31 December 2015	113,844	27,274	51,305	50,778	243,201
Accumulated depreciation					
As at 1 January 2015	(22,651)	–	(27,254)	(20,743)	(70,648)
Charge for the year	(3,783)	–	(7,369)	(5,980)	(17,132)
Other movements	115	–	2,522	1,974	4,611
As at 31 December 2015	(26,319)	–	(32,101)	(24,749)	(83,169)
Allowances for impairment losses (Note 33)					
As at 1 January 2015	(424)	–	–	(80)	(504)
Other movements	1	–	–	2	3
As at 31 December 2015	(423)	–	–	(78)	(501)
Net carrying value					
As at 1 January 2015	82,149	28,378	19,553	21,527	151,607
As at 31 December 2015	87,102	27,274	19,204	25,951	159,531

Notes:

(1) Other movements include disposals, retirements and exchange gains or losses of fixed assets.

(2) As at 30 June 2016, the ownership documentation for the Group's bank premises with a net carrying value of RMB23,398 million (as at 31 December 2015: RMB23,847 million) was still being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(Expressed in millions of RMB, unless otherwise stated)

28 Land use rights

	Six months ended 30 June 2016	2015
Cost/Deemed cost		
As at 1 January	**21,217**	21,255
Additions	**21**	28
Disposals	**(26)**	(66)
As at 30 June/31 December	**21,212**	21,217
Amortisation		
As at 1 January	**(5,844)**	(5,355)
Charge for the period/year	**(253)**	(509)
Disposals	**7**	20
As at 30 June/31 December	**(6,090)**	(5,844)
Allowances for impairment losses (Note 33)		
As at 1 January	**(142)**	(142)
As at 30 June/31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,231**	15,758
As at 30 June/31 December	**14,980**	15,231

29 Intangible assets

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2016	**6,435**	**959**	**7,394**
Additions	**149**	**88**	**237**
Disposals	**(34)**	**(4)**	**(38)**
As at 30 June 2016	**6,550**	**1,043**	**7,593**
Amortisation			
As at 1 January 2016	**(5,018)**	**(265)**	**(5,283)**
Charge for the period	**(282)**	**(38)**	**(320)**
Disposals	**3**	**4**	**7**
As at 30 June 2016	**(5,297)**	**(299)**	**(5,596)**
Allowances for impairment losses (Note 33)			
As at 1 January 2016	**(1)**	**(7)**	**(8)**
As at 30 June 2016	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2016	**1,416**	**687**	**2,103**
As at 30 June 2016	**1,252**	**737**	**1,989**

(Expressed in millions of RMB, unless otherwise stated)

29 Intangible assets (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2015	6,124	1,000	7,124
Additions	384	48	432
Disposals	(73)	(89)	(162)
As at 31 December 2015	6,435	959	7,394
Amortisation			
As at 1 January 2015	(4,525)	(156)	(4,681)
Charge for the year	(545)	(124)	(669)
Disposals	52	15	67
As at 31 December 2015	(5,018)	(265)	(5,283)
Allowances for impairment losses (Note 33)			
As at 1 January 2015	(1)	(7)	(8)
As at 31 December 2015	(1)	(7)	(8)
Net carrying value			
As at 1 January 2015	1,598	837	2,435
As at 31 December 2015	1,416	687	2,103

30 Goodwill

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009, CCB Life on 29 June 2011, CCB Futures Co., Ltd. by Jianxin Trust on 9 April 2014 and CCB Brasil by CCB Brazil Financial Holding – Investimentos e Participações Ltda on 29 August 2014. The movement of the goodwill is listed as follows:

	Six month ended 30 June 2016	2015
As at 1 January	**2,140**	2,253
Additions through acquisitions	**29**	–
Effect of exchange difference	**143**	(113)
As at 30 June	**2,312**	2,140

(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 30 June 2016 (as at 31 December 2015: nil).

(Expressed in millions of RMB, unless otherwise stated)

31 Deferred tax

	30 June 2016	31 December 2015
Deferred tax assets	34,312	25,379
Deferred tax liabilities	(343)	(624)
Total	33,969	24,755

(1) Analysed by nature

	30 June 2016		31 December 2015	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(9,414)	(2,289)	(31,962)	(7,892)
– Allowances for impairment losses	139,811	35,717	123,244	31,428
– Early retirement benefits and accrued salaries	19,849	4,962	23,779	5,945
– Others	(19,477)	(4,078)	(18,211)	(4,102)
Total	130,769	34,312	96,850	25,379
Deferred tax liabilities				
– Fair value adjustments	(1,359)	(335)	(2,754)	(637)
– Allowances for impairment losses	41	10	464	79
– Others	9	(18)	(128)	(66)
Total	(1,309)	(343)	(2,418)	(624)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2016	(8,529)	31,507	5,945	(4,168)	24,755
Recognised in profit or loss	3,380	4,220	(983)	72	6,689
Recognised in other comprehensive income	2,525	–	–	–	2,525
As at 30 June 2016	(2,624)	35,727	4,962	(4,096)	33,969
As at 1 January 2015	(1,737)	38,283	6,298	(3,751)	39,093
Recognised in profit or loss	(313)	(6,776)	(353)	(417)	(7,859)
Recognised in other comprehensive income	(6,479)	–	–	–	(6,479)
As at 31 December 2015	(8,529)	31,507	5,945	(4,168)	24,755

The Group did not have significant unrecognised deferred taxation as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

32 Other assets

	Note	30 June 2016	31 December 2015
Repossessed assets	(1)		
– Buildings		**1,688**	1,686
– Land use rights		**733**	314
– Others		**938**	762
		3,359	2,762
Clearing and settlement accounts		**17,788**	2,984
Insurance business related assets		**8,715**	7,976
Fee and commission receivables		**8,545**	5,475
Deferred expenses		**2,719**	3,477
Leasehold improvements		**3,109**	3,167
Other receivables		**29,383**	22,255
Gross balance		**73,618**	48,096
Allowances for impairment losses (Note 33)			
– Repossessed assets		**(680)**	(644)
– Others		**(3,848)**	(3,938)
Total		**69,090**	43,514

(1) During the six months ended 30 June 2016, the original cost of repossessed assets disposed of by the Group amounted to RMB16.86 million (for the six months ended 30 June 2015: RMB220 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

33 Movements of allowances for impairment losses

		Six months ended 30 June 2016				
	Note	As at 1 January	Charge/ (Write-back)	Transfer in/(out)	Write-offs	As at 30 June
Deposits with banks and non-bank financial institutions	14	**7**	**–**	**–**	**–**	**7**
Placements with banks and non-bank financial institutions	15	**36**	**–**	**–**	**(3)**	**33**
Interest receivable	19	**1**	**53**	**–**	**–**	**54**
Loans and advances to customers	20(3)	**250,617**	**46,798**	**(8,101)**	**(13,427)**	**275,887**
Available for sale debt securities		**1,051**	**(59)**	**30**	**(8)**	**1,014**
Available for sale equity instruments		**4,317**	**–**	**(226)**	**–**	**4,091**
Held-to-maturity investments	22	**2,033**	**(512)**	**15**	**–**	**1,536**
Investment classified as receivables	23	**1,908**	**(456)**	**–**	**–**	**1,452**
Fixed assets	27	**501**	**–**	**–**	**–**	**501**
Land use rights	28	**142**	**–**	**–**	**–**	**142**
Intangible assets	29	**8**	**–**	**–**	**–**	**8**
Other assets	32	**4,582**	**164**	**–**	**(218)**	**4,528**
Total		**265,203**	**45,988**	**(8,282)**	**(13,656)**	**289,253**

(Expressed in millions of RMB, unless otherwise stated)

33 Movements of allowances for impairment losses (continued)

		2015				
	Note	As at 1 January	Charge/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	14	7	–	–	–	7
Placements with banks and non-bank financial institutions	15	27	10	–	(1)	36
Interest receivable	19	1	–	–	–	1
Loans and advances to customers	20(3)	251,613	92,610	(58,755)	(34,851)	250,617
Available for sale debt securities		1,409	(402)	53	(9)	1,051
Available for sale equity instruments		4,413	28	(120)	(4)	4,317
Held-to-maturity investments	22	3,644	(1,633)	24	(2)	2,033
Investment classified as receivables	23	945	927	36	–	1,908
Fixed assets	27	504	–	(3)	–	501
Land use rights	28	142	–	–	–	142
Intangible assets	29	8	–	–	–	8
Other assets	32	3,693	1,334	–	(445)	4,582
Total		266,406	92,874	(58,765)	(35,312)	265,203

Transfer in/(out) includes exchange differences.

34 Borrowings from central banks

	30 June 2016	31 December 2015
Mainland China	**165,443**	898
Overseas	**44,570**	41,150
Total	**210,013**	42,048

35 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2016	31 December 2015
Banks	**373,367**	160,367
Non-bank financial institutions	**1,248,657**	1,279,028
Total	**1,622,024**	1,439,395

(2) Analysed by geographical sectors

	30 June 2016	31 December 2015
Mainland China	**1,534,469**	1,342,935
Overseas	**87,555**	96,460
Total	**1,622,024**	1,439,395

(Expressed in millions of RMB, unless otherwise stated)

36 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2016	31 December 2015
Banks	313,195	300,937
Non-bank financial institutions	27,376	20,775
Total	340,571	321,712

(2) Analysed by geographical sectors

	30 June 2016	31 December 2015
Mainland China	141,116	150,518
Overseas	199,455	171,194
Total	340,571	321,712

37 Financial liabilities at fair value through profit or loss

	30 June 2016	31 December 2015
Principal guaranteed wealth management products	298,338	248,680
Financial liabilities related to precious metals	23,325	33,225
Structured financial instruments	17,694	20,744
Total	339,357	302,649

The Group'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 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 period and year presented and cumulatively as at 30 June 2016 and 31 December 2015.

38 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	30 June 2016	31 December 2015
Securities		
– Government bonds	32,186	200,409
– Bills issued by the PBOC	7,000	35,000
– Debt securities issued by banks and non-bank financial institutions	44,938	32,376
Subtotal	84,124	267,785
Discounted bills	16,381	227
Total	100,505	268,012

(Expressed in millions of RMB, unless otherwise stated)

39 Deposits from customers

	30 June 2016	31 December 2015
Demand deposits		
– Corporate customers	**4,704,178**	4,261,474
– Personal customers	**2,752,217**	2,611,873
Subtotal	**7,456,395**	6,873,347
Time deposits (including call deposits)		
– Corporate customers	**3,130,489**	2,918,679
– Personal customers	**4,088,657**	3,876,507
Subtotal	**7,219,146**	6,795,186
Total	**14,675,541**	13,668,533

Deposits from customers include:

		30 June 2016	31 December 2015
(1)	Pledged deposits		
	– Deposits for acceptance	**129,741**	118,897
	– Deposits for guarantee	**54,680**	49,143
	– Deposits for letter of credit	**22,630**	24,811
	– Others	**317,548**	256,033
	Total	**524,599**	448,884
(2)	Outward remittance and remittance payables	**14,563**	11,969

40 Accrued staff costs

		Six months ended 30 June 2016			
	Note	As at 1 January	Increased	Decreased	As at 30 June
Salaries, bonuses, allowances and subsidies		**25,291**	**26,393**	**(30,441)**	**21,243**
Other social insurance and welfare		**2,288**	**3,453**	**(3,444)**	**2,297**
Housing funds		**135**	**3,097**	**(3,057)**	**175**
Union running costs and employee education costs		**2,123**	**837**	**(588)**	**2,372**
Post-employment benefits	(1)				
– Defined contribution plans		**906**	**6,174**	**(6,335)**	**745**
– Defined benefit plans		**128**	**2**	**(49)**	**81**
Early retirement benefits		**2,315**	**43**	**(242)**	**2,116**
Compensation to employees for termination of employment relationship		**4**	**1**	**(1)**	**4**
Total		**33,190**	**40,000**	**(44,157)**	**29,033**

(Expressed in millions of RMB, unless otherwise stated)

40 Accrued staff costs (continued)

	Note	2015 As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		25,864	61,087	(61,660)	25,291
Other social insurance and welfare		2,134	8,561	(8,407)	2,288
Housing funds		100	6,501	(6,466)	135
Union running costs and employee education costs		1,842	2,540	(2,259)	2,123
Post-employment benefits	(1)				
– Defined contribution plans		821	12,717	(12,632)	906
– Defined benefit plans		920	14	(806)	128
Early retirement benefits		2,850	160	(695)	2,315
Compensation to employees for termination of employment relationship		4	7	(7)	4
Total		34,535	91,587	(92,932)	33,190

The Group had no overdue balance of accrued staff costs as at the end of reporting period.

(1) Post-employment benefits

(a) Defined contribution plans

	Six months ended 30 June 2016			
	As at 1 January	**Increased**	**Decreased**	**As at 30 June**
Basic pension insurance	**635**	**4,500**	**(4,636)**	**499**
Unemployment insurance	**33**	**270**	**(260)**	**43**
Annuity contribution	**238**	**1,404**	**(1,439)**	**203**
Total	**906**	**6,174**	**(6,335)**	**745**

	2015			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	545	9,277	(9,187)	635
Unemployment insurance	30	628	(625)	33
Annuity contribution	246	2,812	(2,820)	238
Total	821	12,717	(12,632)	906

(Expressed in millions of RMB, unless otherwise stated)

40 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.

	Present value of defined benefit plan obligations		**Fair value of plan assets**		**Net liabilities of defined benefit plans**	
	Six month ended 30 June 2016	2015	**Six month ended 30 June 2016**	2015	**Six month ended 30 June 2016**	2015
As at 1 January	**6,664**	6,654	**6,536**	5,734	**128**	920
Cost of the net defined benefit liability in profit or loss						
– *Interest costs*	**95**	233	**93**	219	**2**	14
Remeasurements of the defined benefit liability in other comprehensive income						
– *Actuarial (gains)/losses*	**(27)**	428	**–**	–	**(27)**	428
– *Returns on plan assets*	**–**	–	**22**	479	**(22)**	(479)
Other changes						
– *Benefits paid*	**(319)**	(651)	**(319)**	(651)	**–**	–
– *Contribution to plan assets*	**–**	–	**–**	755	**–**	(755)
As at 30 June/31 December	**6,413**	6,664	**6,332**	6,536	**81**	128

Interest cost was recognised in other general and administrative expenses.

(i) *Principal actuarial assumptions of the Group as at the end of reporting period are as follows:*

	30 June 2016	31 December 2015
Discount rate	**3.00%**	3.00%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**11.4 years**	11.6 years

Mortality assumptions are based on China Life Insurance Mortality Table (2000-2003) (published historical statistics in China).

(ii) *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	(123)	128
Health care cost increase rate	42	(41)

(iii) *As at 30 June 2016, the weighted average duration of supplementary retirement benefit obligations of the Group and the Bank is 7.8 years (As at 31 December 2015: 8.0 years).*

(iv) *Plan assets of the Group are as follows:*

	30 June 2016	31 December 2015
Cash and cash equivalents	**346**	1,064
Equity instruments	**351**	383
Debt instruments	**5,530**	4,967
Others	**105**	122
Total	**6,332**	6,536

(Expressed in millions of RMB, unless otherwise stated)

41 Taxes payable

	30 June 2016	31 December 2015
Income tax	**30,458**	40,596
Business tax	**45**	7,723
Value added tax	**4,788**	(1,315)
Others	**1,376**	2,407
Total	**36,667**	49,411

42 Interest payable

	30 June 2016	31 December 2015
Deposits from customers	**185,394**	190,236
Deposits from banks and non-bank financial institutions	**9,061**	9,941
Debts securities issued	**5,653**	2,256
Others	**4,927**	3,251
Total	**205,035**	205,684

43 Provisions

	30 June 2016	31 December 2015
Litigation provisions	**2,133**	1,655
Others	**6,157**	5,453
Total	**8,290**	7,108

44 Debt securities issued

	Note	30 June 2016	31 December 2015
Certificates of deposit issued	(1)	**155,506**	170,796
Bonds issued	(2)	**39,718**	40,916
Subordinated bonds issued	(3)	**145,285**	144,979
Eligible Tier 2 capital bonds issued	(4)	**59,167**	58,853
Total		**399,676**	415,544

(1) Certificates of deposit were mainly issued by head office, overseas branches, CCB Asia and CCB Brasil.

(Expressed in millions of RMB, unless otherwise stated)

44 Debt securities issued (continued)

(2) Bonds issued

Issuance date	Maturity date	Interest rate per annum	Issuance place	Currency	30 June 2016	31 December 2015
2013-12-10	2016-12-12	3.25%	Taiwan	RMB	**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	**1,994**	1,948
2014-04-25	2016-04-25	3 months LIBOR+1.35%	Hong Kong	USD	**–**	130
2014-05-28	2016-05-30	3.38%	Frankfurt	RMB	**–**	1,500
2014-05-28	2019-05-28	1.375%	Switzerland	CHF	**2,038**	1,968
2014-06-27	2017-06-27	3.45%	Switzerland	RMB	**1,250**	1,250
2014-07-02	2019-07-02	3.25%	Hong Kong	USD	**3,988**	3,896
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
2014-11-18	2016-11-18	3.30%	Taiwan	RMB	**700**	700
2014-11-18	2019-11-18	3.75%	Taiwan	RMB	**1,000**	1,000
2014-11-18	2021-11-18	3.95%	Taiwan	RMB	**1,000**	1,000
2014-11-18	2024-11-18	4.08%	Taiwan	RMB	**600**	600
2014-11-27	2016-12-06	3.45%	Hong Kong	RMB	**120**	120
2015-01-20	2020-01-20	3.125%	Hong Kong	USD	**4,652**	4,546
2015-02-11	2020-02-11	1.50%	Luxembourg	EUR	**3,695**	3,545
2015-03-31	2016-03-29	0.33%	Hong Kong	EUR	**–**	213
2015-04-29	2016-04-29	3.80%	Hong Kong	RMB	**–**	400
2015-06-18	2018-06-18	4.317%	Auckland	NZD	**236**	222
2015-06-18	2019-06-18	4.30%	Auckland	NZD	**7**	7
2015-06-18	2020-06-18	3 month New Zealand benchmark interest rate +1.2%	Auckland	NZD	**118**	111
2015-07-16	2018-06-18	3.935%	Auckland	NZD	**71**	67
2015-07-28	2020-07-28	3.25%	Hong Kong	USD	**3,323**	3,247
2015-08-31	2016-03-03	0.70%	Hong Kong	USD	**–**	185
2015-09-09	2016-03-07	0.75%	Hong Kong	USD	**–**	130
2015-09-09	2016-03-10	0.70%	Hong Kong	USD	**–**	162
2015-09-10	2019-09-10	3.945%	Auckland	NZD	**58**	55
2015-09-14	2016-03-10	0.75%	Hong Kong	USD	**–**	108
2015-09-15	2016-03-17	0.75%	Hong Kong	USD	**–**	130
2015-09-18	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	**1,978**	1,900
2015-09-22	2016-03-24	0.73%	Hong Kong	USD	**–**	130
2015-09-29	2016-03-31	0.72%	Hong Kong	USD	**–**	338
2015-10-19	2017-10-19	4.30%	London	RMB	**990**	990
2015-10-27	2016-04-28	0.82%	Hong Kong	USD	**–**	878
2015-10-27	2016-04-28	0.80%	Hong Kong	USD	**–**	130
2015-11-02	2016-05-04	0.75%	Hong Kong	USD	**–**	200
2015-11-12	2016-05-11	0.88%	Hong Kong	USD	**–**	130
2015-11-12	2016-05-11	0.85%	Hong Kong	USD	**–**	130
2015-11-26	2017-11-26	4.00%	Hong Kong	RMB	**1,000**	1,000
2015-12-07	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	**15**	14
2015-12-29	2020-01-27	3.80%	Auckland	NZD	**95**	89
2016-03-30	2026-03-30	4.08%	Mainland China	RMB	**3,500**	–
2016-05-16	2019-05-16	3.10%	Auckland	NZD	**47**	–
2016-05-31	2019-05-31	2.38%	Hong Kong	USD	**1,466**	–
2016-05-31	2021-05-31	2.75%	Hong Kong	USD	**1,996**	–
Total nominal value					**39,937**	41,169
Less: unamortised issuance costs					**(219)**	(253)
Carrying value as at period/year end					**39,718**	40,916

(Expressed in millions of RMB, unless otherwise stated)

44 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC, the CBRC, the HKMA and Brazil Central Bank is as follows:

Issuance date	Maturity date	Interest rate per annum	Currency	Note	30 June 2016	31 December 2015
2009-02-24	2024-02-26	4.00%	RMB	(a)	**28,000**	28,000
2009-08-07	2024-08-11	4.04%	RMB	(b)	**10,000**	10,000
2009-11-03	2019-11-04	Benchmark rate released by Brazil Central Bank	BRL	(c)	**414**	328
2009-12-18	2024-12-22	4.80%	RMB	(d)	**20,000**	20,000
2010-04-27	2020-04-27	8.50%	USD	(c)	**1,801**	1,736
2010-07-30	2017-10-15	7.31%	USD	(c)	**213**	208
2011-11-03	2026-11-07	5.70%	RMB	(e)	**40,000**	40,000
2012-11-20	2027-11-22	4.99%	RMB	(f)	**40,000**	40,000
2014-08-20	2024-08-20	4.25%	USD	(g)	**4,985**	4,870
Total nominal value					**145,413**	145,142
Less: Unamortised issuance cost					**(128)**	(163)
Carrying value as at the end of the reporting period					**145,285**	144,979

(a) The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(b) The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(c) The subordinated bonds were issued by CCB Brasil.

(d) The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(e) The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(f) The Group has an option to redeem the bonds on 22 November 2022, subject to an approval from relevant authority.

(g) The Group has an option to redeem the bonds on 20 August 2019, subject to an approval from relevant authority.

(4) Eligible Tier 2 capital bonds issued

Issuance date	Maturity date	Interest rate per annum	Currency	Note	30 June 2016	31 December 2015
2014-08-15	2029-08-18	5.98%	RMB	(a)	**20,000**	20,000
2014-11-12	2024-11-12	4.90%	RMB	(b)	**2,000**	2,000
2015-05-13	2025-05-13	3.875%	USD	(c)	**13,293**	12,987
2015-12-18	2025-12-21	4.00%	RMB	(d)	**24,000**	24,000
Total nominal value					**59,293**	58,987
Less: Unamortised issuance cost					**(126)**	(134)
Carrying value as at the end of the reporting period					**59,167**	58,853

(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 will be reset annually and increase by 1.538% on the basis of twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(c) The Group has an option to redeem the bonds on 13 May 2020, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate per annum will be reset on 13 May 2020 and increase by 2.425% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(d) The Group has an option to redeem the bonds on 21 December 2020, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(Expressed in millions of RMB, unless otherwise stated)

45 Other liabilities

	30 June 2016	31 December 2015
Insurance business related liabilities	**90,972**	58,540
Dividend payable (Note 51)	**65,938**	–
Deferred income	**12,743**	14,089
Leasing business related liabilities	**7,204**	5,853
Capital expenditure payable	**6,470**	8,951
Clearing and settlement accounts	**4,183**	4,003
Dormant accounts	**3,882**	3,535
Accrued expenses	**2,827**	3,019
Payment and collection clearance accounts	**2,468**	2,049
Securities underwriting and redemption payable	**2,236**	2,060
Others	**35,037**	20,455
Total	**233,960**	122,554

46 Share capital and other equity instruments

(1) Share capital

	30 June 2016	31December 2015
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.

(2) Other equity instruments

(a) Preference shares outstanding as at the end of the reporting period

Preference shares	Issue date	Classification	Initial interest rate	Issue price	Quantity (million)	Total amount: Original currency (USD)	Total amount: (RMB)	Maturity date	Conversion conditions
2015 Offshore Preference Shares	16 December 2015	Equity instruments	4.65%	US$20 per share	152.5	3,050	19,711	No maturity date	None
Less: Issuance fee							(52)		
Carrying amount							19,659		

The key terms are as below:

(1) Dividend
The initial annual dividend rate is 4.65% and is subsequently subject to reset per agreement, but in no case shall exceed 20.4850%. Save for such dividend at the agreed dividend payout ratio, the holders of the above offshore preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The dividends on offshore preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend on the offshore preference shares, and such cancellation shall not be deemed a default. However, if the Bank cancels all or part of the dividends to the offshore preference shareholders, from the day immediately following the date of the resolution of the general meeting of shareholders till the Bank fully pays the dividends for the current dividend period, the Bank shall not make any dividend distribution to the ordinary shareholders.

(2) Redemption
The Offshore Preference Shares have no maturity date. However, subject to receiving the prior approval of CBRC and satisfaction of the redemption conditions precedent, all or some only of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 16 December 2020 or on any dividend payment date thereafter at the redemption price which is equal to issue price plus dividends payable but not yet distributed in current period.

(Expressed in millions of RMB, unless otherwise stated)

46 Share capital and other equity instruments (continued)

(2) Other equity instruments (continued)

(a) Preference shares outstanding as at the end of the reporting period (continued)

(3) Compulsory conversion of preference shares

When an additional tier 1 capital instrument triggering event occurs, that is core tier 1 capital adequacy ratio of the Bank falling to 5.125% (or below), the Bank shall (without the need for the consent of offshore preference shareholders) convert all or some only of the preference shares in issue into such number of H shares which will be sufficient to restore the Bank's core tier 1 capital adequacy ratio to above 5.125% according to contract; When a tier 2 capital instrument triggering event occurs, the Bank shall (without the need for the consent of offshore preference shareholders) convert all of the offshore preference shares in issue into such number of H shares according to contract. Tier 2 capital instrument triggering event is defined as the earlier of: (i) the CBRC having decided that without a conversion or write-off, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Once a preference share has been converted, it will not be restored in any circumstances. When the compulsory conversion of offshore preference shares occurs, the Bank shall report to the CBRC for approval and decision.

The Bank classifies offshore preference shares issued as an equity instrument and presented as an equity item on statement of financial position. Capital raised from the issuance of the above offshore preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

(b) Changes in preference shares outstanding

	1 January 2016		Increase/(Decrease)		30 June 2016	
Preference Shares	**Amount (million shares)**	**Carrying value (RMB million)**	**Amount (million shares)**	**Carrying value (RMB million)**	**Amount (million shares)**	**Carrying value (RMB million)**
2015 Offshore Preference Shares	152.5	19,659	–	–	**152.5**	**19,659**

(c) Interests attributable to the holders of equity instruments

		30 June 2016	31 December 2015
1.	Total equity attributable to equity holders of the Bank	**1,494,865**	1,434,020
	(1) Equity attributable to ordinary equity holders of the Bank	**1,475,206**	1,414,361
	(2) Equity attributable to other equity holders of the Bank	**19,659**	19,659
2.	Total equity attributable to non-controlling interests	**11,095**	11,063
	(1) Equity attributable to non-controlling interests of ordinary shares	**11,095**	11,063

47 Capital reserve

	30 June 2016	31 December 2015
Share premium	**134,749**	134,911
Others	**259**	338
Total	**135,008**	135,249

(Expressed in millions of RMB, unless otherwise stated)

48 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:

	Six months ended 30 June 2016		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**30,791**	**(7,733)**	**23,058**
Gains during the period			
– Debt securities	**(3,144)**	**868**	**(2,276)**
– Equity instruments and funds	**(945)**	**236**	**(709)**
	(4,089)	**1,104**	**(2,985)**
Reclassification adjustments			
– Impairment	**(59)**	**15**	**(44)**
– Disposals	**(5,024)**	**1,256**	**(3,768)**
	(5,083)	**1,271**	**(3,812)**
As at 30 June	**21,619**	**(5,358)**	**16,261**

		2015		
	Note	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January		5,435	(1,369)	4,066
Gains during the year				
– Debt securities		26,655	(6,689)	19,966
– Equity instruments and funds		607	(152)	455
		27,262	(6,841)	20,421
Reclassification adjustments				
– Impairment		(374)	94	(280)
– Disposals		(1,533)	383	(1,150)
– Others	(1)	1	–	1
		(1,906)	477	(1,429)
As at 31 December		30,791	(7,733)	23,058

(1) Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior years.

(Expressed in millions of RMB, unless otherwise stated)

49 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 February 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 their annual general meetings.

50 General reserve

The general reserve of the Group as at the end of the reporting period is set up based on the requirement of:

	Note	30 June 2016	31 December 2015
MOF	(1)	**205,933**	181,686
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in Mainland China	(3)	**2,207**	2,152
Other overseas regulatory bodies		**610**	460
Total		**210,874**	186,422

(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 MOF 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.

51 Profit distribution

The Bank declared a cash dividend of RMB68,503 million for the year ended 31 December 2015 according to the profit distribution plan approved by the Annual General Meeting held on 17 June 2016.

52 Notes to cash flow statement

Cash and cash equivalents

	30 June 2016	31 December 2015	30 June 2015
Cash	**67,110**	77,678	64,137
Surplus deposit reserves with central banks	**91,940**	140,511	214,234
Demand deposits with banks and non-bank financial institutions	**70,301**	58,320	44,310
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**246,876**	13,193	48,595
Placements with banks and non-bank financial institutions with original maturity with or within three months	**55,468**	98,219	99,091
Total	**531,695**	387,921	470,367

53 Credit Assets Securitisation Transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain 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 position to the extent of the Group's continuing involvement.

As at 30 June 2016, loans with an original carrying amount of RMB26,590 million (as at 31 December 2015: RMB16,841 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2016, the carrying amount of assets that the Group continued to recognise was RMB2,096 million (as at 31 December 2015: RMB1,138 million), and the continuing involvement assets and liabilities was RMB2,273 million respectively (as at 31 December 2015: RMB1,177 million).

54 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Dubai, Toronto, London and certain subsidiary operations in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, New Zealand and Sao Paulo.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

- "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

- the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

- the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

- the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of RMB, unless otherwise stated)

54 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2016								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	20,515	18,244	18,343	22,645	25,019	5,998	96,397	3,829	210,990
Internal net interest income/ (expense)	13,794	10,678	17,373	14,805	11,998	6,203	(74,536)	(315)	–
Net interest income	34,309	28,922	35,716	37,450	37,017	12,201	21,861	3,514	210,990
Net fee and commission income	12,115	10,595	12,096	10,595	7,741	3,377	9,705	966	67,190
Net trading gain/(loss)	456	319	(123)	108	91	11	524	310	1,696
Dividend income	1,134	4	1	168	–	–	1	97	1,405
Net gain arising from investment securities	559	–	–	518	85	–	5,728	447	7,337
Other operating income, net	510	431	748	308	1,552	77	1,084	2,351	7,061
Operating income	49,083	40,271	48,438	49,147	46,486	15,666	38,903	7,685	295,679
Operating expenses	(12,834)	(10,326)	(13,272)	(14,792)	(13,128)	(5,491)	(6,336)	(2,937)	(79,116)
Impairment losses	(10,667)	(9,129)	(5,900)	(8,525)	(8,557)	(2,912)	(116)	(804)	(46,610)
Share of (loss)/profit of associates and joint ventures	–	–	–	(98)	–	–	–	23	(75)
Profit before tax	25,582	20,816	29,266	25,732	24,801	7,263	32,451	3,967	169,878
Capital expenditure	266	205	4,094	301	238	79	139	4,788	10,110
Depreciation and amortisation	1,209	808	1,292	1,495	1,225	633	804	337	7,803
	30 June 2016								
Segment assets	3,191,937	1,975,214	2,701,148	2,739,085	2,651,341	854,630	7,801,602	1,245,877	23,160,834
Interests in associates and joint ventures	–	–	8	2,783	–	–	–	2,955	5,746
	3,191,937	1,975,214	2,701,156	2,741,868	2,651,341	854,630	7,801,602	1,248,832	23,166,580
Deferred tax assets									34,312
Elimination									(3,440,744)
Total assets									19,760,148
Segment liabilities	3,165,548	1,960,892	2,670,624	2,717,236	2,635,441	850,126	6,527,150	1,167,572	21,694,589
Deferred tax liabilities									343
Elimination									(3,440,744)
Total liabilities									18,254,188
Off-balance sheet credit commitments	549,805	413,655	698,067	406,388	317,559	140,151	2,552	124,578	2,652,755

(Expressed in millions of RMB, unless otherwise stated)

54 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2015								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	28,450	17,531	20,203	26,247	29,426	8,259	91,594	2,909	224,619
Internal net interest income/(expense)	7,865	11,770	14,673	11,306	8,459	5,121	(60,690)	1,496	–
Net interest income	36,315	29,301	34,876	37,553	37,885	13,380	30,904	4,405	224,619
Net fee and commission income	10,953	9,564	10,449	10,290	7,627	3,250	10,558	954	63,645
Net trading gain/(loss)	80	69	(60)	40	49	19	593	960	1,750
Dividend income	–	4	13	158	5	–	8	283	471
Net gain arising from investment securities	1,042	–	20	233	–	298	1,264	575	3,432
Other operating income, net	251	104	475	144	1,264	118	1,261	283	3,900
Operating income	48,641	39,042	45,773	48,418	46,830	17,065	44,588	7,460	297,817
Operating expenses	(14,857)	(11,586)	(14,477)	(16,749)	(15,295)	(6,467)	(5,271)	(2,727)	(87,429)
Impairment losses	(13,727)	(8,991)	(3,255)	(5,271)	(3,918)	(2,645)	(1,690)	(1,752)	(41,249)
Share of profit of associates and joint ventures	–	–	–	17	–	–	–	51	68
Profit before tax	20,057	18,465	28,041	26,415	27,617	7,953	37,627	3,032	169,207
Capital expenditure	375	404	1,590	1,396	658	362	228	1,481	6,494
Depreciation and amortisation	1,526	989	1,458	1,799	1,523	816	1,337	201	9,649
	31 December 2015								
Segment assets	2,565,723	1,756,844	1,988,554	2,855,335	2,798,176	1,056,288	5,835,333	1,149,541	20,005,794
Interests in associates and joint ventures	–	–	–	2,196	–	–	–	2,790	4,986
	2,565,723	1,756,844	1,988,554	2,857,531	2,798,176	1,056,288	5,835,333	1,152,331	20,010,780
Deferred tax assets									25,379
Elimination									(1,686,670)
Total assets									18,349,489
Segment liabilities	2,571,710	1,766,077	1,972,961	2,846,741	2,795,577	1,058,505	4,506,665	1,072,216	18,590,452
Deferred tax liabilities									624
Elimination									(1,686,670)
Total liabilities									16,904,406
Off-balance sheet credit commitments	497,837	385,693	611,674	356,079	305,375	116,537	3,500	125,589	2,402,284

(Expressed in millions of RMB, unless otherwise stated)

54 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.

	Six months ended 30 June 2016				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	92,191	26,518	84,303	7,978	210,990
Internal net interest income/(expenses)	17,707	52,708	(68,269)	(2,146)	–
Net interest income	109,898	79,226	16,034	5,832	210,990
Net fee and commission income	21,814	33,195	12,598	(417)	67,190
Net trading (loss)/gain	(3,157)	213	4,366	274	1,696
Dividend income	–	–	–	1,405	1,405
Net gain arising from investment securities	–	–	5,698	1,639	7,337
Other operating (expense)/income, net	(6)	104	7,432	(469)	7,061
Operating income	128,549	112,738	46,128	8,264	295,679
Operating expenses	(28,987)	(39,860)	(4,610)	(5,659)	(79,116)
Impairment losses	(32,348)	(12,933)	(59)	(1,270)	(46,610)
Share of loss of associates and joint ventures	–	–	–	(75)	(75)
Profit before tax	67,214	59,945	41,459	1,260	169,878
Capital expenditure	551	903	93	8,563	10,110
Depreciation and amortisation	2,534	4,154	428	687	7,803
	30 June 2016				
Segment assets	7,087,540	4,053,923	7,718,995	1,099,941	19,960,399
Interests in associates and joint ventures	–	–	–	5,746	5,746
	7,087,540	4,053,923	7,718,995	1,105,687	19,966,145
Deferred tax assets					34,312
Elimination					(240,309)
Total assets					19,760,148
Segment liabilities	9,489,901	6,947,822	515,946	1,540,485	18,494,154
Deferred tax liabilities					343
Elimination					(240,309)
Total liabilities					18,254,188
Off-balance sheet credit commitments	1,933,310	594,591	–	124,854	2,652,755

(Expressed in millions of RMB, unless otherwise stated)

54 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2015				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	125,408	6,950	85,258	7,003	224,619
Internal net interest (expenses)/income	(6,975)	70,732	(60,839)	(2,918)	–
Net interest income	118,433	77,682	24,419	4,085	224,619
Net fee and commission income	23,965	27,066	10,883	1,731	63,645
Net trading (loss)/gain	(2,559)	(470)	3,778	1,001	1,750
Dividend income	–	–	–	471	471
Net gain arising from investment securities	–	–	223	3,209	3,432
Other operating income/(expense), net	158	(21)	2,132	1,631	3,900
Operating income	139,997	104,257	41,435	12,128	297,817
Operating expenses	(35,486)	(42,814)	(4,047)	(5,082)	(87,429)
Impairment losses	(32,034)	(6,345)	(496)	(2,374)	(41,249)
Share of profit of associates and joint ventures	–	–	–	68	68
Profit before tax	72,477	55,098	36,892	4,740	169,207
Capital expenditure	1,381	2,570	179	2,364	6,494
Depreciation and amortisation	3,088	5,745	400	416	9,649

	31 December 2015				
Segment assets	7,036,556	3,626,845	6,748,218	1,031,726	18,443,345
Interests in associates and joint ventures	–	–	–	4,986	4,986
	7,036,556	3,626,845	6,748,218	1,036,712	18,448,331
Deferred tax assets					25,379
Elimination					(124,221)
Total assets					18,349,489
Segment liabilities	7,841,404	7,203,232	547,997	1,435,370	17,028,003
Deferred tax liabilities					624
Elimination					(124,221)
Total liabilities					16,904,406
Off-balance sheet credit commitments	1,737,208	539,283	–	125,793	2,402,284

(Expressed in millions of RMB, unless otherwise stated)

55 Entrusted lending business

As at the end of the reporting period, the entrusted loans and funds were as follows:

	30 June 2016	31 December 2015
Entrusted loans	**2,144,043**	1,932,138
Entrusted funds	**2,144,043**	1,932,138

56 Pledged assets

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by category

	30 June 2016	31 December 2015
Discounted bills	**16,381**	227
Bonds	**294,282**	268,279
Total	**310,663**	268,506

(b) Carrying value of pledged assets analysed by classification in the statement of financial position

	30 June 2016	31 December 2015
Financial assets at fair value through profit or loss	**2,345**	–
Loans and advances to customers	**16,381**	227
Available-for-sale financial assets	**30,277**	3,888
Held-to-maturity investments	**238,660**	264,391
Investment classified as receivables	**23,000**	–
Total	**310,663**	268,506

(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 30 June 2016 and 31 December 2015, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

57 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	30 June 2016	31 December 2015
Loan commitments		
– with an original maturity under one year	**224,025**	149,566
– with an original maturity of one year or over	**395,567**	312,872
Credit card commitments	**634,934**	577,047
	1,254,526	1,039,485
Bank acceptances	**324,821**	324,963
Financing guarantees	**117,899**	141,604
Non-financing guarantees	**716,042**	649,326
Sight letters of credit	**24,514**	20,383
Usance letters of credit	**126,378**	175,860
Others	**88,575**	50,663
Total	**2,652,755**	2,402,284

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

	30 June 2016	31 December 2015
Credit risk – weighted amount of contingent liabilities and commitments	**1,058,462**	993,117

(Expressed in millions of RMB, unless otherwise stated)

57 Commitments and contingent liabilities (continued)

(3) Operating lease commitments

The Group 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:

	30 June 2016	31 December 2015
Within one year	**6,620**	5,650
After one year but within two years	**4,423**	4,387
After two years but within three years	**3,161**	3,177
After three years but within five years	**3,554**	3,469
After five years	**2,330**	2,737
Total	**20,088**	19,420

(4) Capital commitments

As at the end of the reporting period, the Group had capital commitments as follows:

	30 June 2016	31 December 2015
Contracted for	**2,405**	4,049
Authorised but not contracted for	**1,116**	2,033
Total	**3,521**	6,082

(5) Underwriting obligations

As at 30 June 2016, there was no unexpired underwriting commitment of the Group (as at 31 December 2015: nil).

(6) Government bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2016, were RMB73,209 million (as at 31 December 2015: RMB73,647 million).

(7) Outstanding litigation and disputes

As at 30 June 2016, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB6,298 million (as at 31 December 2015: RMB6,501 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 43). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies.

(Expressed in millions of RMB, unless otherwise stated)

58 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 the 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 30 June 2016, Huijin directly held 57.11% 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 RMB145.80 billion (as at 31 December 2015: RMB145.14 billion). 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 entered into with parent companies are as follows:

Amounts

	Six months ended 30 June			
	2016		2015	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**230**	**0.07%**	289	0.08%
Interest expense	**73**	**0.05%**	174	0.11%

Balances outstanding as at the end of the reporting period

		30 June 2016		31 December 2015	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable		**379**	**0.36%**	150	0.16%
Held-to-maturity investments		**12,770**	**0.50%**	12,770	0.50%
Financial liabilities at fair value through profit or loss		**2,500**	**0.74%**	–	–
Deposits from customers		**1,090**	**0.01%**	2,339	0.02%
Interest payable		**26**	**0.01%**	19	0.01%
Other liabilities	(i)	**39,070**	**16.70%**	–	–
Credit commitments		**288**	**0.01%**	288	0.02%

(i) Other liabilities as at 30 June 2016 represents cash dividends payable to Huijin approved by the 2015 Annual General Meeting.

(Expressed in millions of RMB, unless otherwise stated)

58 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 entered into with the affiliates of parent companies are as follows:

Amounts

		Six months ended 30 June			
		2016		2015	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**17,708**	**5.11%**	19,264	5.01%
Interest expense		**1,844**	**1.36%**	1,029	0.64%
Fee and commission income		**55**	**0.08%**	311	0.47%
Fee and commission expense		**45**	**1.21%**	38	1.32%
Operating expenses	(i)	**555**	**0.85%**	865	1.26%

Balances outstanding as at the end of the reporting period

		30 June 2016		31 December 2015	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**74,587**	**11.76%**	24,251	6.87%
Placements with banks and non-bank financial institutions		**66,772**	**23.77%**	30,668	9.87%
Financial assets at fair value through profit or loss		**1,897**	**0.52%**	1,987	0.73%
Positive fair value of derivatives		**2,283**	**5.52%**	186	0.59%
Financial assets held under resale agreements		**3,554**	**4.38%**	22,871	7.36%
Interest receivable		**12,802**	**12.25%**	16,462	17.04%
Loans and advances to customers		**84,187**	**0.78%**	100,256	0.98%
Available for sale financial assets		**172,542**	**13.70%**	240,539	22.55%
Held-to-maturity investments		**465,209**	**18.15%**	509,481	19.87%
Investment classified as receivables		**98,536**	**20.37%**	63,442	17.17%
Other assets	(ii)	**59**	**0.09%**	–	–
Deposits from banks and non-bank financial institutions	(iii)	**238,956**	**14.73%**	116,218	8.07%
Placements from banks and non-bank financial institutions		**65,382**	**19.20%**	63,911	19.87%
Financial liabilities at fair value through profit or loss		**3,847**	**1.13%**	2,246	0.74%
Negative fair value of derivatives		**3,330**	**6.26%**	38	0.14%
Financial assets sold under repurchase agreements		**17,200**	**17.11%**	141,189	52.68%
Deposits from customers		**25,706**	**0.18%**	22,940	0.17%
Interest payable		**636**	**0.31%**	308	0.15%
Credit commitments		**7,432**	**0.31%**	22,104	1.46%

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(Expressed in millions of RMB, unless otherwise stated)

58 Related party relationships and transactions (continued)

(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

	Six months ended 30 June	
	2016	2015
Interest income	**11**	10
Interest expense	**–**	1
Fee and commission income	**–**	1
Operating expenses	**4**	–

Balances outstanding as at the end of the reporting period

	30 June 2016	31 December 2015
Loans and advances to customers	**706**	741
Deposits from customers	**100**	1,007

(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 2(3).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	Six months ended 30 June	
	2016	2015
Interest income	**697**	1,312
Interest expense	**1,198**	238
Fee and commission income	**3,982**	451
Fee and commission expense	**93**	21
Net trading loss	**–**	(23)
Dividend income	**–**	21
Other operating expense, net	**(288)**	(417)
Operating expenses	**3**	–

(Expressed in millions of RMB, unless otherwise stated)

58 Related party relationships and transactions (continued)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	30 June 2016	31 December 2015
Deposits with banks and non-bank financial institutions	**14,042**	21,023
Placements with banks and non-bank financial institutions	**112,055**	93,305
Positive fair value of derivatives	**1,188**	1,795
Interest receivable	**128**	114
Loans and advances to customers	**5,814**	5,659
Available-for-sale financial assets	**1,268**	60
Held-to-maturity investments	**661**	–
Other assets	**42,328**	40,415
Deposits from banks and non-bank financial institutions	**131,300**	11,199
Placements from banks and non-bank financial institutions	**108,617**	63,580
Negative fair value of derivatives	**1,874**	1,237
Deposits from customers	**6,820**	2,371
Interest payable	**1,065**	505
Debt securities issued	**10**	1,910
Other liabilities	**592**	367

As at 30 June 2016, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB39,051 million (as at 31 December 2015: RMB36,284 million).

For the six months ended 30 June 2016, the transactions between subsidiaries of the Group are mainly ordinary receivables and payables. As at 30 June 2016, the balances of the above transactions were RMB2,868 million (as at 31 December 2015: RMB1,775 million) respectively.

(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 six months ended 30 June 2016 and the year ended 31 December 2015.

As at 30 June 2016, RMB3,105 million of the Group's supplementary retirement benefit plan assets (as at 31 December 2015: RMB3,280 million) were managed by CCB Principal and management fees payable to CCB Principal was RMB3.80 million (as at 31 December 2015: RMB30.07 million).

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2016 and for the year ended 31 December 2015, there were no material transactions and balances with key management personnel.

(7) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans 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.

59 Risk Management

The Group has exposures 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 exposures 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 carries out their responsibilities according to the articles of association and other related regulatory requirements. The Board of Directors of the Bank established the Risk Management Committee to be responsible for formulating risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has overseen the establishment of the overall risk management system and the carrying out of risk management responsibilities by the Board of Directors and senior management. Senior management is responsible for carrying out the risk management strategies established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints the Chief Risk Officer who assists the president with the corresponding risk management work.

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 in charge of the overall business risk management. Credit Management Department is in charge of the overall credit risk management. Credit Approval Department is in charge of the overall credit business approval. Internal Control and Compliance Department coordinates operating risk management, internal control and compliance. Other departments are responsible for managing 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 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.

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 been 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 carries out post-lending monitoring, 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 consent. 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 recovery procedures.

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(1) Credit risk (continued)

Credit business (continued)

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A refined 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 from debt securities and derivatives exposures 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.

(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.

	30 June 2016	31 December 2015
Deposits with central banks	**2,517,152**	2,323,866
Deposits with banks and non-bank financial institutions	**634,094**	352,966
Placements with banks and non-bank financial institutions	**280,915**	310,779
Debt investments at fair value through profit or loss	**360,435**	266,871
Positive fair value of derivatives	**41,323**	31,499
Financial assets held under resale agreements	**81,218**	310,727
Interest receivable	**104,543**	96,612
Loans and advances to customers	**10,861,990**	10,234,523
Available-for-sale debt securities	**1,170,010**	1,035,332
Held-to-maturity investments	**2,562,778**	2,563,980
Investment classified as receivables	**483,786**	369,501
Other financial assets	**60,583**	37,324
Total	**19,158,827**	17,933,980
Off-balance sheet credit commitments	**2,652,755**	2,402,284
Maximum credit risk exposure	**21,811,582**	20,336,264

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(1) Credit risk (continued)

(b) *Distribution of loans and advances to customers in terms of credit quality is analysed as follows:*

	Note	30 June 2016	31 December 2015
Individually assessed and impaired gross amount		**159,231**	147,506
Allowances for impairment losses		**(89,120)**	(82,196)
Subtotal		**70,111**	65,310
Collectively assessed and impaired gross amount		**22,718**	18,474
Allowances for impairment losses		**(13,664)**	(10,789)
Subtotal		**9,054**	7,685
Overdue but not impaired			
– not more than 90 days		**54,942**	31,443
– between 90 and 180 days		**48**	4
Gross amount		**54,990**	31,447
Allowances for impairment losses	(i)	**(7,852)**	(4,424)
Subtotal		**47,138**	27,023
Neither overdue nor impaired			
– Unsecured loans		**3,240,421**	3,019,394
– Guaranteed loans		**1,830,708**	1,771,076
– Loans secured by tangible assets other than monetary assets		**4,791,436**	4,493,357
– Loans secured by monetary assets		**1,038,373**	1,003,886
Gross amount		**10,900,938**	10,287,713
Allowances for impairment losses	(i)	**(165,251)**	(153,208)
Subtotal		**10,735,687**	10,134,505
Total		**10,861,990**	10,234,523

(i) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB, unless otherwise stated)

59 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):*

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:

	30 June 2016		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	**14,814**	**18,329**	**33,744**
Portion not covered	**14,842**	**7,005**	**125,487**
Total	**29,656**	**25,334**	**159,231**

	31 December 2015		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	7,064	13,592	32,260
Portion not covered	4,255	6,998	115,246
Total	11,319	20,590	147,506

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*

	30 June 2016			31 December 2015		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,373,868**	**12.34%**	**478,729**	1,389,829	13.24%	489,547
– Transportation, storage and postal services	**1,272,360**	**11.42%**	**481,646**	1,221,103	11.64%	464,515
– Leasing and commercial services	**719,969**	**6.46%**	**289,255**	658,284	6.28%	286,263
– Production and supply of electric power, heat, gas and water	**689,716**	**6.19%**	**190,733**	671,632	6.41%	194,565
– Wholesale and retail trade	**527,111**	**4.73%**	**248,038**	502,129	4.79%	234,835
– Real estate	**493,805**	**4.43%**	**378,477**	522,916	4.99%	410,355
– Water, environment and public utility management	**310,884**	**2.79%**	**153,256**	316,480	3.02%	166,754
– Construction	**270,115**	**2.43%**	**84,198**	272,991	2.60%	90,796
– Mining	**256,959**	**2.31%**	**31,327**	258,323	2.46%	36,724
– Public management, social securities and social organisation	**133,848**	**1.20%**	**43,290**	122,773	1.17%	52,413
– Agriculture, forestry, farming, fishing	**100,728**	**0.90%**	**38,948**	110,861	1.06%	42,553
– Education	**78,577**	**0.71%**	**22,164**	79,275	0.76%	22,026
– Others	**414,997**	**3.73%**	**78,961**	366,466	3.50%	86,177
Total corporate loans and advances	**6,642,937**	**59.64%**	**2,519,022**	6,493,062	61.92%	2,577,523
Personal loans and advances	**3,955,064**	**35.51%**	**3,432,877**	3,531,983	33.69%	3,038,719
Discounted bills	**539,876**	**4.85%**	**21**	460,095	4.39%	12
Total loans and advances to customers	**11,137,877**	**100.00%**	**5,951,920**	10,485,140	100.00%	5,616,254

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

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:

	30 June 2016				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the period**	**Written off during the period**
Manufacturing	**78,554**	**(43,575)**	**(32,276)**	**19,970**	**4,872**
Transportation, storage and postal services	**4,333**	**(2,381)**	**(22,604)**	**659**	**71**

	31 December 2015				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged/ (release) to profit or loss during the year	Written off during the year
Manufacturing	72,766	(38,735)	(27,606)	48,879	12,345
Transportation, storage and postal services	3,265	(2,032)	(22,505)	(810)	1,921

(d) Loans and advances to customers analysed by geographical sector concentrations

	30 June 2016			31 December 2015		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**2,056,561**	**18.46%**	**1,325,882**	1,968,394	18.76%	1,269,793
Central	**1,896,881**	**17.03%**	**1,139,375**	1,768,362	16.87%	1,075,030
Western	**1,894,479**	**17.01%**	**1,061,012**	1,803,236	17.20%	1,035,556
Bohai Rim	**1,878,963**	**16.87%**	**832,659**	1,812,640	17.29%	811,161
Pearl River Delta	**1,613,378**	**14.49%**	**1,181,897**	1,432,094	13.66%	1,026,685
Northeastern	**632,868**	**5.68%**	**296,180**	612,441	5.84%	295,842
Head office	**407,735**	**3.66%**	**–**	402,733	3.84%	–
Overseas	**757,012**	**6.80%**	**114,915**	685,240	6.54%	102,187
Gross loans and advances to customers	**11,137,877**	**100.00%**	**5,951,920**	10,485,140	100.00%	5,616,254

Details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	30 June 2016		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**46,585**	**(24,960)**	**(36,356)**
Pearl River Delta	**33,694**	**(17,266)**	**(26,754)**
Western	**32,474**	**(16,065)**	**(34,147)**
Bohai Rim	**25,681**	**(12,852)**	**(33,075)**
Central	**22,650**	**(10,745)**	**(31,391)**
Northeastern	**12,881**	**(6,531)**	**(12,476)**
Head Office	**5,087**	**–**	**(9,875)**
Overseas	**2,897**	**(701)**	**(2,693)**
Total	**181,949**	**(89,120)**	**(186,767)**

	31 December 2015		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	49,223	(24,924)	(33,213)
Pearl River Delta	30,285	(16,977)	(23,087)
Western	24,668	(11,248)	(31,631)
Bohai Rim	22,941	(11,611)	(30,393)
Central	19,617	(9,219)	(27,775)
Northeastern	11,998	(6,853)	(10,954)
Head Office	4,671	(376)	(9,039)
Overseas	2,577	(988)	(2,329)
Total	165,980	(82,196)	(168,421)

The definitions of geographical segments are set out in note 54(1).

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	30 June 2016	31 December 2015
Unsecured loans	3,263,110	3,034,953
Guaranteed loans	1,922,847	1,833,933
Loans secured by tangible assets other than monetary assets	4,907,746	4,591,009
Loans secured by monetary assets	1,044,174	1,025,245
Gross loans and advances to customers	11,137,877	10,485,140

(f) Rescheduled loans and advances to customers

	30 June 2016		31 December 2015	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	6,491	0.06%	6,466	0.06%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	1,741	0.02%	1,940	0.02%

(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.

	30 June 2016	31 December 2015
Individually assessed and impaired gross amount	306	76
Allowances for impairment losses	(40)	(43)
Subtotal	266	33
Neither overdue nor impaired		
– grade A to AAA	953,937	883,645
– grade B to BBB	1,319	3,161
– unrated	40,705	87,633
Subtotal	995,961	974,439
Total	996,227	974,472

Amounts neither overdue nor impaired are analysed above according to the Group'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 has not assigned internal credit ratings.

(Expressed in millions of RMB, unless otherwise stated)

59 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:

	30 June 2016					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	**532**	**200**	**–**	**–**	**–**	**732**
– Enterprises	**3,317**	**–**	**–**	**–**	**–**	**3,317**
Total	**3,849**	**200**	**–**	**–**	**–**	**4,049**
Allowances for impairment losses						**(919)**
Subtotal						**3,130**
Neither overdue nor impaired						
– Government	**1,748,808**	**570,498**	**19,194**	**9,573**	**4,260**	**2,352,333**
– Central banks	**123,257**	**6,112**	**13,003**	**–**	**225**	**142,597**
– Policy banks	**405,993**	**–**	**835**	**–**	**–**	**406,828**
– Banks and non-bank financial institutions	**913,346**	**131,820**	**22,782**	**19,636**	**4,089**	**1,091,673**
– Public sector entities	**–**	**21**	**–**	**–**	**–**	**21**
– Enterprises	**140,930**	**302,267**	**5,391**	**9,098**	**4,077**	**461,763**
– Others	**121,750**	**–**	**–**	**–**	**–**	**121,750**
Total	**3,454,084**	**1,010,718**	**61,205**	**38,307**	**12,651**	**4,576,965**
Allowances for impairment losses						**(3,084)**
Subtotal						**4,573,881**
Total						**4,577,011**

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

	31 December 2015					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	325	–	–	–	–	325
– Enterprises	3,219	–	–	–	–	3,219
– Others	200	200	–	–	–	400
Total	3,744	200	–	–	–	3,944
Allowances for impairment losses						(923)
Subtotal						3,021
Neither overdue nor impaired						
– Government	1,282,135	593,329	20,103	2,975	2,924	1,901,466
– Central banks	155,155	3,422	913	–	2,771	162,261
– Policy banks	484,102	–	–	–	–	484,102
– Banks and non-bank financial institutions	1,020,578	73,303	2,758	12,048	5,229	1,113,916
– Public sector entities	–	20	–	–	–	20
– Enterprises	134,251	336,413	5,493	8,873	2,370	487,400
– Others	70,380	9,034	7,353	800	–	87,567
Total	3,146,601	1,015,521	36,620	24,696	13,294	4,236,732
Allowances for impairment losses						(4,069)
Subtotal						4,232,663
Total						4,235,684

(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.

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural 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.

(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 it 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 periods is as follows:

	Six months ended 30 June 2016			
	As at 30 June	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio	**91**	**181**	**265**	**91**
Of which:				
– Interest rate risk	**58**	**46**	**72**	**24**
– Foreign exchange risk (i)	**64**	**177**	**247**	**64**
– Commodity risk	**5**	**20**	**60**	**–**

	Six months ended 30 June 2015			
	As at 30 June	Average	Maximum	Minimum
VaR of trading portfolio	68	76	197	49
Of which:				
– Interest rate risk	48	37	172	17
– Foreign exchange risk (i)	64	62	104	13
– Commodity risk	3	2	9	–

(i) The VaR in relation to bullion is included in foreign exchange risk above.

59 Risk Management (continued)

(2) Market risk (continued)

(a) *VaR analysis (continued)*

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors.

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.

(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 by RMB58,868 million (as at 31 December 2015: RMB40,586 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB26,343 million (as at 31 December 2015: RMB40,443 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 interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the 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 arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(Expressed in millions of RMB, unless otherwise stated)

59 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 period, 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.

	Note	30 June 2016 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		1.52%	272,708	2,311,554	–	–	–	2,584,262
Deposits and placements with banks and non-bank financial institutions		2.80%	–	703,755	208,126	3,028	100	915,009
Financial assets held under resale agreements		2.62%	–	76,547	4,671	–	–	81,218
Loans and advances to customers	(ii)	4.46%	–	2,683,939	7,878,436	229,492	70,123	10,861,990
Investments	(iii)	3.73%	100,476	571,785	590,704	1,899,863	1,514,658	4,677,486
Other assets			640,183	–	–	–	–	640,183
Total assets		3.80%	1,013,367	6,347,580	8,681,937	2,132,383	1,584,881	19,760,148
Liabilities								
Borrowings from central banks		2.55%	–	116,123	93,890	–	–	210,013
Deposits and placements from banks and non-bank financial institutions		2.08%	–	1,399,412	510,040	53,143	–	1,962,595
Financial liabilities at fair value through profit or loss		1.43%	13,574	126,974	198,809	–	–	339,357
Financial assets sold under repurchase agreements		2.55%	–	96,998	3,507	–	–	100,505
Deposits from customers		1.52%	188,215	9,592,229	3,386,369	1,501,249	7,479	14,675,541
Debt securities issued		4.03%	–	107,514	72,852	91,848	127,462	399,676
Other liabilities			566,501	–	–	–	–	566,501
Total liabilities		1.65%	768,290	11,439,250	4,265,467	1,646,240	134,941	18,254,188
Asset-liability gap		2.15%	245,077	(5,091,670)	4,416,470	486,143	1,449,940	1,505,960

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

		31 December 2015						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.53%	114,845	2,286,699	–	–	–	2,401,544
Deposits and placements with banks and non-bank financial institutions		3.91%	–	448,836	210,523	4,386	–	663,745
Financial assets held under resale agreements		3.29%	–	242,317	68,410	–	–	310,727
Loans and advances to customers	(ii)	5.42%	–	5,771,201	4,191,281	198,752	73,289	10,234,523
Investments	(iii)	3.97%	40,707	384,287	798,241	1,663,387	1,389,770	4,276,392
Other assets			462,558	–	–	–	–	462,558
Total assets		4.43%	618,110	9,133,340	5,268,455	1,866,525	1,463,059	18,349,489
Liabilities								
Borrowings from central banks		3.20%	–	37,806	4,242	–	–	42,048
Deposits and placements from banks and non-bank financial institutions		2.31%	–	1,546,782	162,526	51,799	–	1,761,107
Financial liabilities at fair value through profit or loss		3.60%	19,443	150,998	132,208	–	–	302,649
Financial assets sold under repurchase agreements		2.72%	–	268,002	10	–	–	268,012
Deposits from customers		1.84%	121,249	8,970,336	3,066,679	1,503,008	7,261	13,668,533
Debt securities issued		4.07%	–	140,575	66,470	84,011	124,488	415,544
Other liabilities			446,513	–	–	–	–	446,513
Total liabilities		1.97%	587,205	11,114,499	3,432,135	1,638,818	131,749	16,904,406
Asset-liability gap		2.46%	30,905	(1,981,159)	1,836,320	227,707	1,331,310	1,445,083

(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 RMB116,966 million as at 30 June 2016 (as at 31 December 2015: RMB85,374 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, investment classified as receivables and investments in associates and joint ventures.

(Expressed in millions of RMB, unless otherwise stated)

59 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 proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposure by minimizing foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact to the pre-tax profits and other comprehensive income of the group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		30 June 2016			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,365,678	85,240	133,344	2,584,262
Deposits and placements with banks and non-bank financial institutions	(i)	857,448	126,698	12,081	996,227
Loans and advances to customers		9,901,048	678,446	282,496	10,861,990
Investments		4,540,218	69,291	67,977	4,677,486
Other assets		552,047	66,314	21,822	640,183
Total assets		18,216,439	1,025,989	517,720	19,760,148
Liabilities					
Borrowings from central banks		165,443	11,819	32,751	210,013
Deposits and placements from banks and non-bank financial institutions	(ii)	1,736,251	255,804	71,045	2,063,100
Financial liabilities at fair value through profit or loss		321,795	14,108	3,454	339,357
Deposits from customers		13,910,421	510,738	254,382	14,675,541
Debt securities issued		221,323	148,150	30,203	399,676
Other liabilities		516,869	16,651	32,981	566,501
Total liabilities		16,872,102	957,270	424,816	18,254,188
Net position		1,344,337	68,719	92,904	1,505,960
Net notional amount of derivatives		56,539	11,415	(88,698)	(20,744)
Credit commitments		2,523,746	20,430	108,579	2,652,755

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2015			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,211,080	119,786	70,678	2,401,544
Deposits and placements with banks and non-bank financial institutions	(i)	843,723	92,685	38,064	974,472
Loans and advances to customers		9,347,418	646,063	241,042	10,234,523
Investments		4,160,960	62,675	52,757	4,276,392
Other assets		430,526	14,218	17,814	462,558
Total assets		16,993,707	935,427	420,355	18,349,489
Liabilities					
Borrowings from central banks		16,041	21,751	4,256	42,048
Deposits and placements from banks and non-bank financial institutions	(ii)	1,754,011	208,219	66,889	2,029,119
Financial liabilities at fair value through profit or loss		286,732	15,280	637	302,649
Deposits from customers		13,011,964	401,284	255,285	13,668,533
Debt securities issued		258,044	125,261	32,239	415,544
Other liabilities		429,389	6,538	10,586	446,513
Total liabilities		15,756,181	778,333	369,892	16,904,406
Net position		1,237,526	157,094	50,463	1,445,083
Net notional amount of derivatives		288,525	(360,087)	77,993	6,431
Credit commitments		2,209,582	92,679	100,023	2,402,284

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(3) Liquidity risk

The liquidity risk means the risk that a commercial bank fails to timely acquire adequate funds at a reasonable cost to deal with repayment of debts at maturity, perform other payment obligations and meet other funding needs for normal business operation. It is caused by mismatches of assets and liabilities in terms of their cash flow. 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 payment requests;

– optimising the Group's asset and liability structure, diversifying and stabilising the sources of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and

– managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	30 June 2016							
	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	2,425,212	159,050	–	–	–	–	–	2,584,262
Deposits and placements with banks and non-bank financial institutions	–	89,522	329,008	279,183	209,756	7,440	100	915,009
Financial assets held under resale agreements	–	–	68,733	7,814	4,671	–	–	81,218
Loans and advances to customers	106,761	460,524	302,958	543,594	2,684,255	2,903,632	3,860,266	10,861,990
Investments								
– Financial assets at fair value through profit or loss	4,994	–	41,525	70,108	157,599	87,892	3,312	365,430
– Available-for-sale financial assets	89,736	–	36,620	61,491	129,150	655,489	287,260	1,259,746
– Held-to-maturity investments	–	–	78,852	111,359	228,205	1,080,384	1,063,978	2,562,778
– Investment classified as receivables	–	–	9,133	28,704	113,353	158,489	174,107	483,786
– Investments in associates and joint ventures	5,746	–	–	–	–	–	–	5,746
Other assets	219,654	122,548	19,671	45,602	158,773	49,021	24,914	640,183
Total assets	2,852,103	831,644	886,500	1,147,855	3,685,762	4,942,347	5,413,937	19,760,148
Liabilities								
Borrowings from central banks	–	–	81,425	34,698	93,890	–	–	210,013
Deposits and placements from banks and non-bank financial institutions	–	1,060,552	191,107	136,149	517,123	53,796	3,868	1,962,595
Financial liabilities at fair value through profit or loss	–	13,575	60,452	66,522	198,808	–	–	339,357
Financial assets sold under repurchase agreements	–	–	86,754	10,244	3,507	–	–	100,505
Deposits from customers	–	7,557,428	988,156	970,473	2,925,974	2,215,132	18,378	14,675,541
Debt securities issued								
– Certificates of deposit issued	–	68	41,266	47,768	58,459	7,713	232	155,506
– Bonds issued	–	–	–	–	6,051	27,974	5,693	39,718
– Subordinated bonds issued	–	–	–	–	–	60,653	84,632	145,285
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	15,210	43,957	59,167
Other liabilities	343	116,898	45,999	56,036	271,346	71,852	4,027	566,501
Total liabilities	343	8,748,521	1,495,159	1,321,890	4,075,158	2,452,330	160,787	18,254,188
Long/(Short) position	2,851,760	(7,916,877)	(608,659)	(174,035)	(389,396)	2,490,017	5,253,150	1,505,960
Notional amount of derivatives								
– Interest rate contracts	–	–	15,490	59,634	286,688	69,891	4,312	436,015
– Exchange rate contracts	–	–	685,852	848,819	1,677,809	247,182	6,877	3,466,539
– Other contracts	–	–	26,593	32,819	220,949	4,939	33	285,333
Total	–	–	727,935	941,272	2,185,446	322,012	11,222	4,187,887

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2015							
	Indefinite	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,183,358	218,186	–	–	–	–	–	2,401,544
Deposits and placements with banks and non-bank financial institutions	–	64,768	178,137	200,987	210,163	9,690	–	663,745
Financial assets held under resale agreements	–	–	166,890	75,427	68,410	–	–	310,727
Loans and advances to customers	84,254	431,544	301,975	540,601	2,561,181	2,744,588	3,570,380	10,234,523
Investments								
– Financial assets at fair value through profit or loss	4,301	–	28,452	44,072	125,694	62,885	5,769	271,173
– Available-for-sale financial assets	31,420	–	10,097	36,054	144,847	545,503	298,831	1,066,752
– Held-to-maturity investments	–	–	8,851	79,769	407,854	1,106,884	960,622	2,563,980
– Investment classified as receivables	–	–	12,681	12,997	91,533	109,525	142,765	369,501
– Investments in associates and joint ventures	4,986	–	–	–	–	–	–	4,986
Other assets	210,352	49,476	24,933	57,701	105,588	12,790	1,718	462,558
Total assets	2,518,671	763,974	732,016	1,047,608	3,715,270	4,591,865	4,980,085	18,349,489
Liabilities								
Borrowings from central banks	–	–	24,161	13,645	4,242	–	–	42,048
Deposits and placements from banks and non-bank financial institutions	–	1,213,163	174,380	113,540	183,794	72,226	4,004	1,761,107
Financial liabilities at fair value through profit or loss	–	19,443	71,245	79,753	132,208	–	–	302,649
Financial assets sold under repurchase agreements	–	–	267,902	100	10	–	–	268,012
Deposits from customers	–	6,957,679	920,974	1,102,123	2,610,766	2,058,410	18,581	13,668,533
Debt securities issued								
– Certificates of deposit issued	–	5	53,697	44,566	65,683	6,744	101	170,796
– Bonds issued	–	–	–	5,348	6,283	27,113	2,172	40,916
– Subordinated bonds issued	–	–	–	–	–	65,048	79,931	144,979
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	14,897	43,956	58,853
Other liabilities	624	116,531	38,625	52,189	162,974	73,417	2,153	446,513
Total liabilities	624	8,306,821	1,550,984	1,411,264	3,165,960	2,317,855	150,898	16,904,406
Long/(Short) position	2,518,047	(7,542,847)	(818,968)	(363,656)	549,310	2,274,010	4,829,187	1,445,083
Notional amount of derivatives								
– Interest rate contracts	–	–	50,555	60,114	326,230	66,504	3,133	506,536
– Exchange rate contracts	–	–	460,982	504,496	1,305,375	150,764	5,615	2,427,232
– Other contracts	–	–	29,724	16,848	72,287	876	–	119,735
Total	–	–	541,261	581,458	1,703,892	218,144	8,748	3,053,503

(Expressed in millions of RMB, unless otherwise stated)

59 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 as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	30 June 2016							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	210,013	212,589	–	82,105	34,879	95,605	–	–
Deposits and placements from banks and non-bank financial institutions	1,962,595	1,988,790	1,060,973	191,960	137,646	534,477	58,956	4,778
Financial liabilities at fair value through profit or loss	339,357	341,793	13,575	60,842	67,049	200,327	–	–
Financial assets sold under repurchase agreements	100,505	100,655	–	86,800	10,300	3,555	–	–
Deposits from customers	14,675,541	15,016,055	7,559,237	998,921	994,932	3,034,645	2,406,107	22,213
Debt securities issued								
– Certificates of deposit issued	155,506	157,303	68	41,309	49,343	58,481	7,854	248
– Bonds issued	39,718	45,858	–	–	50	6,599	32,111	7,098
– Subordinated bonds issued	145,285	186,172	–	–	404	6,524	85,867	93,377
– Eligible Tier 2 capital bonds issued	59,167	83,130	–	–	1,196	1,609	25,862	54,463
Other financial liabilities	245,723	245,723	66,954	12,507	18,079	145,910	–	2,273
Total	17,933,410	18,378,068	8,700,807	1,474,444	1,313,878	4,087,732	2,616,757	184,450
Off-balance sheet loan commitments and credit card commitments (Note)		1,254,526	988,789	87,785	31,299	83,955	55,165	7,533
Guarantees, acceptances and other credit commitments (Note)		1,398,229	–	306,569	174,378	550,930	324,580	41,772

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	31 December 2015							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one to three months	Between three months to one year	Between one to five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	42,048	42,510	–	24,523	13,677	4,310	–	–
Deposits and placements from banks and non-bank financial institutions	1,761,107	1,784,978	1,220,543	175,072	115,194	189,612	79,301	5,256
Financial liabilities at fair value through profit or loss	302,649	304,350	19,443	71,583	80,379	132,945	–	–
Financial assets sold under repurchase agreements	268,012	268,096	–	267,986	100	10	–	–
Deposits from customers	13,668,533	14,066,150	6,959,367	933,650	1,131,199	2,718,065	2,301,457	22,412
Debt securities issued								
– Certificates of deposit issued	170,796	172,518	5	53,797	44,932	66,816	6,864	104
– Bonds issued	40,916	44,707	–	189	5,526	6,975	29,684	2,333
– Subordinated bonds issued	144,979	185,557	–	–	1,223	5,743	92,319	86,272
– Eligible Tier 2 capital bonds issued	58,853	82,009	–	–	–	2,711	25,483	53,815
Other financial liabilities	137,111	137,111	131,454	1,622	601	2,257	–	1,177
Total	16,595,004	17,087,986	8,330,812	1,528,422	1,392,831	3,129,444	2,535,108	171,369
Off-balance sheet loan commitments and credit card commitments (Note)		1,039,485	860,456	75,469	19,376	40,592	39,341	4,251
Guarantees, acceptances and other credit commitments (Note)		1,362,799	–	332,601	169,052	339,391	481,361	40,394

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.

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events. In the first half year of 2016, the Group continued to standardise and strengthen operational risk management.

– By constructing the new core system, continuously increase the mechanical control proportion and control abilities in the incompatible positions, and strengthen the balance mechanism across departments and positions.

– Functionalise the key risk indicators for supervision, early warning and reminder on the operation risks of the essential stages, and promote domestic Tier-1 branches, subsidiaries and oversea institutions to construct the system on the key risk indicators which meets their demands. Also make a positive role on the risk monitor to discover and reminder risks, and eliminate the hidden dangers.

– Continuously conduct self-assessments on the overall business continuity management and promote institutions from all tier levels to advance in the strength on the business continuity management. Carry out business impact analysis, ensure business recover objectives, orders and essential area. Confirm the plans on “the New Generation Core System” to construct work plan. Prepare relevant plan templates, assess templates and promote specific plan construction. Ensure the safe and stable operation on the essential business lines of the New Generation Core System.

(Expressed in millions of RMB, unless otherwise stated)

59 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 is in 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's responsibility is to organise and implement 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 for valuation results.

For the six months ended 30 June 2016, 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 2015.

(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).

(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:

	30 June 2016			
	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	**–**	**60,162**	**–**	**60,162**
– Equity instruments and funds	**1,082**	**–**	**–**	**1,082**
Financial assets designated as at fair value through profit or loss				
– Debt securities	**–**	**–**	**2,478**	**2,478**
– Equity instruments	**588**	**–**	**3,324**	**3,912**
– Other debt instruments	**–**	**106,722**	**191,074**	**297,796**
Positive fair value of derivatives	**–**	**40,544**	**779**	**41,323**
Available-for-sale financial assets				
– Debt securities	**43,144**	**1,120,200**	**6,666**	**1,170,010**
– Equity instruments and funds	**72,721**	**–**	**14,407**	**87,128**
Total	**117,535**	**1,327,628**	**218,728**	**1,663,891**
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	**–**	**338,992**	**365**	**339,357**
Negative fair value of derivatives	**–**	**52,413**	**760**	**53,173**
Total	**–**	**391,405**	**1,125**	**392,530**

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(5) Fair value of financial instruments (continued)

(c) *Financial instruments measured at fair value (continued)*

(i) *Fair value hierarchy (continued)*

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	44	17,377	–	17,421
– Equity instruments and funds	563	–	–	563
Financial assets designated as at fair value through profit or loss				
– Debt securities	–	–	586	586
– Equity instruments	1,413	–	2,326	3,739
– Other debt instruments	–	40,660	208,204	248,864
Positive fair value of derivatives	–	30,616	883	31,499
Available-for-sale financial assets				
– Debt securities	40,907	984,821	9,604	1,035,332
– Equity instruments and funds	24,352	–	5,027	29,379
Total	67,279	1,073,474	226,630	1,367,383
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	302,130	519	302,649
Negative fair value of derivatives	–	27,078	864	27,942
Total	–	329,208	1,383	330,591

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.

For the six months ended 30 June 2016 and for the year ended 31 December 2015, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group.

(Expressed in millions of RMB, unless otherwise stated)

59 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:

	Six months ended 30 June 2016									
	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 2016	586	2,326	208,204	883	9,604	5,027	226,630	(519)	(864)	(1,383)
Total gains or losses:										
In profit or loss	(87)	116	3,706	(104)	(14)	(172)	3,445	192	104	296
In other comprehensive income	–	–	–	–	177	(66)	111	–	–	–
Purchases	1,717	4,764	41,123	–	608	10,295	58,507	(104)	–	(104)
Sales and settlements	262	(3,882)	(61,959)	–	(3,709)	(677)	(69,965)	66	–	66
As at 30 June 2016	2,478	3,324	191,074	779	6,666	14,407	218,728	(365)	(760)	(1,125)

	2015									
	Financial assets designated as at fair value through profit or loss				Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Other debt instruments	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2015	967	1,951	169,916	1,299	3,672	4,797	182,602	(817)	(1,288)	(2,105)
Total gains or losses:										
In profit or loss	(283)	(2)	5,754	(414)	(83)	(64)	4,908	83	422	505
In other comprehensive income	–	–	–	–	194	(214)	(20)	–	–	–
Purchases	523	3,903	388,910	3	8,192	3,632	405,163	(302)	–	(302)
Sales and settlements	(621)	(3,526)	(356,376)	(5)	(2,371)	(3,124)	(366,023)	517	2	519
As at 31 December 2015	586	2,326	208,204	883	9,604	5,027	226,630	(519)	(864)	(1,383)

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:

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains/(losses)	3,718	23	3,741	3,258	(530)	2,728

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(5) Fair value of financial instruments (continued)

(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 investment 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 investment classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

	30 June 2016					31 December 2015				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Investment classified as receivables	483,786	485,227	–	339,303	145,924	369,501	373,854	–	285,262	88,592
Held-to-maturity investments	2,562,778	2,565,498	829	2,562,074	2,595	2,563,980	2,665,423	1,099	2,661,813	2,511
Total	3,046,564	3,050,725	829	2,901,377	148,519	2,933,481	3,039,277	1,099	2,947,075	91,103

(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 30 June 2016 was RMB217,288 million (the Group as at 31 December 2015: RMB217,554 million), and carrying value was RMB204,452 million (the Group as at 31 December 2015: RMB203,832 million) and the carrying values of other financial liabilities approximated their fair values as at the end of the reporting period. The Group uses 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 30 June 2016, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(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 recognises insurance contract liabilities accordingly. Insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions of mortality, expenses and interest rates.

59 Risk Management (continued)

(8) Capital management

The Bank has implemented a comprehensive capital management policy, covering the set out of capital management policies, capital design and planning, advanced approach of capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitor and reporting, and so on management activities and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation, strengthen capital restraint and incentive mechanism; support the strategic planning effectively and make capital full use to restrict and conduct the business, and increase the capital efficiency and return level continuously; tamp capital strength, retain relatively high capital quality; achieve capital supplement with priority to the internal accumulation, ultilise various capital instruments reasonably and optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit asset policies, credit approval and pricing.

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 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)

59 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	30 June 2016	31 December 2015
Common Equity Tier 1 ratio	(a)(b)(c)	**13.06%**	13.13%
Tier 1 ratio	(a)(b)(c)	**13.24%**	13.32%
Total capital ratio	(a)(b)(c)	**15.09%**	15.39%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve	(d)	**151,111**	157,613
– Surplus reserve		**153,032**	153,032
– General reserve		**210,835**	186,383
– Retained earnings		**710,181**	669,802
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**3,616**	4,121
– Others	(e)	**(2,318)**	(5,330)
Deductions for Common Equity Tier 1 capital			
– Goodwill	(f)	**2,118**	1,946
– Other intangible assets (excluding land use right)	(f)	**1,551**	1,657
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,902**	3,902
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related stock surplus		**19,659**	19,659
– Non-controlling interest given recognition in Additional Tier 1 capital		**80**	61
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related stock surplus		**155,067**	170,147
– Provisions in Tier 2	(g)	**51,989**	50,014
– Non-controlling interest given recognition in Tier 2 capital		**1,562**	2,165
Common Equity Tier 1 capital after deduction	(h)	**1,468,897**	1,408,127
Tier 1 capital after deduction	(h)	**1,488,636**	1,427,847
Total capital after deduction	(h)	**1,697,254**	1,650,173
Risk-weighted assets	(i)	**11,245,917**	10,722,082

(Expressed in millions of RMB, unless otherwise stated)

59 Risk Management (continued)

(8) Capital management (continued)

Notes:

(a) Since the interim 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 interim 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) As at 30 June 2016, 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.

60 Statement of financial position and statement of changes in equity of the Bank

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Assets:		
Cash and deposits with central banks	**2,575,988**	2,383,573
Deposits with banks and non-bank financial institutions	**420,640**	361,141
Precious metals	**210,272**	86,549
Placements with banks and non-bank financial institutions	**341,561**	333,398
Financial assets at fair value through profit or loss	**349,290**	260,207
Positive fair value of derivatives	**37,119**	24,396
Financial assets held under resale agreements	**75,824**	309,539
Interest receivable	**101,856**	93,988
Loans and advances to customers	**10,520,447**	9,899,993
Available-for-sale financial assets	**1,049,306**	945,797
Held-to-maturity investments	**2,544,824**	2,554,049
Investment classified as receivables	**479,952**	350,966
Investments in subsidiaries	**33,676**	32,885
Consolidated structured entities	**400,000**	–
Fixed assets	**139,284**	144,363
Land use rights	**14,535**	14,795
Intangible assets	**1,224**	1,359
Deferred tax assets	**31,558**	24,298
Other assets	**91,731**	69,437
Total assets	**19,419,087**	17,890,733

(Expressed in millions of RMB, unless otherwise stated)

60 Statement of financial position and statement of changes in equity of the Bank (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Liabilities:		
Borrowings from central banks	**209,574**	41,154
Deposits from banks and non-bank financial institutions	**1,748,948**	1,442,259
Placements from banks and non-bank financial institutions	**344,164**	304,195
Financial liabilities at fair value through profit or loss	**338,817**	301,778
Negative fair value of derivatives	**49,901**	23,320
Financial assets sold under repurchase agreements	**96,860**	264,569
Deposits from customers	**14,403,971**	13,393,246
Accrued staff costs	**27,605**	31,593
Taxes payable	**35,844**	48,515
Interest payable	**204,416**	204,336
Provisions	**6,496**	5,813
Debt securities issued	**347,392**	356,711
Deferred tax liabilities	**54**	81
Other liabilities	**127,523**	53,067
Total liabilities	**17,941,565**	16,470,637

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference Shares	**19,659**	19,659
Capital reserve	**135,497**	135,441
Investment revaluation reserve	**16,107**	22,549
Surplus reserve	**153,032**	153,032
General reserve	**206,717**	182,319
Retained earnings	**696,996**	658,545
Exchange reserve	**(497)**	(1,460)
Total equity	**1,477,522**	1,420,096
Total liabilities and equity	**19,419,087**	17,890,733

Approved and authorised for issue by the Board of Directors on 25 August 2016.

Wang Zuji
Vice chairman, executive director and president

Chung Shui Ming Timpson
Independent non-executive director

Dong Shi
Non-executive director

(Expressed in millions of RMB, unless otherwise stated)

60 Statement of financial position and statement of changes in equity of the Bank
(continued)

	(Unaudited)								
	Share capital	**Other equity instruments-preference shares**	**Capital reserve**	**Investment revaluation reserve**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Exchange reserve**	**Total equity**
As at 31 December 2015	**250,011**	**19,659**	**135,441**	**22,549**	**153,032**	**182,319**	**658,545**	**(1,460)**	**1,420,096**
Movements during the period	**–**	**–**	**56**	**(6,442)**	**–**	**24,398**	**38,451**	**963**	**57,426**
(1) Total comprehensive income for the period	**–**	**–**	**56**	**(6,442)**	**–**	**–**	**131,352**	**963**	**125,929**
(2) Profit distribution									
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**24,398**	**(24,398)**	**–**	**–**
ii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(68,503)**	**–**	**(68,503)**
As at 30 June 2016	**250,011**	**19,659**	**135,497**	**16,107**	**153,032**	**206,717**	**696,996**	**(497)**	**1,477,522**

	(Unaudited)							
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2014	250,011	135,387	4,288	130,515	165,916	547,542	(1,423)	1,232,236
Movements during the period	–	445	2,325	–	16,392	38,139	(256)	57,045
(1) Total comprehensive income for the period	–	445	2,325	–	–	129,784	(256)	132,298
(2) Profit distribution								
i Appropriation to general reserve	–	–	–	–	16,392	(16,392)	–	–
ii Appropriation to equity shareholders	–	–	–	–	–	(75,253)	–	(75,253)
As at 30 June 2015	250,011	135,832	6,613	130,515	182,308	585,681	(1,679)	1,289,281

(Expressed in millions of RMB, unless otherwise stated)

60 Statement of financial position and statement of changes in equity of the Bank

(continued)

	(Audited)								
	Share capital	Other equity instruments-preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2014	250,011	–	135,387	4,288	130,515	165,916	547,542	(1,423)	1,232,236
Movements during the year	–	19,659	54	18,261	22,517	16,403	111,003	(37)	187,860
(1) Total comprehensive income for year	–	–	54	18,261	–	–	225,176	(37)	243,454
(2) Changes in share capital									
i Capital injection by other equity holder	–	19,659	–	–	–	–	–	–	19,659
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	22,517	–	(22,517)	–	–
ii Appropriation to general reserve	–	–	–	–	–	16,403	(16,403)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	–	(75,253)	–	(75,253)
As at 31 December 2015	250,011	19,659	135,441	22,549	153,032	182,319	658,545	(1,460)	1,420,096

61 Events after the reporting period

There are no significant events after the reporting period.

62 Comparative figures

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

63 Ultimate parent

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

64 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 period ended 30 June 2016 and which have not been adopted in the financial statements.

Standards	**Effective for annual period beginning on or after**
Amendment to IAS 7, "Statements of Cash Flow", disclosure initiative	1 January 2017
Amendment to IAS 12, "Income Taxes" on recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9, "Financial Instruments"	1 January 2018
IFRS 15, "Revenue from Contracts with Customers"	1 January 2018
IFRS 16, "Leases"	1 January 2019

The Group is in the process of making an assessment on the impact of these new and revised IFRSs upon initial application.

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the reviewed 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 six months ended 30 June 2016 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 six months ended 30 June 2016 or total equity as at 30 June 2016 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

2 Liquidity coverage ratio

	Second quarter of 2016	First quarter of 2016
Liquidity coverage ratio	**122.39%**	133.09%

The formula of liquidity coverage ratio ("LCR") is dividing high quality liquid assets by net cash outflows in the next 30 days. The Group calculates the LCR as the arithmetic mean of its LCR as at each month-end in the quarter on the basis of the regulatory requirements, definitions and accounting standards as applicable to the current period.

3 Currency concentrations

	30 June 2016			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**1,025,655**	**240,736**	**233,679**	**1,500,070**
Spot liabilities	**(947,163)**	**(258,274)**	**(205,208)**	**(1,410,645)**
Forward purchases	**2,014,155**	**73,709**	**228,712**	**2,316,576**
Forward sales	**(2,096,100)**	**(18,613)**	**(248,310)**	**(2,363,023)**
Net options position	**(106)**	**–**	**–**	**(106)**
Net long position	**(3,559)**	**37,558**	**8,873**	**42,872**
Net structural position	**24,191**	**2,048**	**(2,656)**	**23,583**

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

(Expressed in millions of RMB unless otherwise stated)

3 Currency concentrations (continued)

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

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

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

4 International claims

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

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

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigates which include guarantees, collateral and credit derivatives.

	30 June 2016				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	**213,908**	**91,282**	**836,378**	**46,457**	**1,188,025**
– of which attributed to Hong Kong	**42,958**	**16,022**	**271,974**	**1,706**	**332,660**
Europe	**23,083**	**18,881**	**34,493**	**–**	**76,457**
North and South America	**39,377**	**54,335**	**65,602**	**–**	**159,314**
Total	**276,368**	**164,498**	**936,473**	**46,457**	**1,423,796**

5 Overdue loans and advances to customers by geographical sector

	30 June 2016	31 December 2015
Yangtze River Delta	**39,417**	25,515
Western	**27,987**	15,385
Pearl River Delta	**26,994**	20,348
Bohai Rim	**20,026**	12,591
Central	**19,064**	12,388
Northeastern	**11,285**	10,547
Head office	**5,086**	4,669
Overseas	**1,286**	1,246
Total	**151,145**	102,689

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 30 June 2016, 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.

In accordance with the *regulatory requirements for the disclosure of information on capital composition of commercial banks* issued by CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets under the scope of regulatory consolidation.

	(In millions of RMB, except percentages)	Code	As at 30 June 2016	As at 31 December 2015
Common Equity Tier 1 capital:				
1	Qualifying common share capital	o	**250,011**	250,011
2	Retained earnings		**1,074,048**	1,009,217
2a	Surplus reserve	t	**153,032**	153,032
2b	General reserve	u	**210,835**	186,383
2c	Undistributed profits	v	**710,181**	669,802
3	Accumulated other comprehensive income and disclosed reserves		**148,793**	152,283
3a	Capital reserve	q+s	**151,111**	157,613
3b	Others	w	**(2,318)**	(5,330)
4	Amount given recognition in Common Equity Tier 1 capital (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0")		**–**	–
5	Minority interest given recognition in Common Equity Tier 1 capital	x	**3,616**	4,121
6	**Common Equity Tier 1 capital before regulatory adjustment**		**1,476,468**	1,415,632
Common Equity Tier 1 capital: Regulatory adjustment				
7	Prudent valuation adjustment		**–**	–
8	Goodwill (excluding deferred tax liabilities)	l	**2,118**	1,946
9	Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)	k	**1,551**	1,657
10	Net deferred tax assets relying on future profits and arising from operating losses		**–**	–
11	Cash-flow hedge reserves	r	**–**	–
12	Gaps of loan loss provisions		**–**	–
13	Gains from sales of asset securitisation		**–**	–
14	Unrealised profit/loss arising from the changes in own credit risk on fair values of liability		**–**	–
15	Net defined-benefit pension assets (excluding deferred tax liabilities)		**–**	–
16	Directly or indirectly investments in own shares		**–**	–
17	Reciprocal cross-holdings in common equity		**–**	–
18	Non-significant investments in capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
19	Significant investments in capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
20	Mortgage-servicing rights		**N/A**	N/A
21	Other deferred tax assets relying on the Bank's future profitability (amount above 10% threshold)		**–**	–
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustment (amount exceeding the 15% threshold)		**–**	–
23	of which: significant investments in the capital of financial institutions		**–**	–
24	of which: Mortgage-servicing rights		**N/A**	N/A
25	of which: Other deferred tax assets that rely on the Bank's future profitability		**–**	–
26a	Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	i	**3,902**	3,902
26b	Gaps of common equity of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
26c	Total regulatory adjustments to Common Equity Tier 1 capital		**–**	–
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		**–**	–
28	**Total regulatory adjustment in Common Equity Tier 1 capital**		**7,571**	7,505
29	**Common Equity Tier 1 capital after regulatory adjustment**		**1,468,897**	1,408,127
Additional Tier 1 capital:				
30	Directly issued qualifying Additional Tier 1 capital instruments including related stock surplus	p	**19,659**	19,659
31	of which: classified as equity	p	**19,659**	19,659
32	of which: classified as liabilities		**–**	–
33	of which: Instruments not given recognition in Additional Tier 1 capital after the transition period		**–**	–
34	Minority interest given recognition in Additional Tier 1 capital	y	**80**	61
35	of which: Portions not given recognition in Additional Tier 1 capital after the transition period		**–**	–
36	**Additional Tier 1 capital before regulatory adjustment**		**19,739**	19,720

(In millions of RMB, except percentages)		Code	As at 30 June 2016	As at 31 December 2015
Additional Tier 1 capital: regulatory adjustments				
37	Direct or indirect investments in own Additional Tier 1 instruments		**–**	–
38	Reciprocal cross-holdings in Additional Tier 1 instruments		**–**	–
39	Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation(amount above 10% threshold)		**–**	–
40	Significant investments in the Additional Tier 1 capital of financial institutions outside the scope of regulatory consolidation		**–**	–
41a	Investments in Additional Tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
41b	Gaps of Additional Tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
41c	Other deductions from Additional Tier 1 capital		**–**	–
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**–**	–
43	**Total regulatory adjustments to Additional Tier 1 capital**		**–**	–
44	**Additional Tier 1 capital after regulatory adjustment**		**19,739**	19,720
45	**Tier 1 capital after regulatory adjustment (Common Equity Tier 1 capital after regulatory adjustment + Additional Tier 1 capital after regulatory adjustment)**		**1,488,636**	1,427,847
Tier 2 capital:				
46	Directly issued qualifying Tier 2 instruments plus stock surplus	n	**155,067**	170,147
47	of which: Portions not given recognition in Tier 2 capital after the transition period		**95,900**	111,884
48	Minority interest given recognition in Tier 2 capital	z	**1,562**	2,165
49	of which: Portions not given recognition after the transition period		**92**	271
50	Provisions in Tier 2	–(c+e)	**51,989**	50,014
51	**Tier 2 capital before regulatory adjustments**		**208,618**	222,326
Tier 2 capital: regulatory adjustments				
52	Direct or indirect investments in the Bank's Tier 2 instruments		**–**	–
53	Reciprocal cross-holdings in Tier 2 instruments		**–**	–
54	Non-significant investments in capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
55	Significant investments in the Tier 2 capital of financial institutions outside the scope of regulatory consolidation		**–**	–
56a	Investments in Tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
56b	Gaps of Tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
56c	Other deductions from Tier 2 capital		**–**	–
57	**Total regulatory adjustments in Tier 2 capital**		**–**	–
58	**Tier 2 capital after regulatory adjustment**		**208,618**	222,326
59	**Total capital after regulatory adjustment (Tier 1 capital after regulatory adjustment +Tier 2 capital after regulatory adjustment)**		**1,697,254**	1,650,173
60	**Total risk-weighted assets**		**11,245,917**	10,722,082
Capital adequacy ratio and reserve capital requirements				
61	**Common Equity Tier 1 ratio**		**13.06%**	13.13%
62	**Tier 1 ratio**		**13.24%**	13.32%
63	**Total Capital ratio**		**15.09%**	15.39%
64	Specific buffer requirements of regulators		**2.30%**	2.30%
65	of which: capital conservation buffer requirements		**1.30%**	1.30%
66	of which: countercyclical buffer requirements		**0.00%**	0.00%
67	of which: Additional buffer requirements of Global Systemically Important Banks		**1.00%**	1.00%
68	Common Equity Tier 1 capital available to meet buffers as a percentage of risk-weighted assets		**8.06%**	8.13%
Domestic minimum regulatory capital requirements				
69	Common Equity Tier 1 ratio		**5.00%**	5.00%
70	Tier 1 ratio		**6.00%**	6.00%
71	Total Capital ratio		**8.00%**	8.00%
Amounts below the threshold deductions				
72	Non-significant investments in the capital of other financial institutions outside of the scope of regulatory consolidation	a+f+g+h	**36,816**	39,731
73	Significant investments in the capital of other financial institutions outside of the scope of regulatory consolidation	j	**253**	230
74	Mortgage-servicing rights (net of deferred tax liabilities)		**N/A**	N/A
75	Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	m	**34,155**	25,229

(In millions of RMB, except percentages)		Code	As at 30 June 2016	As at 31 December 2015
Limit of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to regulatory weighting approach (prior to the application of cap)	–b	**4,840**	3,551
77	Provisions eligible for inclusion in Tier 2 capital under regulatory weighting approach	–c	**4,840**	3,551
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal rating-based approach (prior to the application of cap)	–d	**106,349**	107,044
79	Provisions eligible for inclusion in Tier 2 capital under internal rating-based approach	–e	**47,149**	46,463
Capital instruments subject to phase-out arrangements				
80	Amount given recognition in current-period Common Equity Tier 1 capital due to transitional arrangements		**–**	–
81	Amount not given recognition in current-period Common Equity Tier 1 capital due to transitional arrangements		**–**	–
82	Amount given recognition in current-period Additional Tier 1 capital due to transitional arrangements		**–**	–
83	Amount not given recognition in current-period Additional Tier 1 capital due to transitional arrangements		**–**	–
84	Amount given recognition in current-period Tier 2 capital due to transitional arrangements		**95,900**	111,884
85	Amount not given recognition in current-period Tier 2 capital due to transitional arrangements		**42,006**	26,013

The following table shows the balance sheet of the accounting and regulatory consolidation.

(In millions of RMB)	As at 30 June 2016 Balance sheet of the accounting consolidation	Balance sheet of the regulatory consolidation
Assets		
Cash and deposits with central banks	2,584,262	2,584,224
Deposits with banks and non-bank financial institutions	634,094	630,024
Precious metals	210,272	210,272
Placements with banks and non-bank financial institutions	280,915	281,800
Financial assets at fair value through profit or loss	365,430	358,266
Positive fair value of derivatives	41,323	40,765
Financial assets held under resale agreements	81,218	80,832
Interest receivable	104,543	103,762
Loans and advances to customers	10,861,990	10,871,284
Available-for-sale financial assets	1,259,746	1,194,778
Held-to-maturity investments	2,562,778	2,557,041
Investments classified as receivables	483,786	461,708
Investments to subsidiaries	–	4,895
Interests in associates and jointly controlled entities	5,746	3,733
Fixed assets	161,362	160,200
Land use rights	14,980	14,980
Intangible assets	1,989	1,551
Goodwill	2,312	2,118
Deferred tax assets	34,312	34,155
Other assets	69,090	103,641
Total assets	**19,760,148**	**19,700,029**
Liabilities		
Borrowings from central banks	210,013	210,013
Deposits from banks and non-bank financial institutions	1,622,024	1,625,910
Placements from banks and non-bank financial institutions	340,571	348,416
Financial liabilities at fair value through profit or loss	339,357	339,467
Negative fair value of derivatives	53,173	53,171
Financial assets sold under repurchase agreements	100,505	100,197
Deposits from customers	14,675,541	14,675,513
Accrued staff costs	29,033	28,734
Taxes payable	36,667	36,426
Interest payable	205,035	205,621
Provisions	8,290	8,277
Debt securities issued	399,676	391,467
Deferred tax liabilities	343	178
Other liabilities	233,960	177,560
Total liabilities	**18,254,188**	**18,200,950**
Equity		
Share capital	250,011	250,011
Equity instrument – preference shares	19,659	19,659
Capital reserve	135,008	135,251
Investment revaluation reserve	16,261	15,860
Surplus reserve	153,032	153,032
General reserve	210,874	210,835
Retained earnings	712,609	710,181
Foreign exchange reserve	(2,589)	(2,318)
Total equity attributable to equity shareholders of the Bank	1,494,865	1,492,511
Minority interests	11,095	6,568
Total equity	**1,505,960**	**1,499,079**

The following table shows the information related to the expanded balance sheet under regulatory scope of consolidation.

(In millions of RMB)	As at 30 June 2016 Balance sheet of the regulatory consolidation	Code
Assets		
Cash and deposits with central banks	2,584,224	
Deposits with banks and non-bank financial institutions	630,024	
Precious metals	210,272	
Placements with banks and non-bank financial institutions	281,800	
Financial assets at fair value through profit or loss	358,266	
of which: non-significant investments in the capitals of other financial institutions outside of the scope of regulatory consolidation	5	a
Positive fair value of derivatives	40,765	
Financial assets held under resale agreements	80,832	
Interest receivable	103,762	
Loans and advances to customers	10,871,284	
of which: Provisions eligible actual accrued subject to the regulatory weighting approach	(4,840)	b
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the regulatory weighting approach	(4,840)	c
of which: Provisions eligible actual accrued subject to subject to the IRB approach	(106,349)	d
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach	(47,149)	e
Available-for-sale financial assets	1,194,778	
of which: non-significant investments in the capitals of other financial institutions outside of the scope of regulatory consolidation	5,274	f
Held-to-maturity investments	2,557,041	
of which: non-significant investments in the capitals of other financial institutions outside of the scope of regulatory consolidation	874	g
Debt securities classified as receivables	461,708	
of which: non-significant investments in the capitals of other financial institutions outside of the scope of regulatory consolidation	30,663	h
Investments to subsidiaries	4,895	
of which: investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	3,902	i
Interests in associates and jointly controlled entities	3,733	
of which: significant investments in the Common Equity Tier 1 capital of other financial institutions outside of the scope of regulatory consolidation	253	j
Fixed assets	160,200	
Land use rights	14,980	
Intangible assets	1,551	k
Goodwill	2,118	l
Deferred tax assets	34,155	m
Other assets	103,641	
Total assets	19,700,029	
Liabilities		
Borrowings from central banks	210,013	
Deposits from banks and non-bank financial institutions	1,625,910	
Placements from banks and non-bank financial institutions	348,416	
Financial liabilities at fair value through profit or loss	339,467	
Negative fair value of derivatives	53,171	
Financial assets sold under repurchase agreements	100,197	
Deposits from customers	14,675,513	
Accrued staff costs	28,734	
Taxes payable	36,426	
Interest payable	205,621	
Provisions	8,277	
Debt securities issued	391,467	
of which: Subordinated bonds issued	155,067	n
Deferred tax liabilities	178	
Other liabilities	177,560	
Total liabilities	18,200,950	

(In millions of RMB)	As at 30 June 2016 Balance sheet of the regulatory consolidation	Code
Equity		
Share capital	**250,011**	o
Equity instrument – preference shares	**19,659**	p
Capital reserve	**135,251**	q
of which: deferred hedging reserves	**–**	r
Investment revaluation reserve	**15,860**	s
Surplus reserve	**153,032**	t
General reserve	**210,835**	u
Retained earnings	**710,181**	v
Foreign exchange reserve	**(2,318)**	w
Total equity attributable to equity shareholders of the Bank	**1,492,511**	
Minority interests	**6,568**	
of which: minority interest given recognition in common equity tier 1 capital	**3,616**	x
of which: minority interest given recognition in other equity tier 1 capital	**80**	y
of which: minority interest given recognition in tier 2 capital[1]	**1,562**	z
Total equity	**1,499,079**	

1. According to regulatory requirements, the eligible tier 2 capital instruments issued by the wholly-owned subsidiaries are not included in the Group's tier 2 capital instruments and their premiums, but are included in the interests of minority shareholders. The treatment is different from the accounting policy.

Main features of eligible regulatory capital instruments

The following table shows the information related to main features of various kinds of eligible regulatory capital instruments issued by the Group.

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issues	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB	CCB
2	Identifier code	0939.HK	601939.SH	0939.HK, 601939.SH	ISIN: CND100007Z10	ISIN:HK0000223849	ISIN: XS1227820187
3	Governing law(s)	Hong Kong SAR law	Chinese law	Chinese/Hong Kong SAR law	Chinese law	Hong Kong SAR law	British law
	Regulatory treatment						
4	of which: transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	of which: post-transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	of which: eligible at the Bank/Group level	the Bank and Group level	the Bank and Group level	the Bank and Group level	the Bank and Group level	the Bank and Group level	the Bank and Group level
7	Instrument type	Equity instrument	Equity instrument	Equity instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	72,550	57,119	61,159	19,981	1,995	13,216
9	Par value of instrument	RMB30,459 million	RMB9,000 million	RMB16,322 million	RMB20,000 million	RMB2,000 million	USD2,000 million
10	Accounting classification	Share capital and capital reserve	Share capital and capital reserve	Share capital and capital reserve	Debt securities issued	Debt securities issued	Debt securities issued
11	Original date of issuance	27 October 2005	25 September 2007	19 November 2010, 16 December 2010	15 August 2014	12 November 2014	13 May 2015
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated
13	of which: original maturity date	No maturity	No maturity	No maturity	18 August 2029	12 November 2024	13 May 2025
14	Issuer call subject to regulatory approval	No	No	No	Yes	Yes	Yes
15	of which: optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	18 August 2024, all redeemed	12 November 2019, all redeemed	13 May 2020, all redeemed
16	of which: subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A
	Coupons/dividends						
17	of which: fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed	Fixed for the first five years while floating for the rest five years.	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date for the consecutive five years.
18	of which: coupon rate and any related index	N/A	N/A	N/A	5.98%	Fixed rate of 4.90% for the first five years while resetting (plus 1.538% on the CNHHibor) for the rest five years.	The interest rate is fixed at 3.875% for the first five years, and is reset based on the five-year U.S. government bond benchmark rate plus the initial interest spread (2.425%) at the coupon rate reset date for the consecutive five years.
19	of which: existence of a dividend brake mechanism	N/A	N/A	N/A	No	No	No
20	of which: fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory
21	of which: existence of redemption incentive mechanism	No	No	No	No	No	No
22	of which: noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	N/A	N/A	No	No	No

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issues	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
24	of which: if convertible, specify conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	of which: if convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	of which: if convertible, specify conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	of which: if convertible, specify if it is mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	of which: if convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	of which: if convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	N/A	N/A	N/A	Yes	Yes	Yes
31	of which: if write-down, specify write-down trigger(s)	N/A	N/A	N/A	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.
32	of which: if write-down, specify if it is full or partial	N/A	N/A	N/A	Full	Full	Full
33	of which: if write-down, specify if it is permanent or temporary	N/A	N/A	N/A	Permanent	Permanent	Permanent
34	of which: if temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument type immediately senior to instrument)	The lowest priority of all claims	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the depositor and general creditor, the same priority with other tier 2 debt	The lower priority behind the depositor and general creditor, the same priority with other tier 2 debt	The lower priority behind the depositor and general creditor, the same priority with other tier 2 debt
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: if yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A	N/A

No.	Main features of eligible regulatory capital instruments	Preference shares	Tier 2 capital instrument
1	Issuer	CCB	CCB
2	Identifier code	4606.HK	ISIN:CND1000099M8
3	Governing law(s)	Overseas preference shares and rights and obligations attached apply to the Chinese law and are interpreted according to the Chinese law	Chinese law
	Regulatory treatment		
4	of which: transitional rules under *the Capital Rules for Commercial Banks (Provisional)*	Additional Tier 1 capital	Tier 2 capital
5	of which: post-transitional rules under *the Capital Rules for Commercial Banks (Provisional)*	Additional Tier 1 capital	Tier 2 capital
6	of which: eligible at the Bank/Group level	The Bank and the Group level	The Bank and the Group level
7	Instrument type	Additional Tier 1 capital instruments	Tier 2 capital instrument
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	19,659	23,975
9	Par value of instrument	RMB15,252 million	RMB24,000 million
10	Accounting classification	Other equity instruments	Debt securities issued
11	Original date of issuance	16 December 2015	21 December 2015
12	Perpetual or dated	Perpetual	Dated
13	of which: original maturity date	No maturity	20 December 2025
14	Issuer call subject to regulatory approval	Yes	Yes
15	of which: optional call date, contingent call dates and redemption amount	The first call date is 16 December 2020, all or partial redeemed	20 December 2020, all redeemed
16	of which: subsequent call dates, if applicable	Every 16 December after the first call date	N/A
	Coupons/dividends		
17	of which: fixed or floating dividend/coupon	Adjustable dividend yield (benchmark rate plus the fixed interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend yield during each adjusting period remains unchanged.	Fixed
18	of which: coupon rate and any related index	The dividend yield fixed at 4.65% for the first five years, is reset based on the five-year U.S. government bond rate plus the fixed interest spread (2.974%) at the dividend reset date for the consecutive five years, and the dividend yield during each reset period remains unchanged (the first dividend yield reset date is 16 December 2020 and the subsequent reset date is 16 December of every 5 years thereafter).	4%
19	of which: existence of a dividend brake mechanism	Yes	No
20	of which: fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	of which: existence of redemption incentive mechanism	No	No
22	of which: noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Yes	No
24	of which: if convertible, specify conversion trigger(s)	Additional Tier 1 capital instruments triggers or additional Tier 2 capital instruments triggers	N/A
25	of which: if convertible, specify if it is fully or partially	Fully or partially convertible for additional Tier 1 capital instruments triggers, and fully convertible for additional Tier 2 capital instruments triggers	N/A

No.	Main features of eligible regulatory capital instruments	Preference shares	Tier 2 capital instrument
26	of which: if convertible, specify conversion rate	The initial conversion price is the transaction price of H-share ordinary shares (namely HKD5.98 per share) at the date 20 trading days before the resolution of the Board of Directors is released regarding evaluating the issuance of the preference shares. Since the date when the Board of Directors passed the resolution to issue the preference shares, the Bank makes accumulative adjustments to the mandatory conversion price in proper order, when H-share ordinary shares are distributed as bonus shares, transferred to share capital, used to issue new shares at the price lower than the market price (excluding the additional shares due to the conversion of financing instruments which is issued by the Bank and can be converted into ordinary shares), and used as rights issues. When the Bank's share type, number and/or equity changes due to the cancellation of the repurchased shares, company combination, split-up, etc., and it may affect the preference shareholders' equity, the Bank has the right to adjust the conversion price based on the principle of equity, justice and fairness, and fully protecting and balancing the equities of shareholders of preference shares and ordinary shares as appropriate.	N/A
27	of which: if convertible, specify if it is mandatory or optional conversion	Yes	N/A
28	of which: if convertible, specify instrument type convertible into	Common Equity Tier 1 capital	N/A
29	of which: if convertible, specify issuer of instrument it converts into	CCB	N/A
30	Write-down feature	No	Yes
31	of which: if write-down, specify write-down trigger(s)	N/A	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.
32	of which: if write-down, specify if it is full or partial	N/A	Full
33	of which: if write-down, specify if it is permanent or temporary	N/A	Permanent
34	of which: if temporary write-down, specify the description of write-up mechanism	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument type immediately senior to instrument)	The lower priority behind all debts, and the capital instruments issued or guaranteed by the Bank and prior to overseas preference shares, the same priority with capital instruments with the same priority	The lower priority behind the depositor and general creditor, the same priority with other tier 2 debt
36	Non-eligible transitioned features	No	No
37	of which: if yes, specify non-eligible features	N/A	N/A

Definitions

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

"Bank"	China Construction Bank Corporation
"Baosteel Group"	Baosteel Group Corporation
"Basis Point"	1% of one percentage point
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CCB 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 Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Trust"	CCB Trust Co., Limited
"CIC"	China Investment Corporation
"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
“SFO”	Securities and Futures Ordinance
“Sino-German Bausparkasse”	Sino-German Bausparkasse Co., Ltd.
“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 guarantee that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated in any forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government’s adjustments and control policies and in laws and regulations, and factors specific to the Group.

These forward-looking statements in this report do not constitute a substantive commitment by the Group to its investors. Investors should be aware of the investment risks. 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”.