*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. The securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered or sold within the United States, or, in certain circumstances, to or for the amount or benefit of, U.S. persons (as defined in the Securities Act) absent registration or an exemption from registration under the Securities Act.*

This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors*: The Issuer (as defined below) confirms that the notes are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

CHINA CONSTRUCTION BANK CORPORATION, LUXEMBOURG BRANCH
(the "Issuer")

€800,000,000 Zero Coupon Senior Green Bonds due 2024
(Stock Code: 40652) (the "Notes")

Under the U.S.$15,000,000,000 Medium Term Note Programme
(the "Programme")

established by

中国建设银行
China Construction Bank

中國建設銀行股份有限公司
China Construction Bank Corporation

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

and

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

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Agricultural Bank of China | **Bank of China** | **BNP PARIBAS**

BofA Securities | **China Construction Bank** | **Crédit Agricole CIB** | **DZ BANK AG**

Joint Bookrunners and Joint Lead Managers

ANZ | **Bank of Communications** | **China International Capital Corporation** | **Citigroup**

Commerzbank | **Deutsche Bank** | **ICBC**

Société Générale Corporate & Investment Banking | **Standard Chartered Bank AG** | **UBS**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Please refer to the drawdown offering circular dated 15 April 2021 (the "**Drawdown Offering Circular**") appended herein in relation to the Notes, which contains the base offering circular dated 9 April 2021 in relation to the Programme and the pricing supplement dated 15 April 2021 in relation to the Notes. As disclosed in the Drawdown Offering Circular, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Drawdown Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Drawdown Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Drawdown Offering Circular.

Hong Kong, 23 April 2021

*As at the date of this announcement, the executive directors of China Construction Bank Corporation (the "**Bank**") are Mr. Tian Guoli, Mr. Wang Jiang and Mr. Lyu Jiajin; the non-executive directors of the Bank are Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and the independent non-executive directors of the Bank are Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain.*

APPENDIX – DRAWDOWN OFFERING CIRCULAR DATED 15 APRIL 2021

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES.

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached drawdown offering circular ("**Drawdown Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Drawdown Offering Circular. In accessing the attached Drawdown Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: This document is being sent to you at your request, and by accepting the e-mail and accessing the attached Drawdown Offering Circular, you shall be deemed to represent to each of China Construction Bank Corporation (the "**Bank**"), China Construction Bank Corporation, Luxembourg Branch (the "**Issuer**"), ABCI Capital Limited, Agricultural Bank of China Limited, Singapore Branch, Agricultural Bank of China Limited Hong Kong Branch, Bank of China (Hong Kong) Limited, Bank of China Limited, Bank of China Limited, Singapore Branch, BNP Paribas, CCB International Capital Limited, China Construction Bank (Asia) Corporation Limited, China Construction Bank (Europe) S.A., China Construction Bank Corporation Singapore Branch, Crédit Agricole Corporate and Investment Bank, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and Merrill Lynch (Asia Pacific) Limited (collectively, the "**Joint Global Coordinators**") and Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Société Générale, Standard Chartered Bank AG and UBS AG Hong Kong Branch (together with the Joint Global Coordinators, the "**Joint Lead Managers**") (1) that you and any customers you represent are outside of the United States, (2) that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (3) that you consent to delivery of the attached Drawdown Offering Circular and any amendments or supplements thereto by electronic transmission.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of the Notes described herein.

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

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE

UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Bank or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of such Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or its affiliate on behalf of the Issuer in such jurisdiction.

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

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED DRAWDOWN OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH DRAWDOWN OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DRAWDOWN OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting your electronic device against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

中国建设银行
China Construction Bank

CHINA CONSTRUCTION BANK CORPORATION
中國建設銀行股份有限公司

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

CHINA CONSTRUCTION BANK CORPORATION, LUXEMBOURG BRANCH

Issue of
€800,000,000 Zero Coupon Senior Green Bonds due 2024
by China Construction Bank Corporation, Luxembourg Branch
under the U.S.$15,000,000,000 Medium Term Note Programme
Issue Price: 99.871 per cent.

This Drawdown Offering Circular is supplemental to, forms part of and must be read and construed as one document in conjunction with the offering circular dated 9 April 2021 (a copy of which is attached as Annex II hereto) (the "**Base Offering Circular**", and together with this Drawdown Offering Circular, the "**Offering Circular**"), including the information incorporated by reference in the Base Offering Circular as described therein, prepared by China Construction Bank Corporation 中國建設銀行股份有限公司 (the "**Bank**") and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行 (the "**Hong Kong Branch**") in connection with the U.S.$15,000,000,000 Medium Term Note Programme as described in the Base Offering Circular (the "**Programme**").

This Drawdown Offering Circular is prepared for the €800,000,000 zero coupon Senior Green Bonds due 2024 (the "**Notes**") to be issued by China Construction Bank Corporation, Luxembourg Branch, with business address at 1, Boulevard Royal L-2449 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under the number B 179518 being a branch of China Construction Bank Corporation, a joint stock limited company, incorporated and existing under the laws of the People's Republic of China, registered with the Beijing Administration for Industry and Commerce of the People's Republic of China under number 911100001000044477 and having its registered office at No 25, Finance Street, Xicheng District, Beijing, China (the "**Luxembourg Branch**" or the "**Issuer**") under the Programme. The principal terms of the Notes are set out in Annex I hereto. Terms given a defined meaning in the Base Offering Circular shall, unless the context otherwise requires, have the same meaning when used in this Drawdown Offering Circular. To the extent there is any inconsistency between any statement in this Drawdown Offering Circular and any statement in the Base Offering Circular, the statement in this Drawdown Offering Circular shall prevail.

Pursuant to the annual foreign debt quota granted by the National Development and Reform Commission of the PRC (the "**NDRC**") to the Bank in 2020 (the "**Quota**"), separate pre-issuance registration with the NDRC with respect to the Notes is not required as the Notes will be issued within the aforesaid Quota, but the Bank is still required to file with the NDRC the requisite information on the issuance of the Notes after the issuance of such Notes. The Bank intends to provide the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044 號)) issued by the NDRC on 14 September 2015 which came into effect on the same day and any relevant rules and regulations from time to time issued by the NDRC (together, the "NDRC Regulations") and the terms of the Quota.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only. This Drawdown Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Drawdown Offering Circular.

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

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

Application will be made to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's International Securities Market (the "ISM"). This Offering Circular comprises admission particulars for the purposes of admission to trading of the Notes on the ISM. The ISM is not a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"). The Notes are also expected to be admitted to the Sustainable Bond Market of the London Stock Exchange.

Application will be made to the Luxembourg Stock Exchange (Société de la Bourse de Luxembourg) (the "**LuxSE**") to approve this Offering Circular as a prospectus in accordance with Part IV of the Luxembourg Law on Prospectuses for Securities of 16 July 2019 (the "**Prospectus Law**") and to list the Notes on the official list of the LuxSE (the "**Official List**") and to admit the Notes to trading on the professional segment of the Euro MTF market which is a market operated by the LuxSE (the "**Euro MTF Market**"). The professional segment of the Euro MTF market is not a regulated market pursuant to the provisions of Directive 2014/65/EU (as amended, "**MiFID II**").

This Offering Circular does not constitute a prospectus for the purposes of Article 3 of the Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**").

This Offering Circular will be published on the website of the LuxSE (www.bourse.lu). For the avoidance of doubt, the content of the website(s) included in this Offering Circular is for information purposes only and does not form part of this Offering Circular.

The LuxSE assumes no responsibility on the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to trading on the professional segment of the Euro MTF Market and listing on the Official List of the LuxSE is not to be taken as an indication of the merits of the Issuer or the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Notes and the distribution of this Drawdown Offering Circular, see "*Subscription and Sale*" in the Base Offering Circular, as amended and/or supplemented by this Drawdown Offering Circular. The Notes may be subject to additional selling restrictions as set out in the Pricing Supplement.

The Notes will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Notes will not be issued in exchange for interests in the relevant Global Certificate. The provisions governing the exchange of interests in Global Certificates for other Global Certificates and definitive Notes are described in "Form of the Notes" in the Base Offering Circular.

The Notes are expected to be assigned a rating of "A1" by Moody's Investors Service Hong Kong Ltd. ("**Moody's**"). The Bank has been rated A1 by Moody's. The Programme has been rated "(P) A1" by Moody's. These ratings are only correct as at the date of this Drawdown Offering Circular. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves risks. See "Risk Factors" herein and in the Base Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Notes. The risks and investment considerations identified in this Drawdown Offering Circular and the Base Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

The sections of the Base Offering Circular entitled "*Risk Factors*", "*Use of Proceeds*", "*Capitalisation*", "*Taxation*" and "*General Information*" have been supplemented and/or amended with the information in this Drawdown Offering Circular. With effect from the date of this Drawdown Offering Circular the information appearing in the Base Offering Circular shall be amended and/or supplemented by the inclusion of the information set out below.

This Drawdown Offering Circular should also be read and construed in conjunction with the Green Bond Framework as set out in the Green, Social, Sustainability and Sustainability-Linked Bond Framework adopted by the Bank in April 2021, as may be amended from time to time. The Green Bond Framework is available at http://www.ccb.com/.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Agricultural Bank of China | **Bank of China** | **BNP PARIBAS**

BofA Securities | **China Construction Bank** | **Crédit Agricole CIB** | **DZ BANK AG**

Joint Bookrunners and Joint Lead Managers

ANZ | **Bank of Communications** | **China International Capital Corporation** | **Citigroup**

Commerzbank | **Deutsche Bank** | **ICBC**

Société Générale Corporate & Investment Banking | **Standard Chartered Bank AG** | **UBS**

The date of this Drawdown Offering Circular is 15 April 2021.

IMPORTANT NOTICE

Each of the Issuer and the Bank accepts responsibility for the information contained in this Drawdown Offering Circular (read together with the Base Offering Circular) and, having taken all reasonable care to ensure that such is the case, confirms that to the best of its knowledge and belief (i) this Drawdown Offering Circular (read together with the Base Offering Circular) contains all information with respect to the Issuer and the Bank and its subsidiaries taken as a whole (the "**Group**") and to the Notes which is material in the context of the issue and offering of the Notes (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Bank and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and of the rights attaching to the Notes); (ii) the statements contained herein relating to the Issuer, the Bank, the Group and the Notes are in every material respect true and accurate and not misleading and (iii) the information contained in this Drawdown Offering Circular (including the sections of the Base Offering Circular) is in accordance with the facts and contains no omission likely to affect its import.

No person is or has been authorised by the Issuer to give any information or to make any representations other than those contained in this Drawdown Offering Circular (read together with the Base Offering Circular) in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates.

The Notes will be issued on the terms set out under "*Terms and Conditions of the Notes*" in the Base Offering Circular, as amended and/or supplemented by the pricing supplement set out in Annex I to this Drawdown Offering Circular (the "**Pricing Supplement**"). This Drawdown Offering Circular must be read and construed together with any amendments or supplements hereto and with the Base Offering Circular and, in relation to the Notes, must be read and construed together with the Pricing Supplement. This Drawdown Offering Circular and the Base Offering Circular are to be read in conjunction with all documents which are deemed to be incorporated in the Base Offering Circular by reference (see "*Documents Incorporated by Reference*" in the Base Offering Circular). This Drawdown Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of the Base Offering Circular.

ABCI Capital Limited, Agricultural Bank of China Limited, Singapore Branch, Agricultural Bank of China Limited Hong Kong Branch, Bank of China (Hong Kong) Limited, Bank of China Limited, Bank of China Limited, Singapore Branch, BNP Paribas, CCB International Capital Limited, China Construction Bank (Asia) Corporation Limited, China Construction Bank (Europe) S.A., China Construction Bank Corporation Singapore Branch, Crédit Agricole Corporate and Investment Bank and Merrill Lynch (Asia Pacific) Limited (collectively, the "**Joint Global Coordinators**") and Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, Hong Kong Branch, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Société Générale, Standard Chartered Bank AG and UBS AG Hong Kong Branch (together with the Joint Global Coordinators, the "**Joint Lead Managers**") have not separately verified the information contained in this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement to the fullest extent permitted by law. None of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement. To the fullest extent permitted by law, none of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates accepts any responsibility for the contents of this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement. Each of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Drawdown Offering Circular, the Base Offering Circular, the Pricing Supplement or any such statement. This Drawdown Offering Circular, the Base Offering Circular, the Pricing Supplement or any financial statements included or incorporated herein is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer or the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates that any recipient of this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Drawdown Offering Circular, the Base Offering Circular and the Pricing Supplement and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the risks involved. The purchase of Notes by investors should be based upon their investigation, as they deem necessary. None of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates undertakes to review the financial condition or affairs of the Issuer and the Group during the life of the arrangements contemplated by this Drawdown Offering Circular, nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates.

Neither this Drawdown Offering Circular, the Base Offering Circular, the Pricing Supplement nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Drawdown Offering Circular, the Base Offering Circular nor the Pricing Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or the issue of any Notes is correct as of any time subsequent to the date indicated in the document containing the same.

The Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates expressly do not undertake to review the financial condition or affairs of the Issuer or the Bank during the terms of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States. This Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer or the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates represents that this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates which would permit a public offering of any Notes or distribution of this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Drawdown Offering Circular, the Base Offering Circular, the Pricing Supplement nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Drawdown Offering Circular, the Base Offering Circular, the Pricing Supplement or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. **For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Drawdown Offering Circular, see "*Subscription and Sale*" in the Base Offering Circular, as amended and/or supplemented by this Drawdown Offering Circular.**

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

Listing of the Notes on the Hong Kong Stock Exchange or the ISM is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Bank or the Issuer or quality of disclosure in this Drawdown Offering Circular. In making an investment decision, investors must rely on their own examination of the Issuer, the Bank, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" herein and in the Base Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Notes. The risks and investment considerations identified in this Drawdown Offering Circular and the Base Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Admission to trading on the professional segment of the Euro MTF market and listing of the Notes on the Official List of the Luxembourg Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Bank, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Bank, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" herein and in the Base Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Notes. The risks and investment considerations identified in this Drawdown Offering Circular and the Base Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Singapore Securities and Futures Act Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINITIONS

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

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

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

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

FORWARD-LOOKING STATEMENTS

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

THIRD PARTY INFORMATION

Market data and certain industry forecasts and statistics in this Drawdown Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Bank, any of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates, and none of the Issuer, the Bank, any of the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives or affiliates make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

STABILISATION

In connection with the issue of the Notes, one or more of the Joint Lead Managers (the "**Stabilisation Manager(s)**") (or any person acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Note. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in in accordance with all applicable laws, regulations and rules.

TABLE OF CONTENTS

Page

OVERVIEW OF THE OFFERING OF THE NOTES

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Drawdown Offering Circular. See, in particular, "Terms and Conditions of the Notes" in the Base Offering Circular and the Pricing Supplement in respect of the Notes included in Annex I to this Drawdown Offering Circular. Terms used in this section and not otherwise defined shall have the meanings given to them in the Terms and Conditions of the Notes.

Issuer	China Construction Bank Corporation, Luxembourg Branch 中國建設銀行股份有限公司盧森堡分行, with business address at 1, Boulevard Royal L-2449 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under the number B 179518 being a branch of China Construction Bank Corporation, a joint stock limited company, incorporated and existing under the laws of the People's Republic of China, registered with the Beijing Administration for Industry and Commerce of the People's Republic of China under number 911100001000044477 and having its registered office at No 25, Finance Street, Xicheng District, Beijing, China
Issue	€800,000,000 zero coupon Senior Green Bonds due 2024 (the "**Notes**")
Issue Price	99.871 per cent. of the aggregate nominal amount of the Notes
Interest	The Notes do not bear interest.
Issue Date	22 April 2021
Maturity Date	22 April 2024
Status	Senior Notes. The Notes will be direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves and at least equally with all other present and future unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, save for such exceptions as may be provided by applicable legislation.
Certain Covenants	The Issuer will agree to certain covenants. See Condition 4.
Redemption for Taxation Reasons	See Condition 6(c).
Other Call/Put Options	Not applicable.
Taxation; Payment of Additional Amounts	See Condition 8.
Events of Default	The Notes will be subject to certain events of default, including (among others) non-payment, breach of other obligations, cross-acceleration, insolvency, winding-up and illegality events. See Condition 10.

Form and Transfer	The Notes will be represented by beneficial interests in a Global Certificate in registered form, without interest coupons attached, which will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream. Except in limited circumstances, Individual Note Certificates for Notes will not be issued in exchange for beneficial interests in any Global Certificate. Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. See Conditions 1 and 2 and "*Form of the Notes*" in the Base Offering Circular.
Denominations	The Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Governing Law	The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes may be brought in such courts.
Use of Proceeds	The net proceeds of the issue of the Notes will be allocated to finance and/or refinance, in whole or in part, loans to customers involved in as well as the Bank's own operational activities in Eligible Green Projects, as further described in the sections entitled "*Use of Proceeds*", "*Green Bond Framework*" and "*Eligible Green Projects*" and in accordance with applicable laws and regulations (including those with respect to the remittance of proceeds into the PRC).
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. Application will be made to the London Stock Exchange for the Notes to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date. The Notes are also expected to be admitted to the Sustainable Bond Market of the London Stock Exchange plc. Application will be made to the LuxSE for the Notes to be admitted to trading on the professional segment of the Euro MTF Market and listed on the Official List of the LuxSE. There can be no assurance that the Notes will be listed on the Official

	List of the Luxembourg Stock Exchange and admitted to trading on the professional segment of the Euro MTF market, nor that such listing will be maintained. The professional segment of the Euro MTF market is not a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended. The professional segment of the Euro MTF market falls within the scope of Regulation (EC) 596/2014 on market abuse and the related Directive 2014/57/EU on criminal sanctions for market abuse.
Selling Restrictions	The Notes have not been nor will be registered under the Securities Act or any State securities laws and may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S. The offer and sale of Notes is also subject to restrictions in the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong and the PRC. See "*Subscription and Sale*" in the Base Offering Circular, as supplemented by this Drawdown Offering Circular, and the Pricing Supplement set out in Annex I hereto.
Risk Factors	For a discussion of certain risk factors relating to the Bank, the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*" herein and in the Base Offering Circular.
Expected Ratings of the Notes	A1 by Moody's
Fiscal Agent	China Construction Bank (Asia) Corporation Limited
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited
Securities Codes	ISIN: XS2331604079; Common Code: 233160407
Legal Entity Identifier	The Legal Entity Identifier of the Bank is 5493001 KQW6DM7KEDR62

RISK FACTORS

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

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

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

Prospective investors should have regard to the risk factors described under the section headed "Risk Factors" on pages 72 to 107 of the Base Offering Circular. In addition, the sub-section entitled "Risk Factors – Risks Relating to the Notes" on pages 93 to 107of the Base Offering Circular shall be supplemented with the following:

The Notes being issued as green bonds may not be a suitable investment for all investors seeking exposure to green or other equivalently-labelled assets

In connection with the issue of the Notes, the Bank has engaged Ernst & Young Hua Ming LLP to provide an independent limited assurance attestation report in relation to the Notes (the "**Attestation Report**"). The criteria for Ernst & Young Hua Ming LLP's procedures are the Green Bond Principles (2018) ("**Green Bond Principles**") published by the International Capital Market Association ("**ICMA**").

The Attestation Report is not incorporated into, and does not form part of, the Base Offering Circular or this Drawdown Offering Circular. The Attestation Report is not a recommendation to buy, sell or hold securities and is only current as of its date of issue and is subject to certain disclaimers set out therein. Furthermore, the Attestation Report is for information purposes only and none of the Issuer, the Bank, Ernst & Young Hua Ming LLP or the Joint Lead Managers accepts any form of liability for the substance of the Attestation Report and/or any liability for loss arising from the use of the Attestation Report and/or the information provided in it.

In addition, in connection with the issue of the Notes, the Issuer has requested the Hong Kong Quality Assurance Agency (the "**HKQAA**") to issue independent certification (a "**HKQAA Pre-issuance Stage Certificate**") confirming that the Notes are in compliance with the requirements of the Green Finance Certification Scheme operated by the HKQAA (the "**HKQAA Green Finance Certification Scheme**"). The HKQAA Green Finance Certification Scheme is a set of voluntary guidelines that aims to facilitate the development of green finance and the green industry. The HKQAA Pre-issuance Stage Certificate will be obtained on or before the Issue Date for the Notes. See "*The HKQAA Green Finance Certification Scheme*" of this Drawdown Offering Circular for more details.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as ‘‘green’’, and therefore no assurance can be provided to potential investors that the Eligible Green Projects will continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognised by the HKQAA Green Finance Certification Scheme and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

The HKQAA Pre-issuance Stage Certificate is not incorporated into, and does not form part of, the Base Offering Circular or this Drawdown Offering Circular. The HKQAA Pre-issuance Stage Certificate may not reflect the potential impact of all risks related to the Notes, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Notes. The HKQAA Pre-issuance Stage Certificate is not a recommendation to buy, sell or hold securities and is only current as of its date of issue.

Any second party opinion provider and providers of similar opinions, certifications and validations are not currently subject to any specific regulatory or other regime or oversight. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Bank, or the Joint Lead Managers in relation to the Notes, any second party opinion provider or any other person to buy, sell or hold the Notes. Noteholders have no recourse against the Issuer, the Bank or any of the Joint Lead Managers in relation to the Notes or the provider of any such opinion or certification for the contents of any such opinion or certification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, certification or validation and/or the information contained therein and/or the provider of such opinion, certification or validation for the purpose of any investment in the Notes. Any withdrawal of any such opinion or certification or any such opinion, certification attesting that the Group is not complying in whole or in part with any matters for which such opinion, certification or validation is opining on or certifying on may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Whilst the Issuer and the Bank have agreed to certain obligations relating to reporting and use of proceeds as described under the sections headed “*Green Bond Framework*”, “*Eligible Green Projects*” and “*Use of Proceeds*” in this Drawdown Offering Circular, there would not be an Event of Default under the Terms and Conditions of the Notes if (i) the Issuer or the Bank were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Notes in the manner specified in this Drawdown Offering Circular (as further described in the sections entitled “*Use of Proceeds* and “*Green Bond Framework*”) and/or (ii) any Attestation Report and/or the HKQAA Pre-issuance Stage Certificate issued in connection with such Notes were to be withdrawn. Any failure to use the net proceeds of the issue of the Notes in connection with eligible green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to such Notes, may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Notes are included in any dedicated “green”, “environmental”, “social”, “sustainable” or other equivalently-labelled index, no representation or assurance is given by the Issuer or the Bank or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Issuer, the Bank or the Joint Lead Managers makes any representation as to the suitability for any purpose of the Attestation Report and/or the HKQAA Pre-issuance Stage Certificate or (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the net proceeds will be used to finance and/or refinance Eligible Green Projects (as further described in the sections entitled "*Use of Proceeds*", "*Green Bond Framework*", "*Eligible Green Projects*"), or (iii) the characteristics of Eligible Green Projects, including their relevant environmental and sustainability criteria. Each potential purchaser of the Notes should have regard to the relevant projects and eligibility criteria described under the sections headed "*Green Bond Framework*" and "*Eligible Green Projects*" and determine for itself the relevance of the information contained in this Drawdown Offering Circular regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary. The Attestation Report will be made available to investors on the Bank's website (http://www.ccb.com/).

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be allocated to finance and/or refinance, in whole or in part, loans to customers involved in as well as the Bank's own operational activities in Eligible Green Projects (as defined below) that promote a green and low-carbon economy, develop a more inclusive, harmonised society and provide clear environmental sustainability and climate change benefits in accordance with certain prescribed eligibility criteria as described under the Green Bond Framework (see the sections headed "*Green Bond Framework*" and "*Eligible Green Projects*").

Eligible Green Projects have been defined in accordance with the broad categorisation of eligibility for "*Green Eligible Categories*" as set out in the section headed "*Green Bond Framework*".

"**Eligible Green Projects**" are those which comprise financing within the Green Eligible Categories set out in the Green Bond Framework which, amongst other things, comply with the Green Bond Principles and the Green Bond Endorsed Projects Catalogue issued by the Green Finance Committee of the People's Bank of China ("**PBOC**") and is developed with reference to the Sustainable Development Goals set by the United Nations (the "**SDGs**"). Such Green Eligible Categories include those which relate to renewable energy; energy efficiency; pollution prevention and control; clean transportation; sustainable water and wastewater management; green buildings; environmentally sustainable management of living natural and land resources; and conservation of terrestrial and marine biodiversity. Activities within and/or financings to industries involved in, among others, mining, quarrying and fossil fuel related assets, large-scale hydro power plants, weapons and ammunitions and the production, distribution or storage of hazardous chemicals and radioactive substantives are specifically excluded from this definition.

Assets in all eligible categories shall reach the minimum threshold required by relevant official standards in relation to environmental impacts recognised in the relevant jurisdiction. Where no official standards are locally recognised, corresponding international standards and best practices shall apply.

The Joint Lead Managers have not separately verified nor will make any assurances as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the net proceeds will be used to finance and/or refinance Eligible Green Projects , or (iii) the characteristics of Eligible Green Projects, including their environmental and sustainability criteria. See the section headed "*Risk Factors – Risks Relating to the Notes – The Notes being issued as green bonds may not be a suitable investment for all investors seeking exposure to green or other equivalently-labelled assets*" for further information.

GREEN BOND FRAMEWORK

Background to the Bank's ESG Commitments

The Bank takes its corporate social responsibilities seriously and seeks to serve the public, promote livelihoods, and become a low-carbon and environmentally friendly bank for sustainable development. In recent years, the Bank has been actively considering how it can use financial means to address significant challenges faced by the community and the environment. The Bank is dedicated to developing, promoting and practising "New Finance", where it reviews and reflects on the development logic of financial work with the concepts of innovation, coordination, greenness, openness and sharing so as to develop people-centered "New Finance" policies. Through the Bank's "New Finance" philosophy, the Bank strives to be a responsible financial institution by combining its financial expertise and social responsibilities to address social challenges to improve living standards, as well as the contributing to the green and sustainable development of the global economy. Some of the Bank's main areas of focus over the past few years include (1) inclusive finance for a better livelihood (2) green development and low-carbon finance against climate challenges and (3) innovation sharing to empower development.

Inclusive Finance for Better Livelihood

Since the "CCB Strategic Plan for Inclusive Finance (2018-2020)" was launched in 2018, the Bank has utilised innovation and technology to develop an inclusive finance model which focuses on, *inter alia*, supporting the development of small and micro enterprises, poverty alleviation, supporting rural revitalization, providing better housing services and protecting customer rights and interests. The Bank deeply integrated the technological, inclusive and sharing attributes of "New Finance", and focused on the concept of "digital, platform-based, and ecosystem-based development with empowerment" to explore new development models of inclusive finance. For instance, in 2020, the Bank facilitated small and micro enterprises by consolidating its data resource foundation and data application capabilities and innovated the "Quick Loan for Small and Micro Businesses", "Yunong Quick Loan", "Transaction Quick Loan", "Individual Business Quick Loan", and other online product lines oriented to customer demands.

Green Development and Low-Carbon Finance Against Climate Challenges

The Bank places an emphasis on preserving natural ecology and promoting green development with financial forces and continues to explore new concepts, new models and new methods to develop green finance. The Bank adopted the "Strategy on Green Credit Development of China Construction Bank (2016-2021)" which identified preventing environmental and social risks, accelerating business development in green sectors and improving the Bank's own performance in social responsibility as the three major tasks in the green credit development strategy. The Bank leveraged on its ability to provide comprehensive and multi-functional financial services by developing green finance through financial instruments such as green bonds, green industry funds, green guarantees, green compensation funds and green non-standard assets to open up more financing channels and hold down financing costs.

In addition, the Bank has set decarbonisation targets that are in full alignment with China's goal of reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060 (the 30/60 goal) and will continue to increase credit support in transition projects that promote low-carbon or zero-carbon. The Bank aims to use the principles of commercialisation and sustainability to guide its clients to utilise financial products to transform and upgrade their businesses to achieve decarbonsation targets, maximise environmental and social benefits and achieve their own climate transition strategic goals.

Innovation Sharing to Empower Development

The Bank advocates that finance and technology should guide society towards goodwill and betterment, in line with the "New Finance" philosophy. Since 2020, the Bank has adapted itself to the digital transformation, and started the all-round explorations of digital operation centered on "building an ecosystem, setting up scenarios, and expanding the base of users". For instance, the Bank used its own FinTech advantages in 2020 to launch the smart government services platform aimed at enhancing governance capacity and efficiency and opening up more communication channels between the government and the public, thus making it easier for businesses and individuals to access government services and extending the Bank's reach to social groups at all levels.

Framework Overview

The Bank has implemented a green, social, sustainability and sustainability-linked bond framework (the "**GSSS Bond Framework**") which provides guidelines for all domestic and overseas branches and subsidiaries of the Bank to issue green bonds, social bonds, sustainability bonds and sustainability-linked bonds (collectively, "**GSSS Bonds**"), for the financing or refinancing of eligible assets and projects, so as to fulfil the Bank's strategies of corporate social responsibility to serve the public, promote livelihoods and become a low-carbon and environmentally friendly bank for sustainable development. The GSSS Bond Framework is established in accordance with:

(i) the ICMA Green Bond Principles 2018 (the "**Green Bond Principles**");

(ii) the ICMA Social Bond Principles 2018 (the "**Social Bond Principles**");

(iii) the ICMA Sustainability Bond Guidelines 2018 (the "**Sustainability Bond Guidelines**"); and

(iv) the ICMA Sustainability-Linked Bond Principles 2020 (the "**Sustainability-Linked Bond Principles**").

In addition, the green projects located in the PRC will be in line with the Green Bond Endorsed Project Catalogue issued by the Green Finance Committee of the People's Bank of China (PBoC) and other industrial criteria issued by relevant authorities.

The GSSS Bond Framework is made available on the official website of the Bank (http://www.ccb.com/).

Green Bonds

Rationale for the Green Bond Framework under the GSSS Bond Framework

The PRC has in recent years been focused on green financing and has implemented a series of policy and institutional arrangements to attract investments into green industries, such as environmental protection, energy conservation and clean energy. More recently, the PRC government promulgated the "Yangtze River Protection Law" in December 2020, which is formulated in order to strength ecological and environmental protection and restoration in the Yangtze River basin, facilitate the rational and effective use of resources, safeguard ecological security and achieve the sustainable development of the PRC. Pursuant to the "Yangtze River Protection Law", the PRC government encourages financial institutions to develop green credit, green bonds, green insurance and other financial products to provide financial support for ecological and environmental protection and green development in the Yangtze River basin. The Bank's Green Bond Framework will enable the Bank to issue green bonds and promote green financing that are aligned with the theme of environmental protection and ecological restoration.

Management Statement

The Bank strives to become a leading green and socially responsible bank focused on using finance to promote environmental protection and to actively develop a harmonised society. To accomplish such goals, the Bank seeks to continuously improve its green credit policies and allocation of its credit resources to promote development in green sectors, strengthen the management of environmental and social risks and take social responsibility by supporting economic development in a sustainable manner. In the past few years, the Bank has been continuously striving to follow national green credit policies through the financing of green projects and to promote inclusive finance by actively supporting the economic development of small and micro-enterprises.

The Bank developed a "green credit" development strategy in 2016 and later established a Green Credit Committee, which is responsible for setting green credit development plans, formulating rules and policies and the research, discussion and coordination of business development relating to the Bank's green credit business. As for inclusive finance, the Bank established an Inclusive Financial Development Committee in 2017, which is tasked with the design and structuring of inclusive finance development plans and relevant rules and policies and discussion and coordination of business development relating to the Bank's inclusive finance business. Furthermore, an Inclusive Financial Strategy Promotion Leading Group was established in 2018 to oversee the design, layout, coordination, planning, promotion and supervision of the Bank's overall "inclusive finance" development strategy.

In September 2018, the Bank issued U.S.$1 billion of sustainability bonds and EUR500 million of green bonds to support the development of green credit and inclusive finance; in October 2019, the Bank issued U.S.$1 billion and EUR500 million of green bonds to among others, promote a green and low-carbon economy and in July 2020, the Bank issued U.S.$1.2 billion of green bonds to among others, promote a green and low-carbon economy, develop a more inclusive, harmonised society and provide clear environmental sustainability and climate change benefits.

The issue of the Notes will enable the Group to commit to its efforts in promoting green finance and fund projects that will deliver environmental and social benefits to support the Bank's business strategies and vision.

Eligible Projects List

The net proceeds of the issuance of any green bonds will be allocated to Green Eligible Categories, the net proceeds of the issuance of any social bonds will be allocated to Social Eligible Categories and the net proceeds from sustainability bonds will be allocated to Green Eligible Categories and Social Eligible Categories.

Green Eligible Categories

- **Renewable energy**: the production and transmission of renewable energy, including wind power, hydropower, biomass energy and the utilisation of other renewable energy (such as geothermal energy), and the construction of infrastructure related to renewable energy, such as land development, construction of transport networks and base stations;

- **Energy efficiency**: the development and implementation of products or technology that reduce energy consumption and/or emissions, such as reducing power usage in industrial operations and reducing emissions through energy management centres, smart grids, the construction of energy-saving and low-emission urban and rural infrastructure and the construction and operation of distributed energy infrastructure including distributed photovoltaic power generation systems;

- **Pollution prevention and control**: the implementation of pollution prevention and environmental restoration projects, such as the prevention and reduction of industrial solid waste, recycling of waste gas and biomass resources, recycling, reprocessing and reutilisation of renewable resources, soil remediation and decontamination of hazardous sewage;

- **Clean transportation**: the purchase and maintenance of rolling stocks for electric express, metro, light and urban railways and public transport vehicles such as electric buses and trolleys, construction, upgrading and/or maintenance of public rail and associated rail infrastructure such as electric line networks, communication and system signals and lighting systems and the maintenance of public transport system's operation sites;

- **Sustainable water and wastewater management**: the design and implementation of water conservation technology (including but not limited to agricultural and animal husbandry water-saving irrigation projects and seawater desalination), construction and maintenance of sustainable clean and/or drinking water infrastructure, urban water networks and treatment and recycling of sewage and the implementation of flood control and disaster contingency projects;

- **Green buildings**: energy-efficient modification of new or existing buildings that have or will receive regional, national or internationally recognised third-party green building certifications, such as the Building Research Establishment Environmental Assessment Method (very good or above);

- **Environmentally sustainable management of living natural and land resources**: ecological protection and restoration, ecological agriculture, husbandry and fishery, sustainable forestry development and the development of a blue economy (i.e. certified sustainable fishery management programme, population reconstruction and ecological value chain improvement); and

- **Conservation of terrestrial and marine biodiversity**: the implementation of environmental protection (including but not limited to treatment and restoration of sea, coastlines and coastal areas, vegetation restoration and shoreline erosion prevention facilities) and marine biodiversity protection (including but not limited to enhancement of fisheries, restoration of aquatic population and the improvement and optimisation of the aquatic biological community structure).

Social Eligible Categories

- **Employment generation through the potential effect of SME financing and microfinance**: loans relating to inclusive finance to SMEs and individuals (such as operation loans for businesses owned by individuals, operations loans for SMEs and farmers, consumption loans to registered poverty-stricken populations and poverty alleviation loans) and agriculture-related loans;

- **Affordable basic infrastructure**: the construction of indemnificatory housing programmes (such as public rental housing) and basic rural living facilities (such as rural biogas, the development of power grids in rural areas and garbage collection and treatment); and

- **Access to essential services**: the construction of education and medical infrastructure and providing loans for career training.

Project Evaluation and Selection

The Bank will follow the procedures below to evaluate and select potential financing of Eligible Green Projects and/or Eligible Social Projects:

1. Preliminary Screening

Domestic and overseas branches and business lines of the Bank shall conduct a preliminary screening of potential projects in accordance with the criteria and standards set out in the Bank's internal regulations and the Green Eligible Categories and Social Eligible Categories as described above, and form a list of nominated projects which will be submitted to the Head Office of the Bank for review.

2. Review and Approval

A dedicated GSSS Bond Working Group working group (the "**GSSSB Working Group**") at the Bank's Head Office, which includes, among others, the Bank's asset and liability management department, credit management department and public relations and corporate culture department, shall review each of the nominated projects for approval as eligible green projects (the "**Eligible Green Projects**") and/or eligible social projects (the "**Eligible Social Projects**"). The approved projects will form an eligible projects list (the "**Eligible Projects List**").

The GSSSB Working Group will select the Eligible Green Projects and Eligible Social Projects that fall within the eligibility criteria and other factors as set out in the GSSS Bond Framework, such as whether the projects comply with the overall development and sustainability policy and strategy of the Bank, and whether any clear and measurable social and/or environmental benefits can be attained.

3. Update and Maintenance

The GSSSB Working Group shall review the Eligible Projects List on an annual basis and determine if any changes are necessary (for example, if a project has amortised, been prepaid, sold or otherwise become ineligible). The GSSSB Working Group will decide any necessary update of the Eligible Projects List (such as replacement, deletion, or addition of projects) to maintain the eligibility of the use of proceeds raised from each relevant GSSS Bond.

Management of Proceeds

1. Planning for Use of Proceeds

The Bank shall continuously evaluate the recent and pipeline capital spending and develop a preliminary Eligible Projects List in accordance with the procedures described above to ensure that the proceeds of each GSSS Bond can be allocated to Eligible Green Projects and/or Eligible Social Projects in a timely manner.

2. Management of Separate Register

The Bank shall establish and maintain a separate register to record and keep track of the allocation of proceeds. The proceeds of each GSSS Bond will be deposited in the general funding accounts and earmarked pending allocation.

The register would contain detailed information of the capital source (such as the issue amount, coupon rate, issue date, maturity date and ISIN of each GSSS Bond) and the capital allocation (such as the issuer or borrower description, transaction date and the amount of proceeds). The register would also contain information including the remaining balance of unallocated proceeds yet to be earmarked and other relevant information such as information on the use of unallocated proceeds, to ensure that the aggregate of issuance proceeds allocated to the Eligible Green Projects and Eligible Social Projects is recorded at all times.

3. Use of Unallocated Proceeds

Any balance of issuance proceeds not allocated to Eligible Green Projects and/or Eligible Social Projects will be held in accordance with the Bank's normal liquidity management policy. The unallocated proceeds could be temporarily used domestically and internationally in money market instruments or loans with good credit rating and market liquidity, or kept in cash until they are allocated to Eligible Green Projects and/or Eligible Social Projects.

4. Eligible Projects List

The Bank has established an Eligible Projects List to which it undertakes periodic review as described in the section titled "*Green Bond Framework – Project Evaluation and Selection*" above. Consequently, the projects in the Eligible Projects List may evolve over time. The following are some examples of the Eligible Green Projects which have been identified by the Bank:

Eligible Green Projects

- A wastewater treatment project located in Guangdong Province of Southern China. The capacity of the wastewater treatment facility is 3,300 tons/year. The chemical oxygen demand (COD_{cr}) of the input water is approximately 300mg/L, and COD_{cr} of the output waterflow is below 40mg/L. The biological oxygen demand (BOD_5) of the input water is approximately 140mg/L, and the BOD_5 of the output waterflow is below 10mg/L. The facility is expected to reduce COD_{cr} 8,580t, and BOD_5 4,290t annually. The Bank's loan to this project accounted for approximately 61.72% of the total project investment, which is expected to remove COD_{cr} 5,296t, and BOD_5 2,648t annually.

- A river training project is located in Yunnan Province of Southwest of China. The total length of the river trained by the project is 4.35km and a 2.96km intercepting sewer will be built which will collect COD_{cr} 591.3t, and BOD_5 394.2t annually. The Bank's loan to this project accounted for approximately 52.28% of the total project investment, which is expected to train 2.23km of river and remove COD_{cr} 309t, and BOD_5 206t annually.

Reporting

1. Allocation Reporting

As long as any GSSS Bonds are outstanding, the Bank will prepare a Green, Social and Sustainability Bonds Annual Report ("**Green, Social and Sustainability Bonds Annual Report**") on an annual basis. The Bank intends to maintain the transparency of information disclosure following the best practices recommended by the Green Bond Principles. Each Green, Social and Sustainability Bonds Annual Report will provide information on the net proceeds of each GSSS Bond issued and provide:

(i) the aggregate amount allocated to the various Eligible Green Projects and/or Eligible Social Projects;

(ii) the remaining balance of funds which have not yet been allocated and the type of temporary investment for unallocated proceeds; and

(iii) examples of Eligible Green Projects and Eligible Social Projects (subject to confidentiality disclosures).

2. Impact Reporting

Where possible, the Bank will report on the environmental and social (where relevant) impacts resulting from Eligible Green Projects and Eligible Social Projects in the Bank's Green, Social and Sustainability Bonds Annual Report.

The Green, Social and Sustainability Bonds Annual Report will be publicly available annually on the official website of the Bank (http://www.ccb.com/).

3. External Review

The Bank will obtain an external review of GSSS Bonds from a third party which has environmental and social benefit review expertise and audit qualification. External review will cover pre-issuance assurance, post-issuance assurance and assurance report of independent accounts on use of proceeds annually. Any external review report will be publicly available on the official website of the Bank (http://www.ccb.com/).

In addition, the HKQAA Pre-issuance Stage Certificate will be obtained on or before the Issue Date from the HKQAA for the Notes, certifying that the Notes to be issued by the Issuer comply with the requirements of the HKQAA Green Finance Certification Scheme. See the section headed "*The HKQAA Green Finance Certification Scheme*" below.

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

Certain information relating to the HKQAA in this Drawdown Offering Circular have been obtained from public sources, including the Green Finance Certification Scheme Handbook (as defined below) and other publicly available information. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Bank, the Joint Lead Managers or their respective directors and advisers, and none of the Issuer, the Bank, the Joint Lead Managers and their respective directors and advisers makes any representation as to the accuracy or completeness of that information.

THE HKQAA

The HKQAA is a non-profit distributing organisation by the Hong Kong Government and has been the only Hong Kong organisation accredited as a Designated Operational Entity by the Executive Board of the Clean Development Mechanism ("**CDM**") under the United Nations Framework Convention on Climate Change to deliver CDM validation and verification services since 2011.

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

The HKQAA Green Finance Certification Scheme was developed with reference to, among others, the CDM, the ICMA Green Bond Principles and the PBOC Green Bond Categories. The benefits of the HKQAA Green Finance Certification Scheme include (i) enhancing the credibility of, and stakeholder confidence in, green financial instruments via independent, impartial third-party conformity assessments, (ii) reaching out to potential green finance investors with the aid of the HKQAA green finance certificate and certification mark, (iii) demonstrating issuers' efforts to promote environmentally friendly investment; and, (iv) promoting a common understanding of green finance.

Under the HKQAA Green Finance Certification Scheme, an applicant may apply for either (i) a pre-issuance stage certificate or (ii) a post-issuance stage certificate.

An applicant may apply for a pre-issuance stage certificate ahead of Green Finance issuance. "**Green Finance**" is defined in the handbook of the HKQAA Green Finance Certification Scheme published on 24 August 2018 (the "**Green Finance Certification Scheme Handbook**") as financing of investments that provide environmental benefits in the broader context of environmentally sustainable development. A pre-issuance stage certificate is an "as-at" certificate and provides assurance that the Green Finance with its projects activity or activities financed with proceeds from the issuance of Green Finance to make a positive impact on the environment ("**Green Projects**") (up to the assessment completion date which is also the issue date on such certificate) comply with the HKQAA Green Finance Certification Scheme.

As part of the application for a pre-issuance stage certificate, an applicant is required to complete the relevant application forms (including a self-declaration form) and provide an Environmental Method Statement to the HKQAA which will assess and validate its adequacy in producing a positive environmental effect. An Environmental Method Statement shall include:

(i) use of proceeds;

(ii) Green Projects evaluation and selection;

(iii) management of proceeds;

(iv) information disclosure and reporting;

(v) Green Project monitoring;

(vi) Impact Assessment (which is the determination of the likely environmental consequences, or impacts, of proposed projects or activities conducted by the applicant); and

(vii) Stakeholder Engagement (which is the engagement with public, including individuals, groups or communities, affected, or likely to be affected, by the proposed project activity, or actions leading to the implementation of such an activity).

An annual surveillance assessment by the HKQAA to verify the continuous implementation and effectiveness of the Environmental Method Statement is not required.

When the HKQAA has completed its assessment and validation of the Environmental Method Statement and no non-conforming issues are outstanding, it will make a recommendation of certification to the Certification Review Board which reviews and approves the recommendation. Upon such approval, a pre-issuance stage certificate and a Certification Mark (a trademark designed by the HKQAA indicating that the applicant's Green Finance is duly certified under the HKQAA Green Finance Certification Scheme) are issued to the applicant.

HKQAA will disclose the Environmental Method Statement via the HKQAA website after the issuance of a pre-issuance stage certificate or the issuance of the relevant debt instrument (whichever is later). The HKQAA also gives flexibility for the applicant to request disclosure of its Environmental Method Statement on the HKQAA website before the issuance of green bond in order to cope with its announcement of certification of green bond in the public domain. The applicant shall inform the HKQAA about the disclosure arrangement at least two working days before the announcement. Such pre-issuance stage certificate will only be valid if the applicant's Environmental Method Statement for the time being corresponds to the version of the applicant's Environmental Method Statement accessible via the HKQAA website.

If an applicant makes any change to its Environmental Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Environmental Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Environmental Method Statement.

If an applicant makes any change to its Environmental Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Environmental Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Environmental Method Statement.

HKQAA CERTIFICATION DISCLAIMER

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA is based solely on the Green Finance Certification Scheme Handbook and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Notes or any Eligible Green Projects, including but not limited to the Base Offering Circular, this Drawdown Offering Circular, the transaction documents, the Issuer, the Bank or the management of the Bank.

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA will be addressed solely to the Issuer and is not a recommendation to any person to purchase, hold or sell the Notes and such certification does not address the market price or suitability of the Notes for a particular investor. The certification also does not address the merits of the decision by the Bank or any third party to participate in any Eligible Green Projects and does not express and should not be deemed to be an expression of an opinion as to the Bank or any aspect of any Eligible Green Projects (including but not limited to the financial viability of any Eligible Green Projects) other than with respect to conformance with the Green Finance Certification Scheme Handbook.

In issuing the HKQAA Pre-issuance Stage Certificate, HKQAA shall not be liable for any loss or damage suffered by any person whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, the certification of the Notes.

The HKQAA Pre-issuance Stage Certificate does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Notes and/or the payment of principal at maturity or any other date.

The HKQAA Pre-issuance Stage Certificate may be withdrawn at any time in HKQAA's sole and absolute discretion and there can be no assurance that the HKQAA Pre-issuance Stage Certificate will not be withdrawn.

ELIGIBLE GREEN PROJECTS

Pursuant to the Green Bond Framework, the net proceeds from the issue of the Notes may be allocated to finance and/or refinance, in whole or in part, loans to customers involved in as well as the Bank's own operational activities in Eligible Green Projects (the "**Green Proceeds**"). The Bank has selected the equivalent of approximately RMB7,708.77 million (approximately €998.38 million based on the exchange rate of €1 : RMB7.7213) of Eligible Green Projects, which the Bank intends to allocate some or all of Green Proceeds to. The current list of Eligible Green Projects is as follows:

No.	Region	Project	Category	Loan Amount (RMB million)	Loan Amount (EUR million)
1	Guangdong	Wastewater Treatment Project	Sustainable water and wastewater management	115.38	14.94
2	Guangdong	Wastewater Treatment Project	Sustainable water and wastewater management	397.00	51.42
3	Guangdong	Wastewater Treatment Project	Sustainable water and wastewater management	268.50	34.77
4	Guangdong	Wastewater Treatment Project	Sustainable water and wastewater management	295.00	38.21
5	Guangdong	Wastewater Treatment Project	Sustainable water and wastewater management	528.24	68.41
6	Guangxi	Wastewater Treatment Project	Sustainable water and wastewater management	51.30	6.64
7	Guangxi	Wastewater Treatment Project	Sustainable water and wastewater management	262.00	33.93
8	Henan	Wastewater Treatment Project	Sustainable water and wastewater management	544.00	70.45
9	Hubei	Wastewater Treatment Project	Sustainable water and wastewater management	228.55	29.60
10	Hubei	Wastewater Treatment Project	Sustainable water and wastewater management	286.50	37.11
11	Hubei	Wastewater Treatment Project	Sustainable water and wastewater management	207.40	26.86
12	Hubei	Wastewater Treatment Project	Sustainable water and wastewater management	797.00	103.22
13	Hunan	Wastewater Treatment Project	Sustainable water and wastewater management	312.50	40.47
14	Hunan	Wastewater Treatment Project	Sustainable water and wastewater management	118.50	15.35

15	Hunan	Wastewater Treatment Project	Sustainable water and wastewater management	140.00	18.13
16	Yunnan	River Training Project	Sustainable water and wastewater management	460.90	59.69
17	Yunnan	River Training Project	Sustainable water and wastewater management	365.00	47.27
18	Guangxi	River Training Project	Sustainable water and wastewater management	970.00	125.63
19	Hunan	River Training Project	Sustainable water and wastewater management	286.00	37.04
20	Jiangsu	River Training Project	Sustainable water and wastewater management	300.00	38.85
21	Jiangxi	Wastewater Treatment Project	Sustainable water and wastewater management	335.00	43.39
22	Guizhou	River Training Project	Sustainable water and wastewater management	200.00	25.90
23	Shandong	River Training Project	Sustainable water and wastewater management	240.00	31.08
Total Loan Amount				**7,708.77**	**998.38**

Examples of the expected environmental benefits of the abovementioned projects are as follows:

- A wastewater treatment project located in Guangdong Province of Southern China. The capacity of the wastewater treatment facility is 3300 tons/year. The chemical oxygen demand (COD_{cr}) of the input water is approximately 300mg/L, and COD_{cr} of the output waterflow is below 40mg/L. The biological oxygen demand (BOD_5) of the input water is approximately 140mg/L, and the BOD_5 of the output waterflow is below 10mg/L. The facility is expected to reduce COD_{cr} 8580t, and BOD_5 4290t annually. The Bank's loan to this project accounted for approximately 61.72% of the total project investment, which is expected to remove COD_{cr} 5296t, and BOD_5 2648t annually.

- A river training project is located in Yunnan Province of Southwest of China. The total length of the river trained by the project is 4.35km and a 2.96km intercepting sewer will be built which will collect COD_{cr} 591.3t, and BOD_5 394.2t annually. The Bank's loan to this project accounted for approximately 52.28% of the total project investment, which is expected to train 2.23km of river and remove COD_{cr} 309t, and BOD_5 206t annually.

The issue proceeds of the Notes to be applied towards Eligible Green Projects will be deposited into general funding accounts and earmarked to such Eligible Green Projects. Any balance of such Green Proceeds which have yet to be allocated to Eligible Green Projects will be held in accordance with the Bank's normal liquidity management policy. Such list of projects will evolve over time as the Bank continues to evaluate and select suitable green projects. The allocation of the Green Proceeds towards the Eligible Green Projects will be done in accordance with the Green Bond Framework. The actual use of the Green Proceeds will be disclosed by the Bank in its Green, Social and Sustainability Bond Report published annually.

CAPITALISATION

The section headed "Capitalisation" on page 108 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

The following table sets forth the Bank's capitalisation and indebtedness as at 31 December 2020 as adjusted to give effect to the issuance of the Notes prior to deducting the commissions and other estimated expenses payable by the Group in connection with this offering. For additional information, see the audited consolidated financial information of the Group as at and for the year ended 31 December 2020 and notes thereto included in the F-pages of the Base Offering Circular.

This table should be read in conjunction with "*Use of Proceeds*" and the audited consolidated financial information of the Group as at and for the year ended 31 December 2020 and notes thereto included in the F-pages of the Base Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
	(RMB million)	*(U.S.$ million)*[1]	*(RMB million)*	*(U.S.$ million)*[1]
Debt				
Notes to be issued	–	–	6,420[2]	984
Other borrowings[3]	25,742,901	3,945,272	25,742,901	3,945,272
Total debt	25,742,901	3,945,272	25,749,321	3,946,256
Equity				
Share Capital	250,011	38,316	250,011	38,316
Other equity instruments				
- Preference shares	59,977	9,192	59,977	9,192
- Perpetual bonds	39,991	6,129	39,991	6,129
Capital reserve	134,263	20,577	134,263	20,577
Other comprehensive income	15,048	2,306	15,048	2,306
General reserve	350,228	53,675	350,228	53,675
Retained earnings	1,239,295	189,930	1,239,295	189,930
Surplus reserve	275,995	42,298	275,995	42,298
Non-controlling interests	24,545	3,762	24,545	3,762
Total equity	2,389,353	366,185	2,389,353	366,185
Total capitalisation[4]	28,132,254	4,311,457	28,138,674	4,312,441

Notes:

(1) All translations from RMB to U.S. dollar are made at the exchange rate set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System as at 31 December 2020: U.S.$1.00 to RMB6.5250.

(2) The translation of the principal amount of the Notes from EUR to RMB is made at the exchange rate as published by the People's Bank of China as at 31 December 2020: EUR1.00 to RMB8.0250. After translation, the Notes in the principal amount of €800 million is translated to RMB6,420 million.

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

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

Unless otherwise disclosed in this Drawdown Offering Circular, there has not been any material change in the Bank's capitalisation and indebtedness since 31 December 2020.

DESCRIPTION OF THE ISSUER

The Issuer is a branch of the Bank in Luxembourg. For further details on the Bank, please refer to the section entitled "*Description of the Bank*".

The Issuer was registered with the Luxembourg Register of Commerce and Companies on 16 August 2013 and is registered under number B-179518. The registered office of the Issuer is at 1, Boulevard Royal L-2449 Luxembourg, the Grand Duchy of Luxembourg. The paid-up capital of the Issuer is €50 million.

The Issuer was granted its banking licence (N°24/13) as a credit institution by the Luxembourg Ministry of Finance on 23 July 2013 and from the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") on 1 October 2013. The Issuer is authorised and regulated by the China Banking Regulatory Commission and is authorised in Luxembourg in accordance with Article 32 of the Luxembourg law of 5 April 1993 on the financial sector, as amended (the "**Banking Act 1993**") and is under the supervision of the CSSF. The Issuer appears on the list of the entities authorised and supervised by the CSSF which is available on the CSSF's website: www.cssf.lu. The Issuer has the licence to perform in Luxembourg all operations a credit institution is authorised to perform pursuant to Article 32 of the Banking Act 1993 including the provision of products and services in commercial banking, retail/private banking and investment banking to customers, in particular Chinese customers looking to invest in Europe and European customers with business interests in China.

Regulated Activities and Business Activity

In Luxembourg, the Issuer is authorised by the CSSF to carry out the following regulated activities and services:

The Issuer's three main business lines are: corporate banking, treasury business and bond investment. The Issuer's corporate banking products include trade finance, bilateral and syndicated letter of credit facilities. The Issuer's treasury business focusses on funding using money market deposit and trading foreign exchange spot and swaps. The Issuer invests in debt securities in order to maintain its liquidity portfolio and to comply with applicable regulatory liquidity requirements.

TAXATION

The statements under the section "Taxation" on pages 175 to 180 of the Base Offering Circular does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as the Joint Lead Managers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes. In addition, such section headed "Taxation" on pages 175 to 180 of the Base Offering Circular shall be supplemented with the following:

Luxembourg

The paragraphs below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law. Investors should consult their professional advisers.

Withholding Tax

Under Luxembourg tax law currently in effect and subject to the exception below, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest) or repayments of principal.

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to individual beneficial owners resident in Luxembourg are currently subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

Income from current accounts provided that the interest rate is not higher than 0.75 per cent. are exempt from the withholding tax. Furthermore, interest which is accrued once a year on savings accounts (short and long term) and which does not exceed €250 per person and per paying agent is exempted from the withholding tax.

Income Taxation on Principal, Interest, Gains on Sales or Redemption

Luxembourg tax residency of the Noteholders

Noteholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding execution, performance, delivery, exchange and/or enforcement of the Notes.

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realised upon disposal or repayment of the Notes.

Taxation of Luxembourg residents

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

Interest received by an individual resident in Luxembourg is, in principle, reportable and taxable at the progressive rate unless the interest has been subject to withholding tax (see above "**Withholding Tax**") or to a self-applied tax, if applicable. Indeed, in accordance with the Luxembourg law of 23 December 2005, as amended, Luxembourg resident individuals, acting in the framework of their private wealth, can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in an EU Member State other than Luxembourg or a Member State of the European Economic Area other than an EU Member State.

This withholding tax or self-applied tax represents the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the course of their private wealth. Individual Luxembourg resident Noteholders receiving the interest as business income must include this interest in their taxable basis. If applicable, the 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 20 per cent. withholding tax or the self-applied tax, if applicable. Individual Luxembourg resident Noteholders receiving the interest as business income must also include the portion of the price corresponding to this interest in their taxable income. The 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident corporate Noteholders, or Noteholders who have a permanent establishment or a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, must for income tax purposes include in their taxable income any interest (including accrued but unpaid interest) and the difference between the sale or redemption price and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident corporate Noteholders which are companies benefiting from a special tax regime (such as (a) family wealth management companies subject to the law of 11 May 2007, (b) undertakings for collective investment subject to the law of 17 December 2010, (c) specialised investment funds subject to the law of 13 February 2007, or (d) reserved alternative investment funds governed by the law of 23 July 2016, provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid-up) share capital (and share premium) or net asset value.

Net wealth tax

Luxembourg net wealth tax will not be levied on the Notes held by a corporate Noteholder, unless (a) such Noteholder is a Luxembourg resident other than a corporate Noteholder governed by (i) the laws of 17 December 2010 and 13 February 2007 on undertakings for collective investment; (ii) the law of 22 March 2004 on securitisation; (iii) the law of 15 June 2004 on the investment company in risk capital; (iv) the law of 11 May 2007 on family estate management companies or (v) the law of 23 July 2016 on reserved alternative investment funds or (b) the Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

Other taxes

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Noteholders in connection with the issue of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Notes unless where the Notes are physically attached to a public deed or to any other document subject to mandatory registration or the documents relating to the notes are voluntarily registered in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Noteholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Notes. No Luxembourg gift tax is levied upon a gift or donation of the Notes, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

GENERAL INFORMATION

The section "General Information" on pages 197 to 199 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

1. Listing

Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only. The issue price of the Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of the nominal amount of the Notes. It is expected that dealings will, if permission is granted to deal in and for the listing of the Notes, commence on or about the date of listing of the Notes.

Application will be made to the London Stock Exchange for the Notes to be admitted to trading on the ISM. The ISM is not a regulated market within for the purposes of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date. The Notes are also expected to be admitted to the Sustainable Bond Market of the London Stock Exchange plc.

Application will be made to the LuxSE for the Notes to be admitted to trading on the professional segment of the Euro MTF Market and listed on the Official List of the LuxSE. In respect of Notes admitted to trading on the professional segment of the Euro MTF Market and listed on the Official List of the LuxSE and as long as the rules of such exchange so require, all notices regarding the Notes will be published in a Luxembourg daily newspaper with general circulation in Luxembourg (which is expected to be Luxemburger Wort) or on the LuxSE website (www.bourse.lu).

2. Authorisation

Pursuant to the Notice on Further Regulating the Issuance of Debt Finance Instruments by Overseas Institutions (Guo Ji Ye Wu Bu [2014] No.222)《關於進一步規範海外機構負債金融工具發行管理的通知》 (國際業務部[2014]222 號), the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No.574) 《關於進一步加強海外負債業務管理的通知》(建總函 (2014) 574 號), the power of attorney from the president to Luxembourg Branch (中國建設銀行股份有限公司行長授權書(盧森堡分行)) issued by the Bank's president, Liu Guiping to Liu Jiang of Luxembourg Branch dated 30 April 2019, the Notice on Extending the Validity of the Power of Attorney from the President of the Bank and the Shareholder's Opinion of the Bank (建總發 [2020] No.158)《關於延長<中國建設銀行股份有限公司行長授權書>和<中國建設銀行股份有限公司股東意見書>有效期的通知》 dated 23 June 2020, confirming that the Power of Attorney from the President and the Shareholder's Opinion are valid until 31 August 2021; and the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No.74) 《關於更新香港分行中期票據計劃方案的批覆》(建資債 (2017) 74 號), the Notice for Issuance of Sustainable Bonds and Transition Bonds (Zi Chan Fu Zhai Guan Li Bu (2021) No.117)《关于发行可持续发展类债券及转型债券的通知》（资产负债管理部〔2021〕117 号 and the relevant processing sheet of the asset and debt management department of the Bank dated 24 March 2021, the issue of Notes under the Programme has been duly authorised.

3. Legal Entity Identifier

The legal entity identifier of the Bank is 5493001KQW6DM7KEDR62.

4. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream. The ISIN and Common Code for the Notes is XS2331604079 and 233160407 respectively.

5. NDRC Approval

Pursuant to the annual foreign debt quota granted by the NDRC to the Bank in 2020 (the "**Quota**"), separate pre-issuance registration with the NDRC with respect to the Notes is not required as the Notes will be issued within the aforesaid Quota, but the Bank is still required to file with the NDRC the requisite information on the Notes after the issuance of the Notes. The Bank intends to provide the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the NDRC Regulations and the terms of the Quota.

6. Litigation

Save as disclosed in this Drawdown Offering Circular (read together with the Base Offering Circular), neither the Issuer nor any member of the Group is involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Issuer is aware during the 12 months preceding the date of this Drawdown Offering Circular, which may have, or have had in the recent past, significant effects on the Issuer's ability to meet its obligations to the holders of the Notes.

7. No Significant Change

Save as disclosed in this Drawdown Offering Circular (read together with the Base Offering Circular), there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2020 and there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2020.

8. Documents

So long as Notes are outstanding, copies of the following documents will, when published, be available from the registered office of the Issuer at 1, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg and from the specified office of the Fiscal Agent for the time being at 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong. Copies of the documents listed as (a) to (c) below will also be available for viewing on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk/index.htm.

(a) the constitutional documents of the Bank;

(b) the audited consolidated financial statements of the Bank in respect of the financial years ended 31 December 2019 and 2020 (in each case together with the audit report in connection therewith). The Bank currently prepares audited consolidated accounts on an annual basis;

(c) the most recent annual audited consolidated financial statements of the Bank and the most recently published unaudited consolidated interim financial statements of the Bank (if any);

(d) the Pricing Supplement in relation to the Notes;

(e) the Fiscal Agency Agreement, the Deed of Covenant and the forms of the Global Certificates, the Notes in definitive form, the Receipts, the Coupons and the Talons; and

(f) a copy of the Base Offering Circular together with this Drawdown Offering Circular and any other documents incorporated in the Base Offering Circular.

ANNEX I – PRICING SUPPLEMENT IN RELATION TO THE NOTES

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MIFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients only, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Pricing Supplement dated 15 April 2021

China Construction Bank Corporation, Luxembourg Branch
(with business address at 1, Boulevard Royal L-2449 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under the number B 179518, being a branch of China Construction Bank Corporation, a joint stock limited company, incorporated and existing under the laws of the People's Republic of China, registered with the Beijing Administration for Industry and Commerce of the People's Republic of China under number 911100001000044477 and having its registered office at No 25, Finance Street, Xicheng District, Beijing, China)

Issue of €800,000,000 Zero Coupon Senior Green Bonds due 2024 (the "**Notes**")
under the U.S.$15,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 9 April 2021 (the "**Base Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Base Offering Circular and the Drawdown Offering Circular dated 15 April 2021 (the "**Drawdown Offering Circular**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Base Offering Circular, the Drawdown Offering Circular and this Pricing Supplement. In particular, investors in the Notes should read the section titled "Risk Factors" contained therein, which applies to the issue of Notes described herein.

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Professional Investors**")) only.

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

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

1.	Issuer:		China Construction Bank Corporation, Luxembourg Branch
2.	(i)	Series Number:	67
	(ii)	Tranche Number:	1
3.	Specified Currency or Currencies:		Euro ("**€**")
4.	Aggregate Nominal Amount:		€800,000,000
5.	(i)	Issue Price:	99.871 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately €798.16 million
6.	(i)	Specified Denominations:	€100,000 and integral multiples of €1,000 in excess thereof
	(ii)	Calculation Amount:	€1,000
7.	(i)	Issue Date:	22 April 2021
	(ii)	Interest Commencement Date:	Not Applicable
8.	Maturity Date:		22 April 2024

9.	Interest Basis:	Zero Coupon (further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	Listing:	The Stock Exchange of Hong Kong Limited Application will be made to the London Stock Exchange for the Notes to be admitted to trading on the International Securities Market ("**ISM**"). The ISM is not a regulated market for the purposes of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date. The Notes are also expected to be admitted to the Sustainable Bond Market of the London Stock Exchange. Application has been made to the Luxembourg Stock Exchange to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the professional segment of the Euro MTF market of the Luxembourg Stock Exchange.
14.	Method of distribution:	Syndicated

Provisions relating to Interest (if any) Payable

15.	Fixed Rate Note Provisions		Not Applicable
16.	Floating Rate Note Provisions		Not Applicable
17.	Zero Coupon Note Provisions		Applicable
	(i)	Amortisation Yield (Condition 6(b)):	0.043 per cent. per annum
	(ii)	Day Count Fraction (Condition 5(j)):	Actual/Actual - ICMA
	(iii)	Any other formula/basis of determining amount payable:	Not Applicable
18.	Index-Linked Interest Note Provisions		Not Applicable
19.	Dual Currency Note Provisions		Not Applicable

Provisions relating to Redemption

20.	Call Option	Not Applicable
21.	Put Option	Not Applicable

22.	Final Redemption Amount of each Note:	€1,000 per Calculation Amount
23.	Early Redemption Amount:	Amortised Face Amount (see item 17 above for the Amortisation Yield)
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, where otherwise specified herein, Condition 6(d) or Condition 6(e)) or an Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

General Provisions applicable to the Notes

24.	Form of Notes:	Registered Notes: Registered Notes may not be exchanged for Bearer Notes. Global Certificate exchangeable for Certificates in the limited circumstances described in the Global Certificate.
25.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Not Applicable
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable
29.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
30.	Other terms or special conditions:	Not Applicable

Distribution

31.	(i)	If syndicated, names of Managers:	ABCI Capital Limited Agricultural Bank of China Limited, Singapore Branch Agricultural Bank of China Limited Hong Kong Branch Bank of China (Hong Kong) Limited Bank of China Limited

			Bank of China Limited, Singapore Branch BNP Paribas CCB International Capital Limited China Construction Bank (Asia) Corporation Limited China Construction Bank (Europe) S.A. China Construction Bank Corporation Singapore Branch Crédit Agricole Corporate and Investment Bank DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Merrill Lynch (Asia Pacific) Limited Australia and New Zealand Banking Group Limited Bank of Communications Co., Ltd. Hong Kong Branch China International Capital Corporation Hong Kong Securities Limited Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Deutsche Bank AG, Hong Kong Branch ICBC International Securities Limited Industrial and Commercial Bank of China (Asia) Limited Industrial and Commercial Bank of China Limited, Singapore Branch Société Générale Standard Chartered Bank AG UBS AG Hong Kong Branch
	(ii)	Date of Subscription Agreement:	15 April 2021
	(iii)	Stabilisation Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as stabilising manager
32.	If non-syndicated, name of the relevant Dealer:		Not Applicable
33.	U.S. Selling Restrictions:		Reg. S Category 1; TEFRA not applicable
34.	Prohibition of Sales to EEA Retail Investors:		Not Applicable
35.	Prohibition of Sales to UK Retail Investors:		Not Applicable
36.	Additional selling restrictions:		Not Applicable

Yield

37.	Indication of yield:	0.043 per cent

Operational Information

38.	ISIN Code:	XS2331604079
39.	Common Code:	233160407

40.	CMU Instrument Number:	Not Applicable
41.	Legal Entity Identifier:	The Legal Entity Identifier of the Bank is 5493001KQW6DM7KEDR62
42.	Any clearing system(s) other than Euroclear/Clearstream and the CMU Service and the relevant identification number(s):	Not Applicable
43.	Delivery:	Delivery against payment
44.	Additional Paying Agent(s) (if any):	Not Applicable
45.	Ratings:	A1 by Moody's Investors Service Hong Kong Ltd.

General

46.	The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of U.S.$1.2230=€1.00, producing a sum of (for Notes not denominated in U.S. dollars):	U.S.$978,400,000
47.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Not Applicable
48.	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	Not Applicable
49.	Private Bank Rebate/Commission:	Not Applicable

50.	(i)	Date of approval for issuance of Notes obtained:	Pursuant to the Notice on Further Regulating the Issuance of Debt Finance Instruments by Overseas Institutions (Guo Ji Ye Wu Bu [2014] No.222)《關於進一步規範海外機構負債金融工具發行管理的通知》 (國際業務部[2014]222 號), the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No.574) 《關於進一步加強海外負債業務管理的通知》(建總函 (2014) 574 號), the power of attorney from the president to Luxembourg Branch (中國建設銀行股份有限公司行長授權書(盧森堡分行)) issued by the Bank's president, Liu Guiping to Liu Jiang of Luxembourg Branch dated 30 April 2019, the Notice on Extending the Validity of the Power of Attorney from the President of the Bank and the Shareholder's Opinion of the Bank (建總發 [2020] No.158)《關於延長<中國建設銀行股份有限公司行長授權書>和<中國建設銀行股份有限公司股東意見書>有效期的通知》 dated 23 June 2020, confirming that the Power of Attorney from the President and the Shareholder's Opinion are valid until 31 August 2021; and the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No.74) 《關於更新香港分行中期票據計劃方案的批覆》(建資債 (2017) 74 號), the Notice for Issuance of Sustainable Bonds and Transition Bonds (Zi Chan Fu Zhai Guan Li Bu (2021) No.117)《关于发行可持续发展类债券及转型债券的通知》（资产负债管理部〔2021〕117 号 and the relevant processing sheet of the asset and debt management department of the Bank dated 24 March 2021, the issue of Notes under the Programme has been duly authorised.
	(ii)	Date of any regulatory approval for the issuance of the Notes:	Pursuant to the annual foreign debt quota granted by the NDRC to the Bank in 2020 (the "**Quota**"), separate pre-issuance registration with the NDRC with respect to the Notes is not required as the Notes will be issued within the aforesaid Quota.

Use of Proceeds

The net proceeds of the issue of the Notes will be allocated to finance and/or refinance, in whole or in part, loans to customers involved in as well as the Bank's own operational activities in Eligible Green Projects, as further described in the sections entitled "*Use of Proceeds*", "*Eligible Green Projects*" and "*Green Bond Framework*" in the Drawdown Offering Circular and in accordance with applicable laws and regulations.

Listing

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$15,000,000,000 Medium Term Note Programme of China Construction Bank Corporation 中國建設

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

Stabilisation

In connection with the issue of the Notes, the Managers or Dealer(s) (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager (s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager (s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

Material Adverse Change Statement

Save as disclosed in the Base Offering Circular and the Drawdown Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2020.

Responsibility

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

Signed on behalf of
CHINA CONSTRUCTION BANK CORPORATION, LUXEMBOURG BRANCH

By:

Duly authorised

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

By:

Duly authorised

ANNEX II – BASE OFFERING CIRCULAR DATED 9 APRIL 2021

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND (IN THE CASE OF CATEGORY 2 OF REGULATION S NOTES) ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

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

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

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF SECURITIES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES OR (IN THE CASE OF CATEGORY 2 OF REGULATION S NOTES) TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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

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

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

中国建设银行
China Construction Bank

CHINA CONSTRUCTION BANK CORPORATION
中國建設銀行股份有限公司

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

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

U.S.$15,000,000,000

Medium Term Note Programme

On 29 May 2015, China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行 (the "**Hong Kong Branch**") established the Medium Term Note Programme (the "**Programme**") as amended, restated and supplemented. This Offering Circular supersedes the offering circular dated 14 October 2019 and all other offering circulars before such date. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein save for, in the case of the terms and conditions of the Notes, any Notes issued on or after the date of this Offering Circular so as to be consolidated and form a single series with any Series (as defined under "*Terms and Conditions of the Notes*") of Notes issued before the date of this Offering Circular.

Under the Programme, China Construction Bank Corporation 中國建設銀行股份有限公司 (the "**Bank**"), the Hong Kong Branch or such other branch of the Bank as specified in the relevant Pricing Supplement (a "**Branch Issuer**" and, together with the Bank and the Hong Kong Branch, each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$15,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

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

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank by the National Development and Reform Commission of the PRC (the "**NDRC**") or registration will be completed by the Bank with the NDRC pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) issued by the NDRC which came into effect on 14 September 2015 and the applicable implementation rules or policies thereof as issued by the NDRC from time to time (the "**NDRC Circular**"). After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information on the issuance of such Notes to the NDRC within the time period as required by the NDRC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**").

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of any Notes to the Official List of, and the quotation of any Notes on, the SGX-ST, are not to be taken as indications of the merits of the Issuer, the Hong Kong Branch, the Bank, their respective subsidiaries, associated companies, the Programme or such Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes if traded, will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies).

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

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

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

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

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. ***See "Risk Factors" beginning on page 72 for a discussion of certain factors to be considered in connection with an investment in the Notes.***

Arrangers

China Construction Bank (Asia) HSBC

Dealers

China Construction Bank (Asia) HSBC

The date of this Offering Circular is 9 April 2021.

IMPORTANT NOTICE

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

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

No person is or has been authorised by the Issuer, the Hong Kong Branch or the Bank to give any information or to make any representations other than those contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Hong Kong Branch, the Bank, the Arrangers, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates.

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

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Hong Kong Branch, the Bank, any of the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates to any person to subscribe for or to purchase any Notes.

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

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

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or (in the case of Category 2 of Regulation S Notes) to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see "*Subscription and Sale*" and the applicable Pricing Supplement.

PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs/IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A (1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (the "**Group 2019 Annual Financial Statements**") and the audited condensed consolidated financial statements of the Group as at and for the year ended 31 December 2020 (the "**Group 2020 Annual Financial Statements**"). The Group 2019 Annual Financial Statements and the Group 2020 Annual Financial Statements, which are included elsewhere in this Offering Circular, were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). From 1 January 2019, the independent auditor of the Bank has been Ernst & Young, Certified Public Accountants, Hong Kong ("**Ernst & Young**").

The audited consolidated financial information of the Group as at and for the years ended 31 December 2018 and 2019 has been extracted from the Group 2019 Annual Financial Statements contained in the annual report of the Group published by the Bank on the website of the Hong Kong Stock Exchange on 28 April 2020 (the "**2019 Annual Report**"). The consolidated financial information of the Group as at and for the year ended 31 December 2018 was audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**"), the independent auditors of the Bank for the year ended 31 December 2018, in accordance with Hong Kong Standards on Auditing ("**HKSA**"). The consolidated financial information of the Group as at and for the year ended 31 December 2019 was audited by Ernst & Young in accordance with HKSA.

The audited consolidated financial information of the Group as at and for the year ended 31 December 2020 has been extracted from the Group 2020 Annual Financial Statements contained in the Announcement of Annual Results 2020 published by the Bank on the website of the Hong Kong Stock Exchange on 26 March 2021 (the "**2020 Results Announcement**"). The consolidated financial information of the Group as at and for the year ended 31 December 2020 has been reviewed by the audit committee of the Bank's board of directors, and Ernst & Young has provided an audit report with unqualified audit opinion.

The Group has adopted IFRS 16 "Leases" ("**IFRS 16**") as issued by IASB in January 2016 with a date of initial application on 1 January 2019. The impact of the adoption of IFRS 16 is disclosed in note 4(27) of the Group 2019 Annual Financial Statements. The Group has chosen to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of prepaid lease payments, etc. Total assets and total liabilities at the consolidated level as at 1 January 2019 both increased by RMB19,944 million as compared to the end of 2018. In addition to land use rights, the Group recognised other right-of-use assets and lease liabilities of RMB21,752 million and RMB19,914 million at the date of initial application, respectively. The reconciliation between the operating lease commitments disclosed in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 (the "**Group 2018 Annual Financial Statements**"), and the lease liabilities recognised in the statement of financial position at the date of initial application is further set out in note 4(27) of the Group 2019 Annual Financial Statements. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

Pursuant to the Notice on strictly implementing the accounting standards for business enterprises and strengthening the annual report of enterprises in 2020 (關於嚴格執行企業會計準則切實加強企業 2020 年年報工作的通知財會 (2021) 2號), in respect of the financial information as at and for the year ended 31 December 2020, the Group reclassified its Net Fee and Commission Income from its credit card instalment business, such that it is recognised as Interest Income for the year ended 31 December 2020, while also reclassifying related fee receivables from Other Assets to Loans and Advances to Customers. The comparative figures as at and for the year ended 31 December 2019 were also similarly adjusted, however the comparative figures as at and for the year ended 31 December 2018 have not been adjusted. Investors should therefore exercise caution when comparing the year-to-year financial data of the Bank in relation to such line items for the years ended 31 December 2018, 2019 and 2020. Please refer to the section titled "*Financial Highlights*" of the 2020 Results Announcement for further information.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to the "**Bank**" refer to China Construction Bank Corporation 中國建設銀行股份有限公司; references to the "**Hong Kong Branch**" refer to China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行; references to the "**Issuer**" refer to the Bank, the Hong Kong Branch or such other branch of the Bank as specified in the relevant Pricing Supplement as being the issuer of a Series of Notes; references to the "**Group**" refer to the Bank and its subsidiaries taken as a whole; references herein to "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States of America (the "**USA**" or the "**U.S.**"); references to "**Hong Kong dollars**", "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong; references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**"); references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom and references to "**EUR**", "**euro**" and "**C**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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

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

FORWARD-LOOKING STATEMENTS

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

THIRD PARTY INFORMATION

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Hong Kong Branch, the Bank, any of the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates, and none of the Issuer, the Hong Kong Branch, the Bank, any of the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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

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

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office, as set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "**Fiscal Agent**") at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Notes and its identity.

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

GENERAL DESCRIPTION OF THE PROGRAMME

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

This Offering Circular and any supplement hereto will only be valid for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$15,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

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

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

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

SELECTED CONSOLIDATED FINANCIAL DATA

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

The selected consolidated financial data as at and for the years ended 31 December 2018, 2019 and 2020 are extracted from the Group 2019 Annual Financial Statements (contained in the 2019 Annual Report) and Group 2020 Annual Financial Statements (contained in the 2020 Results Announcement) as prepared and presented in accordance with IFRS. The selected consolidated financial data of the Group as at and for the year ended 31 December 2018 were audited by PricewaterhouseCoopers, and the selected consolidated financial data of the Group as at and for the years ended 31 December 2019 and 2020 were audited by Ernst & Young. The consolidated financial information of the Group as at and for the year ended 31 December 2020 has been reviewed by the audit committee of the Bank's board of directors, and Ernst & Young has provided an audit report with unqualified audit opinion.

The Group has adopted IFRS 16 as issued by IASB in January 2016 with a date of initial application on 1 January 2019. The impact of the adoption of IFRS 16 is disclosed in note 4(27) of the Group 2019 Annual Financial Statements. The Group has chosen to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of prepaid lease payments, etc. Total assets and total liabilities at the consolidated level as at 1 January 2019 both increased by RMB19,944 million as compared to the end of 2018. In addition to land use rights, the Group recognised other right-of-use assets and lease liabilities of RMB21,752 million and RMB19,914 million at the date of initial application, respectively. The reconciliation between the operating lease commitments disclosed in the Group 2018 Annual Financial Statements, and the lease liabilities recognised in the statement of financial position at the date of initial application is further set out in note 4(27) of the Group 2019 Annual Financial Statements. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

Pursuant to the Notice on strictly implementing the accounting standards for business enterprises and strengthening the annual report of enterprises in 2020 (關於嚴格執行企業會計準則切實加強企業 2020 年年報工作的通知財會 (2021) 2號), in respect of the financial information as at and for the year ended 31 December 2020, the Group reclassified its Net Fee and Commission Income from its credit card instalment business, such that it is recognised as Interest Income for the year ended 31 December 2020, while also reclassifying related fee receivables from Other Assets to Loans and Advances to Customers. The comparative figures as at and for the year ended 31 December 2019 were also similarly adjusted, however the comparative figures as at and for the year ended 31 December 2018 have not been adjusted. Investors should therefore exercise caution when comparing the year-to-year financial data of the Bank in relation to such line items for the years ended 31 December 2018, 2019 and 2020. Please refer to the section titled "*Financial Highlights*" of the 2020 Results Announcement for further information.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018, 2019 AND 2020

	As at 31 December		
	2018	2019	2020
		(audited)	
	(RMB millions, unless otherwise stated)		
Assets:			
Cash and deposits with central banks	2,632,863	2,621,010	2,816,164
Deposits with banks and non-bank financial institutions	486,949	419,661	453,233
Precious metals	33,928	46,169	101,671
Placements with banks and non-bank financial institutions	349,727	531,146	368,404
Positive fair value of derivatives	50,601	34,641	69,029
Financial assets held under resale agreements	201,845	557,809	602,239
Loans and advances to customers	13,365,430	14,542,001(1)	16,231,369
Financial investments:			
Financial assets measured at fair value through profit or loss	731,217	675,361	577,952
Financial assets measured at amortised cost	3,272,514	3,740,296	4,505,243
Financial assets measured at fair value through other comprehensive income	1,711,178	1,797,584	1,867,458
Long-term equity investments	8,002	11,353	13,702
Fixed assets	169,574	170,740	172,505
Land use rights	14,373	14,738	14,118
Intangible assets	3,622	4,502	5,279
Goodwill	2,766	2,809	2,210
Deferred tax assets	58,730	72,314	92,950
Other assets	129,374	194,127(1)	238,728
Total assets	23,222,693	25,436,261	28,132,254
Liabilities:			
Borrowings from central banks	554,392	549,433	781,170
Deposits from banks and non-bank financial institutions	1,427,476	1,672,698	1,943,634
Placements from banks and non-bank financial institutions	420,221	521,553	349,638
Financial liabilities measured at fair value through profit or loss	431,334	281,597	254,079
Negative fair value of derivatives	48,525	33,782	81,956
Financial assets sold under repurchase agreements	30,765	114,658	56,725
Deposits from customers	17,108,678	18,366,293	20,614,976
Accrued staff costs	36,213	39,075	35,460
Taxes payable	77,883	86,635	84,161
Provisions	37,928	42,943	54,114
Debt securities issued	775,785	1,076,575	940,197
Deferred tax liabilities	485	457	1,551
Other liabilities	281,414	415,435	545,240
Total liabilities	21,231,099	23,201,134	25,742,901
Equity:			
Share capital	250,011	250,011	250,011
Other equity instruments			
Preference shares	79,636	79,636	59,977
Perpetual bonds	–	39,991	39,991
Capital reserve	134,537	134,537	134,263
Other comprehensive income	18,451	31,986	15,048
Surplus reserve	223,231	249,178	275,995
General reserve	279,725	314,389	350,228
Retained earnings	990,872	1,116,529	1,239,295
Total equity attributable to equity shareholders of the Bank	1,976,463	2,216,257	2,364,808
Non-controlling interests	15,131	18,870	24,545
Total equity	1,991,594	2,235,127	2,389,353
Total liabilities and equity	23,222,693	25,436,261	28,132,254

Note:

(1) In 2020, the Group re-classified related fee receivables from Other Assets to Loans and Advances to Customers. For the comparative figures in 2019, there was re-classification of RMB1,334 million between the Loans and Advances to Customers and Other Assets. As a result, the amount of Other Assets decreased from RMB195,461 million to RMB194,127 million and the amount of Loans and Advances to Customers increased from RMB14,540,667 million to RMB14,542,001 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

	For the year ended 31 December		
	2018	2019	2020
		(audited)	
	(RMB millions, unless otherwise stated)		
Interest income	811,026	909,885[(1)]	989,509
Interest expense	(324,748)	(372,819)	(413,600)
Net interest income	486,278	537,066[(1)]	575,909
Fee and commission income	138,017	126,667[(1)]	131,512
Fee and commission expense	(14,982)	(15,769)[(1)]	(16,930)
Net fee and commission income	123,035	110,898[(1)]	114,582
Net trading gain	12,614	9,120	4,313
Dividend income	773	1,184	3,182
Net gain arising from investment securities	3,444	9,093	5,765
Net gain/(loss) on derecognition of financial assets measured at amortised cost	(2,241)	3,359	4,649
Other operating income, net:			
– Other operating income	35,918	36,127	47,874
– Other operating expense	(26,049)	(28,846)	(42,050)
Other operating income, net	9,869	7,281	5,824
Operating income	633,772	678,001	714,224
Operating expenses	(174,764)	(188,132)	(188,574)
	459,008	489,869	525,650
Credit impairment losses	(151,109)	(163,000)	(193,491)
Other impairment losses	121	(521)	3,562
Share of profit of associates and joint ventures	140	249	895
Profit before tax	308,160	326,597	336,616
Income tax expense	(52,534)	(57,375)	(63,037)
Net profit	255,626	269,222	273,579
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	(296)	199	479
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	120	444	(279)
Others	43	59	24
Subtotal	(133)	702	224
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income	35,887	9,005	(9,108)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	303	1,624	(762)
Reclassification adjustments included in profit or loss due to disposals	(149)	(175)	(491)
Net loss on cash flow hedges	(267)	(292)	(61)
Exchange difference on translating foreign operations	2,573	2,682	(6,720)
Subtotal	38,347	12,844	(17,142)
Other comprehensive income for the year, net of tax	38,214	13,546	(16,918)
Total comprehensive income for the year	293,840	282,768	256,661
Net profit attributable to:			
Equity shareholders of the Bank	254,655	266,733	271,050
Non-controlling interests	971	2,489	2,529
	255,626	269,222	273,579
Total comprehensive income attributable to:			
Equity shareholders of the Bank	292,705	280,268	254,112
Non-controlling interests	1,135	2,500	2,549
	293,840	282,768	256,661
Basic and diluted earnings per share (in RMB Yuan)	1.00	1.05	1.06

Note:

(1) In 2020, the Group re-classified Interest Income and Net Fee and Commission Income. For the comparative figures in 2019, there was a re-classification of RMB26,386 million between Interest Income and Net Fee and Commission Income. As a result, the amount of Interest Income increased from RMB883,499 million to RMB909,885 million, the amount of Fee and Commission Income decreased from RMB155,262 million to RMB126,667 million, the amount of Fee and Commission Expense decreased from RMB17,978 million to RMB15,769 million and the amount of Net Fee and Commission Income decreased from RMB137,284 million to RMB110,898 million.

SUMMARY OF THE PROGRAMME

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

Bank	China Construction Bank Corporation 中國建設銀行股份有限公司
Hong Kong Branch	China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行
Issuer	The Bank, the Hong Kong Branch or such branch of the Bank as specified in the relevant Pricing Supplement as being the Issuer of a Series of Notes.
Description	Medium Term Note Programme.
Arrangers	China Construction Bank (Asia) Corporation Limited and The Hongkong and Shanghai Banking Corporation Limited.
Dealers	China Construction Bank (Asia) Corporation Limited, The Hongkong and Shanghai Banking Corporation Limited and any other Dealers appointed in accordance with the Dealer Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" and the relevant Pricing Supplement) including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are received in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Fiscal Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
CMU Lodging and Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)

Programme Size	Up to U.S.$15,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") outstanding at any time. The Bank or the Hong Kong Branch may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution.	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies.	Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Fixed Rate Notes.	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.
Floating Rate Notes.	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark, please see Condition 5(b)(iii)(C)); or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

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

Taxation	All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without deduction for or on account of withholding taxes imposed by the PRC and, if the Issuer is a branch of the Bank, the jurisdiction where that branch is located, or in each case any political subdivision or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Events of Default	Events of Default for the Notes are set out in Condition 10.
Cross Acceleration	The terms of the Notes will contain a cross-acceleration provision as further described in Condition 10(c).
Status of the Notes	The Notes and the Receipts and the Coupons relating to them will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, ranking *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange during the 12-month period after the date of this Offering Circular. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies). Application has been made to the SGX-ST for permission to deal in, and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S$200,000 (or its equivalent in other currencies). The Notes may also be listed on the Hong Kong Stock Exchange, the SGX-ST and on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued.

	The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Ratings	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons may be brought in such courts.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong, the PRC, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*" and the relevant Pricing Supplement.
United States Selling Restrictions	Regulation S, Category 1 or 2, as specified in the applicable Pricing Supplement. Whether TEFRA C or D rules apply or whether TEFRA is not applicable will be specified in the applicable Pricing Supplement.
Clearing Systems.	The CMU Service, Euroclear, Clearstream and/or any other clearing system as specified in the applicable Pricing Supplement. See "*Form of the Notes*".

FORM OF THE NOTES

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

BEARER NOTES

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

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and/or the CMU Lodging and Paying Agent and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream) Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined in "*Terms and Conditions of the Notes*"). On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that the purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited as being held with the CMU Service in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment. For these purposes, a notification from the CMU Service shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error). Save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

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

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

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

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

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

REGISTERED NOTES

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

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

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

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

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

TRANSFER OF INTERESTS

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

GENERAL

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

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

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (Hong Kong time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer and the Bank on the basis of statements of account provided by Euroclear, Clearstream and/or the CMU Service on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 9 April 2021 and executed by the Bank and the Hong Kong Branch.

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

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

FORM OF PRICING SUPPLEMENT

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

[**MiFID II product governance/Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients only, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[.]/[; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**)]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[.]/[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.] Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.] *(For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.)*]

Pricing Supplement dated [●]

China Construction Bank Corporation 中國建設銀行股份有限公司/
China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行/
[specify other foreign branch]

([a branch of China Construction Bank Corporation, which is] a joint stock company incorporated in the People's Republic of China with limited liability)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$15,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 9 April 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated 9 April 2021 [and the supplemental Offering Circular dated [*date*]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the supplemental Offering Circular dated [●]] and this Pricing Supplement. In particular, investors in the Notes should read the section titled "Risk Factors" contained therein which applies to the issue of Notes described herein.

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

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

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

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Professional Investors**")) only.

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

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Offering Circular dated 9 April 2021 [and the supplemental Offering Circular dated [●]]) includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[The following language applies if the Notes are to be listed on The Singapore Exchange Securities Trading Limited

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

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

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

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

1 If the specified currency is Hong Kong dollars, the relevant Notes may be subject to Hong Kong stamp duty. Hong Kong tax advice should be sought before issuance.

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

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

8.	Maturity Date:	[*Specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][4]
		[*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]*]
9.	Interest Basis:	[[●] per cent. Fixed Rate]
		[*[LIBOR/EURIBOR/HIBOR/CNH HIBOR/Specify reference rate]+/- [●] per cent. Floating Rate*].
		[Zero Coupon]
		[Index Linked Interest]
		[Other (*Specify*)]
		(further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par]
		[Index Linked Redemption]
		[Dual Currency]
		[Partly Paid]
		[Instalment]
		[Other (Specify)]
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options:	[Put Option]
		[Call Option]
		[(further particulars specified below)]
13.	Listing:	[Hong Kong/Singapore/Other (*specify*)/None]
14.	Method of distribution:	[Syndicated/Non-syndicated]

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

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly/other (specify)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year[5] [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted*]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[6]
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*][7]
	(v) Day Count Fraction (Condition 5(j)):	[30/360/Actual/Actual-ISDA/Actual/Actual-ICMA/ Actual/365(Fixed)[8]/*specify other*] (*Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars, Renminbi or Hong Kong dollars*)
	(vi) Denomination Date(s) (Condition 5(j)):	[Not applicable/give details][9]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[Not applicable/give details]
	(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not applicable/give details]

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

6 See FN 2.

7 See FN 2. Only relevant where corporate (or similar) authorisation is required for the particular tranche of Notes.

8 Applicable to Renminbi and Hong Kong dollar denominated Fixed Rate Notes.

9 Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICM.

16.	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●] *(Not applicable unless different from the Interest Payment Date(s))*
	(iii) Interest Period Date:	[●] (Not applicable unless different from the Interest Payment Date)
	(iv) Interest Commencement Date:	[●]
	(v) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
	(vi) Business Centre(s) (Condition 5(j)):	[Not Applicable/*give details*]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/Screen Rate Determination (SOFR)/ISDA Determination/other (*give details*)]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
	(ix) Screen Rate Determination (Condition 5(b)(iii)(B)):	
	• Reference Rate:	LIBOR/EURIBOR/HIBOR/CNH HIBOR, *Specify reference rate*
	• Interest Determination Date(s):	[●] [TARGET] *Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date*]
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time]*]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]

(x) Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C)):

• Reference Rate:	SOFR Benchmark – [Simple SOFR Average/ Compounded SOFR Average/SOFR Index Average]
• Compound SOFR Average Method:	[Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout – *used for Compound SOFR Average only*]
• Interest Determination Date(s):	[The [●] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period – *only applicable in the case of Simple SOFR Average/ SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Index Average*] [The Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date – *only applicable in the case of SOFR Payment Delay*]
• Lookback Days:	[[●] U.S. Government Securities Business Days – *used for SOFR Lag only*]/[Not Applicable]
• SOFR Observation Shift Days:	[[●] U.S. Government Securities Business Days – *used for the SOFR Observation Shift or SOFR Index Average only*]/[Not Applicable]
• SOFR Rate Cut-Off Date:	[The date falling [●] Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable – *used for only Simple SOFR Average (if applicable), Compound SOFR Average – SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
• Interest Payment Delay Days:	[●] Business Days – *used for SOFR Payment Delay only*]/[Not Applicable]
• SOFR $Index_{Start}$:	[Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Index only*]
• SOFR $Index_{End}$:	[Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Index only*]

(xi) ISDA Determination (Condition 5(b)(iii)(A)):

• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]

	•	ISDA Definitions (if different from those set out in the Conditions):	[●]
	•	ISDA Benchmarks Supplement:	[Applicable/Not Applicable]
	(xii)	Margin(s):	[+/-][●] per cent. per annum
	(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
	(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
	(xv)	Day Count Fraction (Condition 5(j)):	[●]
	(xvi)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Event/Benchmark Event (SOFR)/specify if fallback provisions different from those set out in the Conditions]
17.		Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii)	Day Count Fraction (Condition 5(j)):	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
18.		Index-Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula:	[*Give or annex details*]
	(ii)	Party responsible for calculating the Rate(s) of Exchange (if not the Calculation Agent):	[●]
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable:	[●]

	(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(v)	Interest Determination Date(s):	[●]
	(vi)	Interest Accrual Period(s):	[●]
	(vii)	Specified Interest Payment Dates:	[●] (*Not applicable unless different from the Interest Payment Date(s)*)
	(viii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ Other (*give details*)]
	(ix)	Business Centre(s):	[●]
	(x)	Minimum Rate of Interest:	[●] per cent. per annum
	(xi)	Maximum Rate of Interest:	[●] per cent. per annum
	(xii)	Day Count Fraction (Condition 5(j)):	[●]
19.	Dual Currency Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/Method of calculating Rate of Exchange:	[(*give details*)]
	(ii)	Party responsible for calculating the Rate(s) of Exchange (if not the Calculation Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v)	Day Count Fraction (Condition 5(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

20.	Call Option:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]
21.	Put Option:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
22.	Final Redemption Amount of each Note:	[●] per Calculation Amount
23.	Early Redemption Amount:	[●]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, where otherwise specified herein, Condition 6(d) or Condition 6(e)) or an Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	Bearer Notes: [*delete as appropriate*] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][10] [Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.] Registered Notes: [Registered Notes may not be exchanged for Bearer Notes. Global Certificate exchangeable for Certificates in the limited circumstances described in the Global Certificate.]
25.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/give details. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which items 16(v) and 18(ix) relate*]
26.	Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]

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

28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30.	Other terms or special conditions:	[Not Applicable/*give details*][11]

DISTRIBUTION

31.	(i) If syndicated, names of Managers:	[Not Applicable/*give name*]
	(ii) Date of Subscription Agreement:	[●]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of the relevant Dealer:	[Not Applicable/*give name and address*]
33.	U.S. Selling Restrictions:	Reg. S Category [1/2]; [TEFRA C/TEFRA D/TEFRA Not Applicable]
34.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
35.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
36.	Additional selling restrictions:	[Not Applicable/*give details*]

YIELD

37.	Indication of yield:	[●]

[11] If full terms and conditions are to be used, please add the following here:

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

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

OPERATIONAL INFORMATION

38.	ISIN Code:	[●]
39.	Common Code:	[●]
40.	CMU Instrument Number:	[●]
41.	Legal Entity Identifier:	[●]
42.	Any clearing system(s) other than Euroclear/Clearstream and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
43.	Delivery:	Delivery [against/free of] payment
44.	Additional Paying Agent(s) (if any):	[●]
45.	Ratings:	[●]

GENERAL

46.	The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
47.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable]
48.	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable]
49.	Private Bank Rebate/Commission:	[Applicable/Not Applicable]
50.	(i) [Date of [Board] approval for issuance of Notes obtained:]	[●] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
	(ii) Date of any regulatory approval for the issuance of the Notes:	[NDRC Registration Certificate dated [●]/Not Applicable/*specify other applicable regulatory approvals*]

[**USE OF PROCEEDS**

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

[LISTING

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$15,000,000,000 Medium Term Note Programme of China Construction Bank Corporation 中國建設銀行股份有限公司 and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行.]

[STABILISATION

In connection with the issue of any Tranche of Notes, the Managers or Dealer(s) (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the price of the Notes of the series at a level higher than that which might otherwise prevail for a limited period after the issue date of the relevant Tranche of Notes. However, there is no obligation on such Stabilisation Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][12] has been no significant change in the financial or trading position of the Issuer or of the Group since [●] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [●].]

RESPONSIBILITY

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

[*The following signature block is to be signed if the Issuer is not the Hong Kong Branch.*]

[Signed on behalf of **CHINA CONSTRUCTION BANK CORPORATION[, Branch]**:

By: ______________________

Duly authorised]

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

By: ______________________

Duly authorised

---

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

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are part of a Series (as defined below) of Notes issued by the issuer specified hereon (the "**Issuer**") and are issued pursuant to a fiscal agency agreement (as amended, restated or supplemented as at the Issue Date, the "**Fiscal Agency Agreement**") dated 9 April 2021 which has been entered into in relation to the Notes between China Construction Bank Corporation (the "**Bank**") (on behalf of itself and on behalf of any of its branches other than the Hong Kong Branch (as defined below)), China Construction Bank Corporation Hong Kong Branch (the "**Hong Kong Branch**"), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as fiscal agent, CMU lodging and paying agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended, restated or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 9 April 2021 executed by the Bank (on behalf of itself and on behalf of any of its branches other than the Hong Kong Branch) and the Hong Kong Branch in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**" (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar and Transfer Agent(s) being together referred to as the "**Agents**"). For the purposes of these terms and conditions (the "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during usual business hours at the specified offices of the Paying Agents.

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

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

If specified hereon that the Issuer is the Hong Kong Branch or such other branch of the Bank, notwithstanding that the Issuer is not a separate and independent legal person of the Bank, any obligations of the Bank under these Conditions shall be construed subject to, and in accordance with, applicable law.

1. FORM, DENOMINATION AND TITLE

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

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

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

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

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

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

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

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

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

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

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

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

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

3. STATUS

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

4. OTHER COVENANTS

Where the NDRC Circular and/or the PBOC Circular applies to the Tranche of Notes to be issued, each of the Issuer and/or the Bank undertakes to provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Notes to the NDRC, PBOC and/or SAFE within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Circular and/or the PBOC Circular.

In these Conditions:

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

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

"**PBOC**" means the People's Bank of China;

"**PBOC Circular**" means the Macro-Prudential Management of Cross-Border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the PBOC and which came into effect on 12 January 2017, and any implementation rules as issued by the PBOC from time to time; and

"**SAFE**" means the State Administration of Foreign Exchange or its local counterparts.

5. INTEREST AND OTHER CALCULATIONS

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

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

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

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

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

(A) *ISDA Determination for Floating Rate Notes*

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

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

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

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

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

(B) *Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)*

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

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

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

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

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

be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

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

(C) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark*

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "SOFR Benchmark" will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Index Average (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 5(b)(v)):

x. If Simple SOFR Average ("Simple SOFR Average") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Accrual Period.

y. If Compounded SOFR Average ("Compounded SOFR Average") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).

   Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

   i. SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**$\mathbf{SOFR_{i\text{-}xUSBD}}$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**$\mathbf{d_o}$**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period; and

"**$\mathbf{n_i}$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_{i\text{-}xUSBD}$ applies.

ii. SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**$\mathbf{SOFR_i}$**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**SOFR Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

iii. SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**Interest Payment Delay Days**" means the number of Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period; and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

iv. SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"$SOFR_i$" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i", except that the SOFR for any U.S. Government Securities Business Day 'i" in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period; and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which $SOFR_i$ applies.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

i. the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

ii. if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

iii. if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply;

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

z. If SOFR Index Average ("**SOFR Index Average**") is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Accrual Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 being rounded upwards) and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time, *provided that* if such SOFR Index value is not available and:

(i) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "**SOFR Index Average**" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded SOFR Average formula described above in Condition 5(b)(iii)(C)(y)(ii) (*SOFR Observation Shift*); or

(ii) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply;

"**SOFR Index$_{End}$**" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the last day of such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{Start}$**" means the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the first day of the relevant Interest Accrual Period;

"**SOFR Index Determination Time**" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day; and

"**d_c**" means the number of calendar days from (and including) the day in relation to which SOFR Index$_{Start}$ is determined to (but excluding) the day in relation to which SOFR Index$_{End}$ is determined (being the number of calendar days in the applicable reference period).

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Rate Cut-Off Date**" has the meaning given in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" or "**USBD**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) ***Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)***: In addition, notwithstanding the provisions of this Condition 5(b), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified hereon when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Accrual Period (the "IA Determination Cut-off Date"), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(B) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Accrual Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iv)); provided, however, that if sub-paragraph (B) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Accrual Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate of Interest that applied to such preceding Interest Accrual Period for the Margin, Maximum Rate of Interest or Minimum Rate of Interest that is to be applied to the relevant Interest Accrual Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iv));

(D) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(iv). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

(E) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent, Noteholders and Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

(v) ***Benchmark Replacement (SOFR)***: The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

(A) *Benchmark Replacement*

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(v). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(v), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(D) The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C) and 5(b)(v):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the sum of:

(a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(b) the Benchmark Replacement Adjustment;

(ii) the sum of:

(a) the ISDA Fallback Rate; and

(b) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraph (i) or (ii) of the definition of "Benchmark Event", the later of:

(x) the date of the public statement or publication of information referenced therein; and

(y) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where SOFR Index Average is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

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

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

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

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

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

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

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

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

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

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

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

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

(j) **Definitions**: In these Conditions (other than in Conditions 5(b)(iii)(C) and 5(b)(v)), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means (a) a spread (which may be positive or negative or zero) or (b) a formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders.

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate:

(i) such Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of such Reference Rate that it has ceased or will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used either generally or in respect of the Notes or that its use will be subject to restrictions or adverse consequences;

(v) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

(vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate,

provided that in the case of sub-paragraphs (ii), (iii) and (iv) of this definition, the Benchmark Event shall occur on the date of the cessation of publication of such Reference Rate, the discontinuation of such Reference **Rate**, or the prohibition of use of such Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Business Day**" means:

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

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

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

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

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

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

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

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

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

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

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

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

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

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

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

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

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

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

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

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

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

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

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

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

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

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

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

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

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

where:

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

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

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

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense.

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

"**Interest Amount**" means:

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

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

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

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro, Hong Kong dollars, Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR provided that in this definition, "Business Day" shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London or Hong Kong (as the case may be).

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

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

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified hereon)) published by the International Swaps and Derivatives Association, Inc.

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

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

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon. "Relevant Nominating Body" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

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

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

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

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

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

6. REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption:**

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

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

(b) **Early Redemption:**

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition

6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

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

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

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

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

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition

6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

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

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

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

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

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

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

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

7. PAYMENTS AND TALONS

(a) **Bearer Notes:**

(i) In relation to Bearer Notes not held in the CMU, payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

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

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

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

(ii) In relation to Bearer Notes held in the CMU, payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time.

(b) **Registered Notes:**

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

(ii) In relation to Registered Notes not held in the CMU, interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**") and in the manner provided in Condition 7(b)(iii) below.

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

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

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

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

(iv) In relation to Registered Notes held in the CMU, payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time.

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

Payment of interest or principal by the in respect of a Global Certificate held through CMU shall be made to the person(s) for whose account(s) interests in the Global Certificate are credited as being held with the CMU Service at the relevant time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. TAXATION

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

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

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

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

As used in these Conditions:

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

(ii) ″**Tax Jurisdiction**" means (A) the PRC and, (B) if the Issuer is a branch of the Bank, the jurisdiction where that branch is located, or in each case any political subdivision or any authority therein or thereof having power to tax.

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

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

9. PRESCRIPTION

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

10. EVENTS OF DEFAULT

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

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

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

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

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

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

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

In these Conditions:

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

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

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

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

11. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Noteholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any

Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 66⅔ per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

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

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

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

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

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

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

13. FURTHER ISSUES

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

14. NOTICES

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

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

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear, Clearstream or the CMU or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that if the Notes are listed on the SGX-ST, and the rules of the SGX-ST so require, notice will in any event also be published on the website of the SGX-ST.

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

16. CURRENCY INDEMNITY

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

17. GOVERNING LAW AND JURISDICTION

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

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

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

USE OF PROCEEDS

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

RISK FACTORS

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

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

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

RISKS RELATING TO THE BANK'S BUSINESS

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

The Group has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit.

While the International Monetary Fund expects global economic growth to be 5.5 per cent. in 2021, there are a number of uncertainties ahead. The escalating tensions between the PRC and the United States, including ongoing trade disputes and deterioration in diplomatic relations, have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Some of these tensions have manifested themselves through actions taken and sanctions imposed by the governments of the United States and the PRC in 2020 and early 2021. The United States has imposed a range of sanctions and trade restrictions on Chinese persons and companies, focusing on entities the United States believes are involved in human rights violations, information technology and communications equipment and services, and military activities, among others. In response, the PRC has announced a number of sanctions and trade restrictions that target or provide authority to target foreign officials and companies, including those in the United States. Heightened geopolitical tensions between the United States and the PRC continue to cause significant uncertainty in the global macroeconomy.

The outbreak of the coronavirus disease 2019 ("**COVID-19**") and its spread worldwide have introduced and are expected to continue to introduce uncertainty and volatility in global markets, and the future effects of the pandemic are uncertain. The COVID-19 pandemic necessitated that governments respond at unprecedented levels to protect public health, local economies and livelihoods. It has affected regions at different times and varying degrees as it has developed. The varying government support measures and restrictions imposed in response to the COVID-19 pandemic have added challenges, given the rapid pace of change and significant operational demands. The speed at which countries and territories will be able to unwind the government support measures and restrictions and return to pre COVID-19 economic levels will vary based on the levels of infection, local governmental decisions and access to and ability to roll out vaccines. There remains a risk of subsequent waves of infection, as evidenced by the recently emerged variants of the virus. Renewed outbreaks emphasise the ongoing threat of COVID-19 even in countries that have recorded lower than average cases so far.

Government restrictions imposed around the world to limit the spread of COVID-19 resulted in a sharp contraction in global economic activity during 2020. At the same time, governments also took steps designed to soften the extent of the damage to investment, trade and labour markets. Economic activity recovered unevenly in the second half of 2020 as some jurisdictions imposed renewed restrictions in the fourth quarter in response to a resurgence in COVID-19 cases. While a number of vaccine candidates have announced high efficacy rates, raising hopes of widespread immunisation from COVID-19 being achieved by the end of 2021 and government restrictions being eased, the rollout of vaccination programmes could be uneven across markets, hampering the global pace of recovery even as individual markets return to pre-pandemic levels of activity.

There is a material risk of a renewed drop in economic activity. The economic fallout from the COVID-19 pandemic risks increasing inequality across markets that have already suffered from social unrest. This leaves the burden on governments and central banks to maintain or increase fiscal and monetary stimulus. After financial markets suffered a sharp fall in the early phases of the spread of COVID-19, they rebounded but still remain volatile. Depending on the degree to which global economic growth suffers permanent losses, financial asset prices may suffer a further sharp fall. Depending on the time taken for economic activity to return to previous levels, there could be further adverse impacts on the Bank income due to lower lending and transaction volumes.

The Group has duly implemented various policies issued by the central government, as well as requirements of the Notice on Further Enhancing Financial Support for the Prevention and Control of the Novel Coronavirus Pneumonia Outbreak (關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知), which was jointly published by the People's Bank of China ("**PBOC**"), the PRC Ministry of Finance ("**MOF**"), the CBIRC, the China Securities Regulatory Commission ("**CSRC**") and the State Administration of Foreign Exchange ("**SAFE**"), and strengthened financial support for the prevention and control of the pandemic. COVID-19 has affected the operation of businesses in certain areas and industries to varying degrees, which may in turn affect the quality or the yields of the Group's credit assets and other financial assets, the extent of which will depend on factors including evolvement of the pandemic, macro policies, resumption of work and activities in enterprises. The Group is closely monitoring the evolvement of COVID-19 and in 2020 actively addressed the impact of COVID-19 by continuously improving the quality and efficacy of operation and development, but there remains significant uncertainties in assessing the duration of the COVID-19 pandemic and its impact. A continued period of significantly reduced economic activity as a result of the impact of the COVID-19 pandemic could have a material adverse effect on the Bank's financial condition, results of operations, prospects, liquidity, capital position and credit ratings. Please also refer to "*Risk Factors – Risks Relating to the Bank's Business – Any force majeure events, including occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19) may have an adverse effect on the Bank's business operations, financial condition and results of operations*" and "*Recent Developments – Impact of COVID-19 pandemic and the Group's main countermeasures*".

In addition, as the COVID-19 outbreak hampers business activities in the world, including China, the China Banking and Insurance Regulatory Commission ("**CBIRC**") has promulgated a series of measures to relax credit controls and increase financial support to small and medium-sized enterprises ("**SMEs**") to combat the challenges arising from the COVID-19 outbreak. In particular, it has encouraged banking institutions to increase lending to SMEs by lowering loan rates and increasing the amounts these enterprises could borrow. However, SMEs are more vulnerable to fluctuations in the macroeconomy and the adverse impact brought by major economic crisis or regulatory changes. In addition, these enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may increase significantly if a large number of its SMEs clients are affected by major economic crisis or regulatory changes. As a result, this may have an impact on the Bank's overall risk profile and quality of the loan portfolio, which could in turn materially and adversely affect its business, financial condition and results of operations. Separately, there can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular those relating to loans to SMEs (e.g. incentive policies to encourage lending to SMEs), will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations.

Furthermore, global economic fluctuations have also had significant impacts on the global economy and on the Group. First, a rise in global trade protectionism will negatively impact the trade-dependent economies in Asia. Second, the interplay of U.S. fiscal and monetary policies, and aggressive quantitative easing programmes in Japan and Europe may lead to more volatile global capital flows, which could in turn impact global growth. Third, in the United Kingdom ("**UK**") a remain-or-leave referendum on its membership within the European Union ("**EU**") was held in June 2016, the result of which favoured the exit of the UK from the EU ("**Brexit**"). On 31 January 2020, the UK officially exited the EU following a UK-EU Withdrawal Agreement signed in October 2019. The UK and the EU signed the Brexit trade deal on 30 December 2020 and the UK completed its separation from the EU with effect from 1 January 2021. While the UK and the EU had reached the trade deal, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. These could include falls in stock exchange indices, a fall in the value of the key trading currencies such as the Euro and/or greater volatility of markets in general due to the increased uncertainty. Fourth, financial market volatility and increased uncertainty may have a broader global economic impact that may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

To the extent uncertainty regarding the economic outlook negatively impacts consumer confidence and consumer credit factors globally, the Group's business and results of operations could likewise be significantly and adversely affected.

Investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both emerging and developed economies which leads to risks for all financial institutions, including the Group. In addition, the Group remains subject to the risks posed by the indirect economic effect of the global credit crisis, some of which cannot be anticipated and the vast majority of which are not under its control. The Group also remains subject to counterparty risk arising from financial institutions that can fail or are otherwise unable to meet their obligations under their contractual commitment to the Group. If there is another global or regional financial crisis or a downturn in the economic condition of the Group's primary markets, this would likely have a material adverse effect on the Group's business, financial condition and results of operations.

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

As at 31 December 2020, the Bank's corporate loans and advances to the domestic (i) transportation, storage and postal services industries; (ii) manufacturing industry; (iii) leasing and commercial services industries; (iv) production and supply of electric power, heat, gas and water industries; and (v) wholesale and retail trade industries accounted for 9.45 per cent., 7.73 per cent., 8.36 per cent., 4.93 per cent. and

4.35 per cent. of the Bank's total loans and advances to customers, respectively. If any of these industries in which the Bank's loans are highly concentrated experiences a significant downturn, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

Any significant or extended downturn in any of these sectors may reduce the borrowing activities in these sectors, as well as increase the level of the Bank's impaired loans and related provisions for impaired loans, any of which could in turn reduce its net profit and adversely affect its business, financial condition and results of operations.

The Bank is also exposed to the fluctuations of the real estate market through its extension of personal residential mortgage loans and individual commercial property mortgage loans. The Bank's real estate related loans mainly include both corporate real estate loans and personal residential mortgage loans. As at 31 December 2020, corporate real estate loans amounted to RMB687,504 million, representing 4.11 per cent. of the Group's gross loans and advances to customers, and its corresponding non-performing loan ("**NPL**") ratio was 1.31 per cent. As at 31 December 2020, personal residential mortgages amounted to RMB5,830,859 million, representing 34.73 per cent. of the Group's gross loans and advances to customers and its corresponding NPL ratio was 0.19 per cent. Notwithstanding prudential measures the Bank has put in place to maintain a portfolio of high quality real estate loans with sustainable growth, including imposing stringent standards for the acceptance of new customers for personal residential mortgage loans, the PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. In the event that PRC real estate prices experience a significant prolonged decline, the Bank's asset quality will likely be negatively affected. Further, the PRC government has already implemented and continues to implement certain adjustment measures aimed at managing the fluctuations of the real estate market. These policies may have an adverse effect on the quality as well as the rate of growth of loans extended to the real estate industry. In addition, if the real estate market in China experiences a significant downturn, the value of the real estate securing the Bank's loans may decrease, resulting in a reduction in the amount the Bank can recover. Any of the above developments or a combination thereof may adversely affect the Bank's asset quality, business, financial condition and results of operations, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

Since 2012, with the aim of reinforcing the risk management of loans to local government financing vehicles ("**LGFV**"), the PRC State Council ("**State Council**"), the CBIRC and the PBOC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to further optimise and strengthen their risk management measures regarding their loans to LGFV. The Bank has adopted a series of measures such as imposing stringent controls on granting loans to LGFV and strengthening credit related policies to manage and control the risks associated with loans to LGFV. Unfavourable developments in macroeconomic conditions, adverse changes to state policies, the financial condition of local governments and other factors may adversely affect the debt repayments of these financing platforms, which may in turn adversely affect the Bank's asset quality, financial condition and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

While the Bank introduced heightened criteria in 2009 to manage the risks associated with LGFV loans, including stricter requirements for guarantees, it cannot be assured that these loans will not default in the event of macroeconomic instability or other policy changes introduced by the PRC government. Given their importance to the composition of the Bank's loan portfolio, the default of any portion of such loans for any reason may affect its loan quality and will adversely affect its business, financial position and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes. At the end of 2020, the Group's gross loans and advances to customers stood at RMB16.79 trillion, an increase of RMB1.76 trillion or 11.74 per cent. over 2019, mainly due to the increase in domestic loans; its NPL ratio as at 31 December 2020 was 1.56 per cent., representing an increase of 0.14 per cent. as compared to the corresponding ratio as at 31 December 2019. As at 31 December 2020, the NPL ratio for corporate loans and advances was 2.56 per cent., representing an increase of 0.09 per cent. from 31 December 2019, and the NPL ratio for personal loans and advances was 0.41 per cent., which was the same as that at 31 December 2019. The NPL ratio for overseas operations and subsidiaries as at 31 December 2020 was 1.95 per cent., representing an increase of 0.71 per cent. from 31 December 2019.

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

As at 31 December 2020, the balances of the Group's unsecured loans, guaranteed loans, loans secured by property and other immovable assets and other pledged loans were RMB5,397,481 million, RMB2,222,110 million, RMB7,703,618 million and RMB1,422,559 million, respectively, accounting for 32.15 per cent., 13.24 per cent., 45.89 per cent. and 8.47 per cent. of the Group's gross loans and advances to customers, respectively. If there is substantial deterioration in the business condition of a borrower which adversely affects the borrower's ability to repay, the Bank may not be able to recover the amounts lent under credit loans, which will in turn adversely affect the Bank's financial position and results of operations, and may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. Guaranteed loans are loans that are guaranteed by affiliates of the borrower or other third parties. Notwithstanding the fact that such loans are guaranteed, the Bank's exposure to the guarantor is generally unsecured and if the financial position of the guarantor deteriorates significantly, its ability to recover such loans will correspondingly deteriorate. Furthermore, the guarantee provided by such guarantor may be determined by the court as invalid if the guarantor fails to comply with certain laws and regulations in the PRC, including the "PRC Civil Code", "Interpretation of Supreme People's Court on Application of the Security System under the PRC Civil Code" and "Interpretation of the Supreme People's Court on the Application of Real Right Part of the PRC Civil Code (I)". A significant percentage of the Bank's loan portfolio is secured by collateral, consisting mainly of domestic assets such as properties, land use rights and securities. The value of the collateral is generally higher than the amount loaned but such value is affected by factors the Bank cannot control including those affecting the PRC economy. If the PRC economy deteriorates, it could result in a decrease in the value of the collateral which will lead to the reduction of the amount of the loan that can be recovered. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted, and the enforcement process in China may be difficult. According to a judicial interpretation issued by the Supreme Court of the PRC, effective from 21 November 2004 and amended in December 2008 and December 2020, the court may seal up the collateral necessary for the life of the borrower and his dependent family members, but shall not auction, sell or use it to pay a debt. As a result, it may be difficult and time-consuming for banks to take control of or liquidate the collateral securing NPLs. Accordingly, if a borrower fails to repay and if the Bank is not able to timely realise the entire or sufficient part of the value of collateral, pledged assets or guarantees represented, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

The Bank's results of operations have been negatively affected by its NPLs, which may continue to affect the Bank's current and future business performance. As at 31 December 2020, the amount of the Group's NPLs was RMB260,729 million and the NPL ratio was 1.56 per cent., representing an increase of 0.14 per cent.as compared to the corresponding ratio as at 31 December 2019. As at 31 December 2020, the NPL ratio for corporate loans and advances was 2.56 per cent., representing an increase of 0.09 per cent. from 31 December 2019, and the NPL ratio for personal loans and advances was 0.41 per cent., which was the same as that at 31 December 2019. The NPL ratio for overseas operations and subsidiaries as at 31 December 2020 was 1.95 per cent., representing an increase of 0.71 per cent. from 31 December 2019. The NPL ratio for credit card loans as at 31 December 2020 was 1.40 per cent., representing an increase of 0.37 per cent. from 31 December 2019.

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

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

As at 31 December 2020, the Group's allowance for impairment losses on loans was RMB556,063 million, and the ratio of its allowance for impairment losses to total assets was 1.98 per cent. The amount of the allowance for impairment losses to loans is based on the Bank's current assessment of and expectations concerning various factors that may affect the quality of its loan portfolio. These factors include, among other things, the borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral and the likelihood of support from guarantors, as well as the PRC's economy, macroeconomic policies, interest rates, exchange rates and legal and regulatory environment. The above-mentioned factors are beyond the Bank's control. If the Bank's assessment of and expectations concerning these factors differ from actual developments in the future, or if the quality of its loan portfolio deteriorates, its allowance for impairment losses may not be adequate to cover its actual losses and the Bank may need to make additional provisions for impairment losses, which may adversely affect its business, financial condition and results of operations and, in turn, may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

The Bank has expanded and intends to continue to expand the range of its products and services. As at 31 December 2020, the Group had 33 overseas institutions and 19 major subsidiaries with a total of 595 entities, including 422 domestic ones and 173 overseas ones, covering 30 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, the U.S., the U.K., Vietnam, Australia, Russia, the United Arab Emirates, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, Chile, Indonesia, Malaysia, Poland and Kazakhstan and maintained wholly-owned operating subsidiaries including China Construction Bank (Asia) Corporation Limited ("**CCB Asia**"), China Construction Bank (London) Limited ("**CCB London**"), China Construction Bank (Russia) Limited Liability Company ("**CCB Russia**"), China Construction Bank (Europe) S.A. ("**CCB Europe**"), China Construction Bank (New Zealand) Limited ("**CCB New Zealand**"), China Construction Bank (Brasil) Banco Múltiplo S.A. ("**CCB Brasil**") and China Construction Bank (Malaysia) Berhad ("**CCB Malaysia**") and held 60 per cent. of the total share capital of PT Bank China Construction Bank Indonesia Tbk ("**CCB Indonesia**"). Expansion of its business activities exposes the Bank to a number of risks and challenges, including the following:

- the Bank may have limited or no experience in certain new business activities or geographies and may not be able, or may take a relatively long period, to compete effectively in these areas;
- the Bank may not be able to devote sufficient resources or management capacity to certain new business activities or geographies;
- there is no guarantee that the new business activities will meet the Bank's expectations of their profitability;
- the Bank may not be able to hire new personnel or retrain existing personnel who are able to conduct new business activities; and
- the Bank may not be able to continually add to the capability of its risk management and information technology systems to support a broader range of activities.

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

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

The Bank is subject to liquidity risk

The Bank regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 31 December 2020, the loan-to-deposit ratio of the Group was 78.49 per cent., which increased as compared to a loan-to-deposit ratio of 77.68 per cent. as at 31 December 2019 and a loan-to-deposit ratio of 73.71 per cent. as at 31 December 2018. Customer deposits have historically been the main source of the Bank's funding. Generally, the Bank's short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, it cannot be assured that this will continue to be the case. If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank may have no choice but to seek other sources of funding to meet its funding requirements. It cannot be assured that the Bank can find alternative sources of financing based on normal commercial terms when necessary. Furthermore, the Bank's ability to obtain additional funds may also be affected by other factors including factors that the Bank may find difficult to control or be totally incapable of controlling, such as the deterioration of overall market conditions, severe disturbance to the financial market or a bleak outlook for industries where it has substantial credit exposure. Any of these factors could result in adverse effects on the Bank's liquidity, business, financial position and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The adoption of the PRC deposit insurance scheme may adversely affect the Bank's deposit-taking business and financial position

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

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

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

In the ordinary course of the Bank's business, the Bank makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including providing bank acceptances, guarantees, letters of credit and other credit commitments. As at 31 December 2020, the balance of the Group's credit commitments was RMB3,413,530 million, representing an increase of RMB327,723 million as compared to RMB3,085,807 million as at 31 December 2019. The Bank is subject to credit risks on its commitments and guarantees because certain of its commitments and guarantees may need to be fulfilled as a result of the Bank's customers' default. If the Bank is not able to obtain payment from its customers in respect of these commitments and guarantees or enforce its contracts with them, the Bank's business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

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

The Bank has adopted the IFRS 9 expected loss impairment model in recognising and providing for credit losses. The Bank's provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions which do not assess loans under IFRS 9. As a result, the Bank's allowance for impairment losses, as determined under the provisioning policies, may differ from those that would be reported if it was incorporated in those countries or regions.

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

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

The Bank's risk management and internal control policies and procedures may not be effective in completely managing and avoiding all of its risks

In recent years, the Bank has achieved progress in terms of risk management by improving its policies and procedures. However, as the Bank's business continues to develop, the Bank's risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which the Bank is unaware of. In addition, the Bank's risk management capabilities are limited by the information, tools and technologies available to the Bank. Furthermore, the Bank's ability to control market risk and liquidity risk is constrained by the current PRC laws and regulations that restrict the types of financial instruments and investments the Bank may hold. If the Bank is unable to effectively implement the enhanced risk management and internal control policies and procedures, or if the intended results of such policies and procedures are not achieved in a timely manner, its asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

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

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

The Bank may suffer from economic loss, penalties from regulatory institutions and severe damage to its reputation as a result of fraud or other misconduct committed by the Bank's employees or third parties. Types of misconduct conducted by the Bank's employees in the past include, among other things, theft, embezzlement or misappropriation of customers' funds; mishandling of deposits-taking business and settlement of payment transactions; improper extensions of credit; improper accounting; fraud; and the giving or acceptance of bribes. Types of misconduct by third parties which may affect the Bank include, among other things, fraud, theft, robbery and certain armed crimes. In addition, the Bank's employees may commit errors that could subject the Bank to financial claims as well as regulatory actions. While the Bank is constantly strengthening its inspection efforts and increasing its precautionary measures to prevent misconduct by employees and third parties, given the Bank's significant number of branch outlets, it cannot be assured that the Bank can identify and prevent all fraudulent behaviours of misconduct or that the preventive measures the Bank has adopted will be effective in every circumstance. As at 31 December 2020, the Bank had a total of 14,741 operating entities. It cannot be assured that any fraud or other misconduct committed by the Bank's employees or third parties, whether involving past acts that have gone undetected or future acts, will not have an adverse effect on the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

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

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

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

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

According to the "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" ("**CBIRC Capital Regulations**") formulated by the previously-named China Banking Regulatory Commission ("**CBRC**") (now called CBIRC) to implement the Basel III in June 2012 and effected on 1 January 2013, the capital adequacy ratio of different tiers of a commercial bank shall not be lower than the following minimum requirements at any point in time: (i) the core tier 1 capital adequacy ratio shall not be lower than 5 per cent.; (ii) the tier 1 capital adequacy ratio shall not be lower than 6 per cent.; and (iii) the capital adequacy ratio shall not be lower than 8 per cent.; (iv) the capital conservation buffer shall not be lower than 2.5 per cent.; and (v) the countercyclical buffer shall not be lower than 0 to 2.5 per cent. In addition, the Bank as a domestic systemically important bank will also be required to maintain a further 1 per cent. capital surcharge above prevailing core tier 1 capital requirements. Since January 2013, the Bank has calculated its capital adequacy ratio in accordance with these measures.

Furthermore, the Financial Stability Board has identified the Bank as a globally systemically important bank ("**G-SIB**") since November 2017. As a G-SIB, the Bank is required to satisfy heightened capital adequacy ratios pursuant to Basel III. As at 31 December 2020, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with *the Capital Rules for Commercial Banks (Provisional)* issued by CBIRC, were 17.06 per cent., 14.22 per cent. and 13.62 per cent. respectively, meeting the regulatory requirements. In November 2017, the Basel Committee on Banking Supervision further issued new regulations on how banks calculate risk-weighted assets, which are expected to be implemented in 2022. The new regulations focus on enhancing the robustness of standard risk-weighted asset calculation models and limiting the scope of use of banks' internal capital models. If the new regulations are implemented and adopted by the Bank, it may further affect the Bank's future capital raising plan.

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

In order to support a steady growth and development, the Bank may need to raise more capital to ensure that its capital complies with or exceeds the minimum regulatory requirement. In its future plans to raise capital, the Bank may issue any share securities that can contribute towards core tier 1 capital or share or perpetual securities that can contribute towards additional tier 1 capital or any debt securities that can contribute towards additional tier 1 capital or tier 2 capital. For instance, on 14 September 2020, the Bank issued RMB65,000,000,000 4.20 per cent. Domestic Tier 2 Capital Bonds due 2030 ("**Domestic Tier 2 Capital Bonds due 2030**"). The Domestic Tier 2 Capital Bonds due 2030 are fixed rate bonds with a term of 10 years and the Bank has a conditional right to redeem the Domestic Tier 2 Capital Bonds due 2030 at the end of the fifth year. The funds raised from the issuance of the Domestic Tier 2 Capital Bonds due 2030 will be used to replenish the Bank's Tier 2 capital in accordance with the applicable laws and the approvals from the regulatory authorities.

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

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

The Bank may not manage risks associated with the replacement of benchmark indices effectively

The Financial Stability Board has observed that the decline in interbank short-term unsecured funding poses structural risks for interest rate benchmarks that reference these markets. In response, regulators and central banks in various jurisdictions have convened national working groups ("**NWGs**") to identify alternative replacement 'risk-free' rates ("**RFRs**") for these interbank offered rates ("**IBORs**") and, where appropriate, to make recommendations that would facilitate an orderly transition to these RFRs.

Following the FCA Announcement on 27 July 2017 where the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021, the NWGs for the impacted currencies were tasked with providing guidance and support to financial and non-financial firms to help them facilitate an orderly transition of the relevant LIBORs to their chosen RFRs.

The expected discontinuation of certain key IBORs such as LIBOR, the adoption of RFRs by the market, and the development of RFR products by the Bank, introduce a number of risks for the Bank, its clients, and the financial services industry more widely. These include, but are not limited to:

- regulatory compliance, legal and conduct risk, arising from both the continued sale of products referencing IBORs, sales of products referencing RFRs and the transition of legacy contracts to alternative rates. There is a risk that the Bank is unable to meet regulatory milestones associated with the discontinuance of sale of certain IBOR products, which may result in regulatory investigations or reviews being conducted into the Bank's preparation and readiness for the replacement of IBORs with alternative reference rates. Additionally, if the Bank's sales processes are not appropriately adapted to account for the additional complexity of new products, or new RFR market conventions, additional conduct risks and regulatory actions may result and there may be a heightened risk of disputes;

- legal risks associated with the enforceability of fall-back provisions in IBOR contracts. There is a risk that some contracts will not be transitioned before the relevant IBOR is discontinued and the parties will need to rely on the "fall-back" provisions of those contracts. As these fall-back provisions do not always contemplate the permanent cessation of the relevant IBOR, there is a risk that the provisions may not work from a contractual, practical or financial perspective, potentially resulting in unintended outcomes for clients. This may lead to complaints, litigation and/or regulatory action. While legislative solutions have been proposed in the UK, U.S. and EU, market participants will need to consider the impact of any proposals ultimately adopted; and

- financial risks resulting from the discontinuation of IBORs and the development of RFR market liquidity will affect the Bank throughout transition. The differences in IBOR and RFR interest rate levels will create a basis risk that the Bank will need to actively manage through appropriate financial hedging. Basis risk in the trading book and in the banking book may arise out of the asymmetric adoption of RFRs across assets and liabilities and across currencies and products. In addition, this may limit the ability to hedge effectively.

If any of these risks materialise, it could have a material adverse effect on the Bank's business, financial condition, results of operations, prospects and customers.

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

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

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

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

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

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

Any force majeure events, including occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19) may have an adverse effect on the Bank's business operations, financial condition and results of operations

Any force majeure events, such as the occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including but not limited to the on-going COVID-19 outbreak caused by the SARS-CoV-2 virus, all variants of the avian influenza, severe acute respiratory syndrome ("**SARS**"), Middle East Respiratory Syndrome ("**MERS**"), Ebola virus, and swine flu caused by H1N1 virus ("**H1N1**

Flu"), may adversely affect the Bank's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of the Bank's assets, business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. In particular, the on-going COVID- 19 outbreak has resulted in increased travel restrictions and extended delay or suspension of business activities in China and worldwide, which may result in adverse impact on the Bank's businesses. There is no assurance that the outbreak will not lead to decreased demand for services the Bank provides; nor is there assurance that the outbreak's adverse impact on the PRC and global economy and the Bank's customers will not adversely affect the level of non-performing loans. The outbreak may also adversely affect the Bank's ability to keep normal operations and provide uninterrupted services to its customers. The COVID- 19 epidemic has created and may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the financial market in PRC. Please also refer to "*Risk Factors – Risks Relating to the Bank's Business – Uncertainties and instability in the global market conditions could adversely affect the Bank's business, financial condition and results of operations*" and "*Recent Developments – Impact of COVID-19 pandemic and the Group's main countermeasures*". Any of these factors could have a material adverse effect on the Group's financial condition, business and results of operation. In addition, any future occurrence of severe natural disasters in China or elsewhere may adversely affect PRC's economy or the global economy and in turn the Bank's business. There is no guarantee that any future occurrence of natural disasters or outbreak of any avian influenza, SARS, MERS, Ebola virus, H1N1 Flu, COVID-19 or other epidemics, or the measures taken by the PRC government or other countries in response to such future outbreak of epidemics, will not seriously interrupt the Bank's operations or those of the Bank's customers, which may have an adverse effect on the Bank's business, financial condition and results of operations.

RISKS RELATING TO THE PRC BANKING INDUSTRY

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

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

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

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

- reducing the Bank's market share in its principal products and services;

- affecting the growth of the Bank's loan portfolio or deposit base and other products and services;

- decreasing the Bank's interest income or increasing its interest expense, thereby decreasing its net interest margin;

- reducing the Bank's fee and commission income;

- increasing the Bank's non-interest expenses, such as marketing expenses;

- reducing the Bank's asset quality; and

- increasing the turnover of senior management and qualified professional personnel.

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

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

The Bank's business is inherently subject to market fluctuations and general economic conditions, particularly in the PRC

The Bank's business is inherently subject to global capital market fluctuations and general economic conditions. Global market factors and the volatility and strength of the capital markets all affect the business and economic environment and, ultimately, the Bank's business. In particular, uncertain economic conditions, volatility and disruptions in global capital markets, such as those that occurred in late 2008 and 2009 during the global financial crisis, can have a material adverse effect on the Bank. The economic recovery since the global financial crisis has been slow, with economic growth rates in major economies remaining persistently lower than pre-crisis levels, due to issues including the ongoing COVID-19 outbreak, the escalating tensions between the PRC and the United States, the ongoing concerns about European sovereign debt levels and the prolonged period of uncertainty around Brexit. Please also refer to "*Risk Factors – Risks Relating to the Bank's Business – Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*".

Furthermore, uncertainties in the global and the PRC's economies may also adversely affect the Bank's business, financial condition and results of operations in many ways, including, among others:

- during a period of economic slowdown, there is a greater likelihood that more of the customers or counterparties could become delinquent in respect of their loan repayments or other obligations to the Bank, which, in turn, could result in a higher level of NPLs, allowances for impairment losses and write-offs;

- the increased regulation and supervision by the financial services industry in response to the financial crisis in certain jurisdictions where the Bank operates may restrict its business flexibility and increase its compliance costs;

- the value of the Bank's investments in the equity and debt securities issued by overseas governments and financial institutions may significantly decline;
- the Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and
- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank's business prospects.

Any potential market and economic downturns, economic slowdown or geopolitical uncertainties in the PRC, its neighbouring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. In addition, global economic uncertainty and the slowdown in PRC economic growth have precipitated, and may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. It cannot be predicted whether or when such actions may occur, nor can it be predicted what ultimate impact, if any, such actions or any other governmental actions could have on the Bank's business, results of operations and financial condition. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth. If further economic downturn occurs or continues, the Bank's business, financial condition and results of operations could be materially and adversely affected.

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

The Bank's businesses are highly regulated which may be adversely affected by future regulatory changes. The Bank's business and operations are directly affected by changes in the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which the Bank can engage in specific businesses as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not adversely affect the Bank's business, financial condition and result of operations nor can the Bank assure investors that it will be able to adapt to all such changes on a timely basis. For example, in recent years, the PRC government has announced a number of supply-side structural reforms, including the reforms to improve the corporate governance of SMEs to reduce systemic financial risks and credit risk and to increase lending activities to SMEs while effectively controlling risks, to achieve a healthy economic growth.

The Bank has participated in such supply-side structural reforms, including the development of Guangdong-Hong Kong-Macau Greater Bay Area and Free Trade Zones, SMEs financing and debt-to-equity swap reforms. In addition, the Bank may be entrusted to administer banking business. For example, on 24 May 2019, the Bank announced that it has accepted the entrustment of Baoshang Bank to take its business into custody. Under the custodian period of one year, the Bank had assisted Baoshang Bank in the reform of its corporate governance and risk management and in its business operations. There is no assurance that the policies implemented by the PRC regulators and the Bank's participation in them will not affect the Bank's business, financial condition and result of operations or that the Bank will be able to make proper adjustment(s) to its business operations according to the changes in the financial regulatory policies, monetary policies and structural-side reforms.

In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Bank's activities and could also have a significant impact on the Bank's business. The adverse developments described above may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

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

As with most commercial banks, the Bank's results of operations depend to a great extent on the Bank's net interest income. For the year ended 31 December 2020, net interest income represented 80.63 per cent. of the Group's operating income. Fluctuations in interest rates could affect the Bank's financial condition and profitability in different ways. For example, a decrease in interest rates may reduce the Bank's interest income and yields from interest-earning assets. An increase in interest rates may decrease the value of the Bank's investment in debt securities portfolio and raise the Bank's funding costs. In addition, an increase in interest rates may reduce overall demand for loans, and, accordingly, reduce the Bank's origination of new loans, as well as increase the risk of customer default. Fluctuations in interest rate will also affect the market value of and return on derivative financial instruments and may result in a gap between the Bank's interest rate sensitive assets and interest rate sensitive liabilities.

Interest rate spread may also be affected by the PBOC's reserve requirement ratio for commercial banks. The reserve requirement refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The PBOC may further adjust the reserve requirement ratio or revise its calculation basis in the future. Increases in the bank reserve requirement ratio or expansion of the calculation basis of the reserve requirement may negatively impact the amount of funds available for loans to businesses by the Bank and other commercial banks in China and therefore may adversely affect the Bank's ability to earn interest income, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

As a result of the PRC regulatory restrictions, substantially all of the Renminbi-denominated investment assets of PRC commercial banks are concentrated in the limited types of investments permitted by the PRC government. These permitted investments include PRC treasury bonds, financial debt securities issued by PRC policy banks, notes issued by PBOC, and subordinated bonds. These restrictions on the Bank's ability to diversify its investment portfolio limit its ability to seek an optimal return. The restrictions also expose the Bank to significantly greater risk of investment loss in the event a particular type of investment the

Bank holds suffers a decrease in value. For example, a general increase in interest rates may result in a significant decline in the value of the fixed income debt securities held by the Bank. In addition, due to the limited availability of hedging tools, the Bank's ability to manage market and credit risks associated with Renminbi-denominated assets is limited, and any resulting decline in the value of its Renminbi-denominated assets will adversely affect the Bank's financial condition and results of operations. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

On 19 July 2013, the PBOC published the "Notice on Furthering Market-based Interest Rate Reform" pursuant to which, other than the restriction that commercial banks in China cannot set interest rates for RMB-denominated residential mortgage loans below 70 per cent. of the relevant PBOC benchmark rate (since 27 October 2008), restrictions on the loan interest rates were fully liberalised. According to existing PBOC regulations, RMB-denominated deposits in commercial banks in China remain subject to restrictions and the interest rate for RMB-denominated deposits cannot be set above 110 per cent. of the relevant PBOC benchmark rate. On 25 October 2013, the PBOC introduced a new prime lending rate, officially known as the "loan prime rate", which is based on a weighted average of lending rates from nine commercial banks. In 2015, the PBOC made consecutive interest rates cuts and removed the deposit interest rate ceiling, giving rise to greater competitions among banks and general shrinking of returns in the bond and monetary markets. On 17 August 2019, the PBOC issued Bulletin [2019] No. 15, reforming and improving the loan prime rate calculation mechanism, further liberalising the interest rate system. The PBOC may further liberalise the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in China's banking industry will likely intensify as China's commercial banks seek to offer more attractive interest rates to customers. Further adjustments by the PBOC to the benchmark interest rates or liberalisation by the PBOC may result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby adversely affecting the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

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

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

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

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

RISKS RELATING TO THE PRC

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

A substantial majority of the Bank's businesses, assets and operations are in China. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, economic and political structure, control of foreign exchange, regulation of capital investment and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, there can be no assurance that the PRC government will continue to pursue economic reforms or that any such reforms will not have a material adverse effect on the Group's business. In addition, a large portion of productive assets in China remain owned by the PRC government. The PRC government retains the power to implement macroeconomic policies affecting the PRC economy and continues to play a significant role in regulating industrial development, allocating resources, setting monetary policy, implementing measures on production, pricing, management and taxation and providing preferential treatment to particular industries or companies. These measures are aimed at benefiting the overall economy of the PRC, but some of the measures may have negative effects on certain industries, including the commercial banking industry. For example, the Bank's operating results may be adversely affected by government control over capital investments or changes in the interpretation of, and application of, applicable tax regulations.

Interpretation of PRC laws and regulations may involve uncertainty

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

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

The Bank is a company incorporated under the laws of the PRC, and substantially all of its assets and its subsidiaries are located in the PRC. In addition, most of the Bank's directors and officers reside within the PRC, and the assets of its directors and officers may be located within the PRC. As a result, it may be difficult to effect service of process outside of the PRC upon most of the Bank's directors and officers and for the Noteholders to effect service of process against the Bank's assets or its directors and officers in the PRC in order to seek recognition and enforcement for foreign judgments in the PRC.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognise and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws and regulations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, Japan or most other Western countries. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against the Bank or its directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. Hence, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in any of these jurisdictions.

The Bank is affected by the PRC government's restrictions on currency conversion and future fluctuations in exchange rates

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

The exchange rates of the RMB against the U.S. dollar and other currencies are in constant fluctuation and influenced by, among other things, the changes in Chinese and international political and economic conditions. Since 1994, China had implemented a single and managed floating exchange rate regime based on market supply and demand to determine the exchange rate of RMB with reference to the exchange rate determined by the PBOC based on the interbank exchange rates and the prevailing rate of the international financial market on the previous business day. On 21 July 2005, the PRC government adopted a more flexible market-based and managed floating exchange rate regime with reference to a basket of currencies. Under the new system, the exchange rate of RMB was allowed to fluctuate within a regulated band. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, China continued to deepen its exchange rate regime reform to implement a managed floating exchange rate system based on market supply and demand. Given the domestic and overseas economic developments, in June 2010, the PBOC decided to proceed further with reform of the RMB exchange rate regime, improve the flexibility of the RMB exchange rate and widen the daily trading band for the

U.S.$/RMB exchange rate in April 2012 and in March 2014. In 2017, the RMB depreciated as against the U.S. dollar and continued to fluctuate in 2018 and early 2019. Against the backdrop of uncertain trade and global economy, the PBOC authorised the China Foreign Exchange Trade System and National Interbank Funding Centre on 8 August 2019 to publish the central parity rate of the RMB as against the U.S. dollar in the interbank exchange market, which was U.S.$1.00 to RMB7.0039. That was the first time the value of the RMB as against the U.S. dollar fell below RMB7.00 per U.S. dollar since 2008. The PRC government may in the future implement other exchange rate reforms.

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

RISKS RELATING TO THE NOTES

Notes may not be a suitable investment for all investors

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

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

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

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

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

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

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

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

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

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

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

In the event that the Issuer (where the Issuer is the Hong Kong Branch or other such branch of the Bank) fails to fully perform its obligations under the Notes, performance by the Bank of such obligations may be subject to registration or verification of the PRC government authorities

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

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

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates and indices which are deemed to be or used as "benchmarks", are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognized or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the "**IBA**") to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023).

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as LIBOR or EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Terms and Conditions of the Notes), with or without the application of an Adjustment Spread (as defined in the Terms and Conditions of the Notes). Adjustment Spread is (i) the spread or a formula or methodology for calculating a spread which is formally recommended in relation to the replacement of the Reference Rate (as defined in the Terms and Conditions of the Notes) with the Successor Rate by any Relevant Nominating Body (as defined in the Terms and Conditions of the Notes); (ii) if no such recommendation has been made or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser (as defined in the Terms and Conditions of the Notes) (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or (iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the spread, formula or methodology which the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders. There is no guarantee that any Adjustment Spread will be determined or applied. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest.

The use of any such Successor Rate or Alternative Reference Rate or, if applied, Adjustment Spread to determine the Rate of Interest may result in Notes linked to or referencing the initial inter-bank offered rate or other relevant reference rate performing differently (including paying a lower Rate of Interest) than they would do if the initial inter-bank offered rate or other relevant reference rate (as applicable) were to continue to apply in its current form.

Under these fallback arrangements, the Issuer will use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Terms and Conditions of the Notes) to determine the Successor Rate or Alternative Reference Rate (as applicable), no later than five Business Days (as defined in the Terms and Conditions of the Notes) prior to the relevant Interest Determination Date (the "**IA Determination Cut-off Date**"), but in the event that the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Reference Rate (as applicable) prior to the relevant IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) will have discretion to, amongst other things, determine the relevant Successor Rate or Alternative Reference Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Reference Rate (as applicable) determined by the Issuer will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, any determinations that may need to be made by the Issuer with the involvement of an Independent Adviser entails a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by EU Benchmarks Regulation, UK Benchmarks Regulation or any other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5.3(c)(iii)(C) of the Conditions).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in the SOFR as an indicator of future changes in the SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of the SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. There can be no guarantee that the SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which the SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to SOFR and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

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

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

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

The Financial Institutions (Resolution) Ordinance may adversely affect the Notes

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may include the Bank to the extent it conducts licensed activities in Hong Kong. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries, its operations and/or its financial position.

An active trading market for the Notes may not develop

The Dealers are not obliged to make a market in any Tranche of Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Dealers. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, even if a market develops for the Notes, it may not be liquid and the holders of the Notes may encounter difficulties in selling these Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales regardless of the performance of the Bank. In addition, to the extent that the Bank is not able to obtain or maintain a listing and quotation of any Tranche of Notes that are listed on the Hong Kong Stock Exchange or any other stock exchange, the sustainability and liquidity of such Notes may be adversely affected.

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

The Bank's subsidiary is appointed as an Arranger and a Dealer for the Programme. The Bank or its subsidiaries may also issue other competing financial products which may affect the value of the Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Bank and its subsidiaries in connection with the Notes and the economic interests in each role may be adverse to the investors' interests in the Notes. Although the Bank has internal control policies and procedures to minimise any potential conflict of interest, the Bank owes no duty to investors to avoid such conflicts.

Investors shall be aware of the effect of change of law

The Terms and Conditions are based on English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or the laws as specified in the Pricing Supplement, or administrative practices after the date of this Offering Circular.

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

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

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

Investors shall pay attention to any modifications and waivers

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

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

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

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

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

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

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

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

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

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

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and Dual Currency Notes

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

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

(ii) they may receive no interest;

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

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

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

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

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

Partly-paid Notes

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

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

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

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

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

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

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

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

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Legal investment considerations may restrict certain investments

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

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

Under the PRC Enterprise Income Tax Law which took effect on 1 January 2008 and was later amended on 24 February 2017 and 29 December 2018, and its implementation rules which took effect on 1 January 2008 and was later amended on 23 April 2019, any gain realised on the transfer of the Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong for the avoidance of double taxation, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes.

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

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment in RMB Notes is subject to exchange rate risks

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

An investment in RMB Notes is subject to interest rate risks

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

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

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

CAPITALISATION

The following table sets forth the Bank's capitalisation and indebtedness as at 31 December 2020. For additional information, see the Bank's financial statements and notes thereto incorporated by reference into this Offering Circular.

This table should be read in conjunction with the audited consolidated financial statements as at and for the year ended 31 December 2020 of the Bank and related notes thereto incorporated by reference into this Offering Circular.

	As at 31 December 2020
	(audited)
	(RMB in millions)
Total liabilities[1]	25,742,901
Equity	
Share capital	250,011
Other equity instruments	
– Preference Shares	59,977
– Perpetual Bond	39,991
Capital reserve	134,263
Other comprehensive income	15,048
Surplus reserve	275,995
General reserve	350,228
Retained earnings	1,239,295
Total equity attributable to equity shareholders of the Bank	2,364,808
Non-controlling interests	24,545
Total equity	2,389,353
Total capitalisation[2]	28,132,254

Notes:

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

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

Save as disclosed above, there has not been any material adverse change in the Bank's capitalisation and indebtedness since 31 December 2020.

DESCRIPTION OF THE HONG KONG BRANCH

BUSINESS ACTIVITIES

The Hong Kong Branch was established in 1995. It was the first branch of the Bank outside Mainland China. Today the Hong Kong Branch, specialising in wholesale banking business, offers a wide range of products to corporate customers in trade finance, remittance, foreign exchange, money market, derivatives, deposits taking, loans, project and structured finance, loan syndications and financial advisory services. As at 31 December 2020, its amount of gross loans and advances to customers was HK$51,346 million. As at the same date, its amount of total deposits from customers was HK$64,761 million, and its amount of total assets was HK$241,311 million. For the year ended 31 December 2020, it generated HK$5,315 million of interest income and HK$251 million of fee and commission income.

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

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

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

HONG KONG BANKING INDUSTRY REGULATORY REGIME

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

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

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

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

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

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

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

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

In addition, the Hong Kong Branch is also subject to The Financial Institutions (Resolution) Ordinance (No. 23 of 2016). Please refer to risk factor "*Risk Factors – Risks Relating to the Notes – The Financial Institutions (Resolution) Ordinance may adversely affect the Notes*" on page 99 for further information.

DESCRIPTION OF THE BANK

OVERVIEW

The Bank is a leading commercial bank in China providing a comprehensive range of banking products and financial services. The Bank was incorporated as a joint stock company in the PRC on 17 September 2004 and its Unified Social Credit Code is 911100001000044477. The registered address of the Bank is No. 25, Finance Street, Xicheng District, Beijing 100033, China and its telephone number is +86 10 6621 5533. As at 31 December 2020, the Bank had 250,010,977,486 shares outstanding. Headquartered in Beijing, the Bank provides convenient and quality banking services to its customers through an extensive network comprised of nationwide branches, self-service facilities and an electronic banking service platform.

The Bank operates principally in mainland China with branches in all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in mainland China. The Bank's principal business activities include corporate banking, personal banking, treasury business and others. Within the Bank's corporate banking business, the Bank offers a broad range of products and services to corporations, government agencies and financial institutions, including 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.

The Bank provides a broad range of personal banking products and services under well recognised brands, including personal loans, deposit taking and wealth management services, card business, remittance services and agency services. The Bank's treasury operations include inter-bank money market transactions and repurchase and resale transactions, and investments in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading.

Leveraging its vast resources and geographic advantages in the Chinese domestic market, the Bank is committed to providing a world-wide banking and financial services platform to service the overseas banking needs of its domestic corporate and personal banking customers and the domestic banking needs of its overseas corporate and personal banking customers seeking to trade with or invest in China. The Group adheres to a positive and steady international operation and overseas development strategy, leading to a steady expansion of its overseas network. As at 31 December 2020, the Group had a total of 14,741 operating entities, consisting of 14,708 domestic entities including the CCB Head Office, 37 tier-one branches, 361 tier-two branches, 14,117 sub-branches, 191 outlets under the sub-branches and one specialised credit card centre at the CCB Head Office, and 33 overseas institutions. The Bank had 19 major subsidiaries with a total of 595 entities, including 422 domestic ones and 173 overseas ones. The Group has more than 200 overseas entities, covering 30 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, the U.S., the U.K., Vietnam, Australia, Russia, the United Arab Emirates, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, Chile, Indonesia, Malaysia, Poland and Kazakhstan, and maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia.

As at 31 December 2020, the Group's total assets, total liabilities and total equity were RMB28,132,254 million (including gross loans and advances to customers of RMB16,231,369 million), RMB25,742,901 million (including total deposits from customers of RMB20,614,976 million) and RMB2,389,353 million, respectively. For the year ended 31 December 2020, the Group's net interest income was RMB575,909 million, representing an increase of 7.23 per cent. over the same period in 2019 and the profit before tax was RMB336,616 million, representing an increase of 3.07 per cent. over the same period in 2019. The NPL ratio of the Group as at 31 December 2020 was 1.56 per cent., representing an increase of 0.14 per cent. as compared to the corresponding ratio as at 31 December 2019. As at 31 December 2020, the NPL ratio for domestic corporate loans and advances was 2.56 per cent., an increase of 0.09 per cent. from 31 December 2019, and the NPL ratio for personal loans and advances was 0.41 per cent., which was the same as that at 31 December 2019.

As at 31 December 2020, the NPL ratio for overseas operations and subsidiaries was 1.95 per cent., representing an increase by 0.71 per cent. from 31 December 2019. As at 31 December 2020, the Group's total capital ratio was 17.06 per cent. and Common Equity Tier 1 ratio was 13.62 per cent., representing a decrease of 0.46 per cent. and 0.26 per cent., respectively, as compared to the corresponding ratio as at 31 December 2019.

The Group adheres to a steady and prudent capital management strategy. It strengthens capital constraint and incentives and promotes intensive capital management to continuously enhance the efficiency of capital use. The Group relies both on internal capital accumulation and external capital replenishment, maintains a capital adequacy level that is constantly above the regulatory requirements, and outperforms its peers. In 2020, facing the impact of COVID-19, the Group increased capital support for the prevention and control of COVID-19 and the recovery and development of the real economy. It continuously optimised the asset structure and encouraged the development of businesses with low capital occupation and high return on capital. It further pressed ahead with intensive capital management, used big data to further save capital, and reduced ineffective and inefficient capital occupation. It used market financing to replenish capital and issued US$2 billion overseas Tier 2 capital bonds and RMB65 billion domestic capital bonds. It finalised the capital plan for 2021-2023 to make reasonable arrangements for medium-term capital sources and utilisation.

The Group maintained a stable market position and its core indicators and market capitalisation continued to be in the leading position among its peers. The Group formulated the Transformation and Development Plan of China Construction Bank in 2014, which proposed to accelerate transformation towards a comprehensive banking group, multi-functional service, intensive development, an innovative bank and a smart bank. In accordance with the requirements of enhancing capability to serve national development, to prevent financial risks and to participate in international competition, the Group specified seven key points of transformation, including promoting operation and management of assets and liabilities on a consolidated basis, consolidating and developing wholesale business, accelerating the development of retail business, improving the quality of electronic banking business, enhancing asset management business for customers in an all-round way, strengthening the competitiveness of subsidiaries and accelerating the expansion of international business and overseas operations. By deepening reform of system and mechanism, strengthening risk management and control, enhancing IT support and big data usage capacity, the Group strives to build the best value creation bank.

In 2018, 2019 and 2020, the Group received numerous awards from various domestic and international institutions including the "Best Large-Scale Retail Bank 2018", the "Achievement in Comprehensive Risk Management Award 2018", the "Achievement in Comprehensive Risk Management Award 2019", the "Best Mega Trade Finance Bank in China 2019" and "Bank of the Year in China 2020" in Wealth and Society sector and "Custodian Bank of the Year in China 2020" from Singapore magazine The Asian Banker, the "Best Bank in China 2019" from The Asset, the "Best Bank in China 2018", "Best Private Bank in China 2019" and "Overall Best National Retail Bank in China 2020" from Asiamoney, the "Most Competitive Online Finance Bank 2019" and the "2020 Excellent Competitiveness RMB International Bank" from China Business Journal, the "Best Bank for Inclusive Finance Service of Golden Dragon Award 2018", "Best Fintech Innovation Bank 2019" and "Digital Operation Bank of the Year 2020" from Financial News, "Most Influential Bank" and "Innovative Mobile Banking" in 2019 from Sina Finance, the "Best Inclusive Finance Performance Award" and the "Best Social Responsibility Practice Award" in 2019 and "Best Targeted Poverty Alleviation Contribution Award" in 2020 from the China Banking Association, "Best Bank in China 2018" from UK magazine The Banker, the "Most Innovative Bank for Trade Finance of the World" in 2018 and the "Best Bank for Cross-Border Trade" in 2020 from Global Finance, the "Asian Risk Management Awards for Excellence 2018" from 21st Century Business Herald, the "Best Financial Innovation Award 2018" from The Chinese Banker magazine, "The Bank of the Highest Investment Value" in 2018 from Sina Finance, the "Grand Prize of the Bank Technology Development Award" by the PBOC in 2018, "Digital Economy Sailing Award 2020" from Securities Daily and the "Best Board of Directors" from Directors & Boards. The Group ranked second in UK magazine The Banker's "Top 1000 World Banks" in 2018, 2019 and 2020, ranked 31st in the "Fortune Global 500" of the US magazine Fortune in 2018 and 2019 and ranked 30th in the same in 2020, and ranked third in the "Top 50 Most Valuable Management Award in China" in 2019 by Interbrand. In addition, the Group won numerous awards from major domestic and foreign media organisations for its achievements in fields including corporate

OVERVIEW OF CHINA'S BANKING INDUSTRY

In 2018, the CBIRC took a series of robust measures to redress market irregularities and internet finance risks, and restore proper order in the financial markets. With the implementation of the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions and detailed rules, commercial banks accelerated their pace in setting up wealth management subsidiaries and a new paradigm in the asset management sector began to take shape. The release of policies for promoting capital instrument innovations in the banking sector enabled the industry to move forward steadily with more diversified capital replenishment channels. China's banking industry continued to grow in scale, as the overall credit quality remained stable, the overall market liquidity remained solid and the industry's capability to mitigate risks continued to improve.

In 2019, domestic regulators continued to promote supply-side structural reform in the financial sector to prevent and mitigate financial risks, improve the management level of banking sector, and enhance the soundness of banking system. total assets of banking sector grew steadily with stable liquidity and credit quality, and sufficient capacity to mitigate risks.

In 2020, the global economy fell into a deep recession in the wake of COVID-19, and developed economies introduced extremely loose monetary policies and massive fiscal stimulus programmes. China coordinated the prevention and control of COVID-19 and the economic and social development, and its economic performance recovered steadily, making it the only major economy in the world achieving positive economic growth. Its consumption and investments recovered steadily, exports gained strong momentum, and international payments were balanced. China's GDP and consumer price index increased by 2.3 per cent. and 2.5 per cent. year on year respectively. Financial markets were stable and the money market was active with stable interest rates. The bond issuance and cash bond trading volume also increased, and the stock market index rebounded, with transaction volume and funds raised increasing year on year. Domestic regulators formulated numerous policies and measures to promote smooth financing channels, pressed ahead with the transformation of asset management businesses, accelerated the disposal of non-performing assets, and consolidated the capital foundation of banks. The interest spread of the banking sector narrowed, and the income from interest margin declined, bringing pressure on profitability. The rapid development of FinTech drove the digital transformation of the banking sector. Total assets of the sector grew steadily with stable liquidity and credit quality, and sufficient capacity to mitigate risks.

The Group stayed committed to prudent operations and innovation driven development, focused on serving the real economy, and continued to enhance internal control over risks to deliver solid results. It achieved sound and balanced growth in assets and liabilities as its asset quality continued to improve steadily and its profitability remained stable.

THE BANK'S COMPETITIVE STRENGTHS

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

Large Customer Base and Established Relationships

The Bank has a quality corporate customer base and large personal banking customer base. The Group continued to expand its customer base. As at 31 December 2020, the number of personal online banking customers and corporate online banking customers increased by 8.93 per cent. and 13.23 per cent. respectively, as compared to 31 December 2019. As at 31 December 2020, the number of private banking customers increased to 160,794, representing an increase of 12.65 per cent. compared to the year ended 31 December 2019, and the amount of such private banking customers' assets under management with the Bank amounted to RMB1.78 trillion, representing an increase of 17.89 per cent. as compared to 31 December 2019.

Extensive Distribution Network and a Diversified Service Channel

The Bank has an extensive distribution network. Through its branches, customer self-service equipment, specialised service entities across the country and an electronic banking service platform, the Bank provides customers with convenient and high-quality banking services. As at 31 December 2020, the Group had a total of 14,741 operating entities, consisting of 14,708 domestic entities including the CCB Head Office, 37 tier-one branches, 361 tier-two branches, 14,117 sub-branches, 191 outlets under sub-branches and one specialised credit card centre at the CCB Head Office and 33 overseas institutions. As at 31 December 2020, the Bank had 19 major subsidiaries with a total of 595 entities, including 422 domestic ones and 173 overseas ones. As at 31 December 2020, the Bank had set up 252 small business operating centres, and built over 1,500 personal loan centres. The Bank also continued to streamline its self-service network, which comprised 79,144 ATMs and 25,529 self-service banks, including 11,348 off-premise self-service banks. As at the same date, the Bank also had 48,733 smart teller machines, supporting both retail and corporate banking services. The Bank's extensive distribution network and diversified service channels provide it with the competitive measures and resources for sustainable development.

Leading Positions in Key Products and Services, Pioneering New Product and Service Development and Implementing Fintech Strategy

To be in line with the Bank's objective of establishing an "innovative bank", the Bank continuously improves its product innovation capability, vigorously supporting transformation and development. In 2018, the Bank organised the "Inaugural Innovation Marathon" and increased efforts in innovation to further deepen the three major strategies, namely house leasing, inclusive finance and Fintech, while exploring the options for building a long-term CCB-specific innovation and incubation mechanism. In 2019, focusing on creating an environment of innovation for all employees, the Bank continued to actively promote the "Inaugural Innovation Marathon", the building of a crowd-creation platform and the construction of a product pedigree to optimise the management mechanism and strengthen management foundation.

The Bank carried out innovation of merger and acquisition ("**M&A**") loans, supported the economic transformation and upgrading as well as the resolution of overcapacity, and improved its capability to support enterprise M&A. The Bank integrated its resources to push forward comprehensive financial service schemes for strategic group clients, offering comprehensive financial service solutions tailored for them. The Bank initiated service mode innovation of bank medical cards, establishing a more mature mode that was able to meet customers' needs with existing technical conditions. Based upon big data technology, the Bank launched "Xinyidai" for small and micro businesses, refining the small and micro businesses big data credit product system. The Bank offered cross-bank smart money collection and integrated cross-bank money collection channels, smoothing the process as well as presenting various choices of signing and authorising. By introducing the "Suixinyong" application, the Bank realised functions such as over-the-air issuing, off-line card transaction, inquiring, electronic cash recharging and industry application recharging, featuring convenient card activation and secure transaction. The Bank formulated comprehensive service solutions to housing reform finance and initiated new operations for provident housing fund loans, providing one-stop services for individual housing loan of housing provident fund (combined) customers. The Bank launched Long Card Cloud QuickPass to migrate the security management function of mobile payment from mobile hardware to Cloud platform, realising quick and secure mobile payment of simulated IC cards. The Bank launched market member bond lending, carrying forward bond lending transactions with market members. The Bank presented three brands comprising "Jiandantong, Jianpiaotong and Jianxintong", to provide financing services for companies contracted with foreign projects as well as those exporting whole set equipment. The Bank introduced WeChat-based "E Shenche" and "E Jiesuan" to adapt to the fast-growing Internet financial needs, and strengthened the Group's internal cooperation by collaborating with CCB Pension to provide an all-round solution for pension insurance fund business. As at 31 December 2020, the Bank's official WeChat account "CCB Customer Service" has cumulatively served over 48 million customers.

In 2018, the Bank launched the house leasing cloud platform to increase the supply of long-term housing units from governments and enterprises, becoming China's largest transparent house leasing service platform. The Bank built "Jianrong Jiayuan" community for long-term house leasing. As at 31 December 2020, the comprehensive house rental service platform had been launched in 326 cities at prefecture-level and above across the country, with over 24 million properties listed online and over 28 million registered users on a cumulative basis on the platform. The "Digital Real Estate" system has helped enhancing the management of the residential construction sector and has been promoted to more than 40 cities across the country. The "house deposit" business accelerated the revitalisation of idle housing resources, and the accumulated contracted properties amount to 1.20 million by the end of 2020. The Bank has also established CCB Housing Services, the first housing service company in the banking industry, to facilitate the building of house leasing market, and is the first to launch house leasing price indices. The Bank is committed to building a smart ecosystem to create greater social empowerment. Anchoring on its house leasing service platform, the Bank has established platforms for smart community services, senior care, and public education, and connected these platforms to empower the public and deliver combining financial and non-financial services.

Through the "Benevolence Religious Affairs" comprehensive service platform, the Bank provides one-stop comprehensive services in relation to religious affairs. "Jianrongzhihe", an AI-assisted comprehensive service platform for business matchmaking among enterprises, has created a new model for business development. The blockchain trade finance platform has enabled the online end-to-end processing of domestic letters of credit, forfeiting, international factoring and logistics finance. The end-to-end support system for the underwriting and distribution of bonds enables the Bank to further strengthen its enterprise-level management and systemic end-to-end management and control of bond underwriting and distribution business. The Bank released "CCB – Xinhua Inclusive Finance – Small and Micro Enterprise Index", the first inclusive financial index and evaluation index in the banking industry that has gained national influence. The Bank launched the "Cloud Tax Loan" to connect with the tax data systems of the State Taxation Administration and provincial tax authorities, enabling the Bank to more accurately match its products and services with the demands of small and micro enterprises and entrepreneurs and more accurately manage their risks. The "Long Fortune" personal wealth management platform created a new retail model by integrating financial and technological resources. Family offices have been created as part of its private banking business to provide comprehensive services for customers with assets of over RMB500 million, including family wealth management and inheritance, family governance, family business management on a going concern basis and social charity. A young customer service system has been put in place to attract young customers. In 2020, the Group completed more than 1805 product innovations.

In 2018, the Bank issued its Fintech strategic plan, aiming at promoting the reform of Fintech innovation system, implementing Fintech to improve the management of operation security, so as to boost business innovation and development. The Bank promoted the implementation of Fintech strategy, constructed a dual-driven Fintech foundation of technology and data, and created a Fintech business system that promoted the combination of smart finance and smart ecosystem. The Bank also established CCB Fintech Co., Ltd. as the Bank enhanced efforts in making Fintech a driving force. The Bank strengthened the establishment of platforms and application of business scenarios for new technologies, such as AI, big data and blockchain, built a collaborative integrated R&D platform and an enterprise-level R&D ecosystem, and promoted the transformation of Fintech R&D model. As at 31 December 2020, AI technologies have been applied in 424 scenarios, covering areas such as customer service, risk management, centralised operation and smart government affairs service. Through open banking application programming interfaces (APIs) on CCB Cloud, the Bank embedded its financial services and data services into the third parties in a standardised and highly-efficient way, and extended banking business to all aspects of social life scenarios. The Bank has launched the "Mingonghui" platform with innovative application of blockchain and big data, which has served 11,972,100 migrant workers by the end of 2020.

In 2019, the Bank continued to increase investment in Fintech innovation and has further unleashed Fintech efficiency, with coordinated efforts in research and development, infrastructure construction and system operation and maintenance. Centering on intelligent government service platform, the Bank has established platforms for the benevolence religious affairs services, senior care, party and masses services, and smart government services. It focused on supporting the application, research and development of smart finance related technologies, and enhanced disaster recovery and cloud infrastructure environment construction, to ensure the safe and stable operation of the system. The Bank sped up the establishment of its efficient and collaborative Fintech governance system that supported innovation, and improved the incentive system for Fintech innovation by strengthening patent protection and promoting independent innovation. It built a cloud platform for Fintech innovation service that provided all-round support for innovation with functions such as AI modelling and financial data mining. In addition, the Bank built panoramic customer profiling, optimised data asset management, and enhanced data driven value creation. It also built an integrated collaborative research and development platform to achieve flexible, efficient, digital and automated collaborative research and development management.

The Bank developed collaborative and evolutionary smart finance internally. It realised centralised control of supply chain services, formed a unified view of supply chain relations and supply chain financial business at group level, and promoted the development of new corporate banking featuring "seamless integration of trading business and emerging business". The Bank promoted groupwide intelligent operation system construction, and built "multi-access and integrated" smart channels. It broke through the information barrier between its corporate banking and personal banking, and established a "comprehensive, intelligent, accurate, timely, proactive and forward-looking" risk control system. The Bank extended the open and shared intelligent ecosystem externally. It promoted the construction of the data centralisation platform for provident housing funds and the rural land use right transfer platform of the Ministry of Housing and Urban-Rural Development, and continued to build its edge in the housing arena. The Bank preliminarily set up a Fintech product system for financial institutions, expanding its offerings from banking sector to non-banking services. The Bank assisted in the sharing of financing information within the banking industry through projects such as joint credit granting led by China Banking Association. The Bank took sole lead among its peers in launching the "Government Affairs Service Platform for a Smart City", building a bridge from root-level population to government customers, and creating a "prototype" for electronic government affairs services.

The Group further pressed ahead with FinTech strategy in 2020. The support capacity of AI technology was basically established, with 424 AI scenarios covering areas such as customer service, risk management, centralised operation, and smart government affairs service. The support capacity of application of big data played an important role in the digitalised operation. It further improved the layout of blockchain and expanded the application and innovation of blockchain technology in areas such as cross-border trade, smart government affairs, and supply chain service. It completed the pilot project of Internet of Things (IoT) specific network, and its IoT platform connected to more than 200,000 IoT terminals and empowered 15 IoT applications, including the "Intelligent Security", "5G+ Intelligent Banking" and "CCB Yunongtong", featuring a preliminarily established IoT ecology. It formed a flexible, agile and cloud-oriented financial infrastructure supply capacity based on "CCB Cloud", and provided cloud services support for 346 applications in 9 areas including government affairs, housing, financial institutions, and livelihood, outperforming its domestic peers in terms of overall scale and service capacity. It completed the distributed transformation of the core banking system and started the dual-track parallel verification. It was the first to establish the Laboratory of Quantum Application in Finance among its domestic peers to explore the applications of quantum security, quantum communication and quantum computing in financial scenarios. The popularisation of the integrated collaborative development platform between CCB Head Office and branches further boosted the IT service supply of branches. It continuously improved the enterprise-level cybersecurity and information security management system, and further enhanced its security protection capability. The Bank won six major awards of the 2019 Bank Technology Development Award by the PBOC, and was the only bank listed in the "Forbes BlockChain 50" in China. At the end of 2020, the number of FinTech personnel of the Group was 13,104, accounting for 3.51 per cent. of its total headcount. In 2020, the Group's FinTech investments were RMB22,109 million, an increase of 25.38 per cent. over 2019, accounting for 3.10 per cent. of the operating income. The Group had been granted a total of 564 patents, including 368 invention patents, ranking first within the invention patents in the domestic banking industry.

Advanced Financial Management Capabilities and Financial Controls

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

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

Effective Strategic Co-operation

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

Environmental Protection

The Bank actively promoted green development initiatives. Firstly, the Bank proactively participated in cooperation on green finance. The Bank has led the Special Committee for Green Credit of China Banking Association since 2018, helping the domestic banking industry to promote the development of green credit business. It was among the first to join the "Green Investment Principles for the Belt and Road Initiative". Secondly, the Bank strove to promote the development of green finance, and made active contributions to reducing greenhouse gas emissions. The Bank increased its green credit, continued to promote business development in its traditional areas of strength including green transportation and green energy, and actively expanded new green areas. It proactively expanded its energy efficiency credit business, and sped up the promotion of green credit products such as "energy conservation loan", "carbon finance", "construction loans for sponge cities" and "construction loans for comprehensive utility tunnels".

Experienced Management Team, Vocational Education Model and Remuneration Policy

The Bank's Chairman, Mr. Tian Guoli, and the Bank's vice chairman and president, Mr. Wang Jiang and other senior management team members, have extensive management experience in the banking and financial sector in China. Under their leadership, the Bank's operations have further strengthened in recent years. For the years ended 31 December 2018, 2019 and 2020, the Group's return on average assets[1] were 1.13 per cent., 1.11 per cent. and 1.02 per cent. respectively. For the years ended 31 December 2018, 2019 and 2020, the Group's return on average equity were 14.04 per cent., 13.18 per cent. and 12.12 per cent. respectively.

To enhance financial innovation in vocational education model, the Bank has established the CCB University in 2018. In 2020, the Bank held training sessions in its various campuses covering 781,000 employees. The Bank held live training via the network platform of CCB University, and over 6 million employees participated in the online learning. The Bank also organised job-related examinations, which covered all 37 domestic tier-one branches, involving over 253,000 participants. The Bank makes full use of remuneration allocation to motivate its employees. In order to encourage value creation, it continues to favour sub-branch level, front-line and direct value creation posts in terms of remuneration increase and grants allowance for outlets employee, in order to stimulate the enthusiasm of frontline employees to create greater value and improve the Bank's profitability.

1 Adjusted by dividing net profit by the average of total assets at the beginning and end of the year.

THE BANK'S PRINCIPAL BUSINESS ACTIVITIES

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

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

	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)					
Corporate banking	74,168	24.07	72,694	22.26	66,615	19.79
Personal banking	139,734	45.34	148,642	45.51	206,047	61.21
Treasury business	84,735	27.50	91,693	28.08	55,915	16.61
Others	9,523	3.09	13,568	4.15	8,039	2.39
Profit before tax	308,160	100.00	326,597	100.00	336,616	100.00

CORPORATE BANKING

Overview

For the years ended 31 December 2018, 2019 and 2020, the Group's corporate banking operations represented 24.07 per cent., 22.26 per cent. and 19.79 per cent., respectively, of its profit before tax. The Bank offers a broad range of corporate banking products and services for corporations, government agencies and financial institutions. As at 31 December 2020, the Group had RMB8,360,221 million of domestic corporate loans and advances, representing 49.80 per cent. of the Group's gross loans and advances to customers, RMB259,061 million of domestic discounted bills outstanding, representing 1.54 per cent. of the Group's gross loans and advances to customers, and RMB9,699,733 million of domestic corporate deposits, representing 47.05 per cent. of the Group's total deposits from customers.

Key Products and Services

__Corporate loans products__

Corporate loans have historically been the largest component of the Group's loan portfolio. As at 31 December 2020, the balance of domestic corporate loans and advances amounted to RMB8,360,221 million, representing an increase of 20.12 per cent. compared to 31 December 2019. The Group's corporate loan products mainly comprise medium to long-term loans and short-term loans. As at 31 December 2020, the Group's domestic medium to long-term loans and short-term loans amounted to RMB5,766,544 million and RMB2,593,677 million, representing 34.35 per cent. and 15.45 per cent., respectively, of the Group's gross loans and advances to customers.

__Infrastructure loans__

The Bank provides various infrastructure loan products to meet the funding requirements relating to the construction and expansion of its customers' infrastructure projects. The continuing expansion of the PRC economy has led to an increase in the number of new large-scale infrastructure projects which have resulted in an increased demand for infrastructure loans. As at 31 December 2020, loans to infrastructure sectors amounted to RMB4.33 trillion, representing an increase of RMB650,435 million compared to 31 December 2019.

Working capital loans

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

Syndicated loans

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

Other corporate loan products

The Bank offers various other corporate loan products, including trade finance facilities, supply-chain financing, M&A financing and property development loans. In March 2009, the Bank became one of the first commercial banks in China approved to undertake M&A financing business pursuant to the Guidelines to M&A Loan Risk Management of Commercial Banks issued by the then CBRC (now called CBIRC) and the Bank was one of the first to launch corporate M&A financing products aimed to facilitate the financing needs of the Bank's customers' M&A transactions by providing a comprehensive set of financial resources. As at 31 December 2020, the Group had provided 65,500 enterprises in 3,693 industrial chains with a total of RMB562,659 million online supply chain financing support on a cumulative basis. The property development loans were RMB472,728 million, an increase of RMB76,425 million over the end of 2019.

The expansion of loans to SMEs is an important measure of the Bank to realise its strategic transformation of corporate banking business. As at 31 December 2020, the inclusive finance loans amounted to RMB1.45 trillion, an increase of RMB489.2 billion as compared to 31 December 2019; the number of inclusive finance loan borrowers reached 1,700,300, an increase of 375,200 as compared to 31 December 2019. As at 31 December 2020, the balance of the Bank's targeted poverty alleviation loans was RMB123,751 million, an increase of RMB32,245 million over the end of 2019. The agriculture-related loans increased by RMB280,582 million over 2019 to RMB2.09 trillion, and the number of agriculture-related loans borrowers was 2,000,700 with an average interest rate of agriculture-related loans was 4.75 per cent. As at 31 December 2020, the balance of green loans of the Bank was RMB1,340,000 million.

Discounted bills

Discounted bills are bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months purchased by the Bank from its customers at a discount. The Bank provides discounted bills as part of its comprehensive financing solution for its corporate customers. As at 31 December 2020, the Group had outstanding domestic discounted bills of RMB259,061 million, a decrease of RMB233,632 million compared to 31 December 2019.

Corporate deposit products

In accordance with interest rate policies issued by the PBOC, the Bank offers a variety of time and demand deposit products to its corporate and institutional customers. In addition, the Bank also accepts negotiated deposits from customers including insurance companies, the National Social Security Fund and the Postal Savings Bank of China, whereby interest rates and other conditions can be separately negotiated. As at 31 December 2020, the Group's domestic corporate deposits amounted to RMB9,699,733 million, an increase of 8.48 per cent. compared to 31 December 2019.

Commission/fee based products and services

The Bank provides its corporate customers with a broad range of commission/fee-based products and services. The Group's net fee and commission income for the year ended 31 December 2020 was RMB114,582 million, which is an increase of 3.32 per cent. compared to the same period last year.

Agency services

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

Institutional business

The Bank has promoted its updated "Minben Tongda" comprehensive financial services brand, which focuses on providing service to customers in the education, health, culture and environmental protection sectors. The Bank comprehensively deepened its digitalised and platform-based operation, innovatively built and promoted 13 institutional business social service platforms including "CCB Smart Campus Application", "CCB Smart Healthcare Application" and "CCB Rural Collective Assets Management", and built diversified scenarios to assist in solving issues facing governments, society and people's livelihood. For two consecutive years, the Bank was awarded the double first prize in the comprehensive assessment of two agency services, namely, the national treasury centralised payment business and non-tax revenue collection business of the "MOF". The Bank sponsored the China "Internet +" College Students Innovation and Entrepreneurship Competition for six consecutive years, benefiting nearly 10 million college students. The Bank has also explored "Internet Plus" applications and innovations in financial services for schools and hospitals, which culminated in the Bank-Hospital and Bank-School Mobile Internet Financial Cooperation Plan. The Bank is the first among its peers to research on and launch the Comprehensive Financial Service Plan Regarding Pension System Reform of Public Institutions, expanding its social security product offerings. The Bank was the first among its peers to introduce the electronic social security card, exclusively launched the "Smart City Government Services Platform" and pioneered the "Integrated Religious Affairs Management Platform". The Bank exclusively participated in the Ministry of Finance's "House of Officials" pilot, created an ecosystem of civil servants, and participated in the establishment of a national financing guarantee fund aimed at solving financing problems faced by small and micro businesses and in the agriculture sector.

In the first half of 2019, the Bank promoted a digital platform operating model for its institutional business. It built an "All in a Mobile Phone" application with the government of Yunnan Province, which covered all five levels of governments from province to village, making its banking outlets and smart teller machines into convenient government service centres for the public. A public payment system developed for the national service platform for government affairs was also launched. The Bank signed a cooperation agreement with the Ministry of Human Resources and Social Security on jointly establishing an innovative big data laboratory that integrates data from both social security and banking institutions, to create a "Human Resources and Social Security Big Data Application Platform". The Bank also signed a strategic cooperation agreement with the Xinhua News Agency to jointly establish a "Xinhua Finance National Financial Information Platform". The coverage and the number of users at its religion, pension and other service platforms continued to increase. The Bank signed agreements with 1,213 collecting entities for "Huijiaofei" payment and collection services. It issued a total of 132 million financial social security cards, and opened 12,000 social security financial accounts in county areas.

Focusing on smart government affairs services, the Bank established innovative institutional business platforms, including benevolent religious affairs, senior citizen caring, party and masses work services, smart political and legal services, CCB smart campus application, CCB wise healthcare application, and smart payment for government charges, which had accumulatively handled over 30 million pieces of businesses. Actively exploring new models to serve the veterans, the Bank established CCB Yunongtong veteran entrepreneurship service station, and sponsored CCB veteran entrepreneurship competition. To promote the rural revitalisation strategy, the Bank built a platform for rural funds, assets and resources as an effective community-level application of smart government affairs services strategy. By the end of 2020, the Bank had established cooperative relationships with 28 provincial governments, and supported 13 provincial and 10 municipal governments to establish "Internet + Smart Government Affairs" and "Internet + Supervision" platforms. The total number of registered users of the online platform exceeded 120 million, the total number of processed government affairs reached nearly 1 billion, and the total number of APP downloads exceeded 100 million. The government affairs services payment system covered 37 tier-1 branches, enabling online payment over 8,000 charging items with total payment exceeding RMB20 billion. 93 per cent. of the Bank's outlets enabled the government affairs services functions, which could process, make appointments for and inquire about more than 3,700 government affairs items. The smart government affairs services platform of the Bank won the first prize of 2019 Sci-Tech Development of Banks awarded by the PBOC and the Excellent Achievement Award of 2020 Government Informatisation Construction by the China Information Industry Association.

International business

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

In 2015, the Bank successfully issued RMB1 billion offshore RMB bonds in London, which was the first RMB bond product listed on the London Stock Exchange. In 2016, the Bank further expanded its RMB clearing network, as the Bank became the RMB clearing bank in Switzerland and Chile after becoming the RMB clearing bank in London. These cross-border RMB operations performed well, with the Bank's three RMB clearing branches in London, Switzerland and Chile showing steady development. RMB Qualified Foreign Institutional Investors ("**RQFII**"), RMB Qualified Domestic Institutional Investors and Mainland-Hong Kong mutual recognition of funds operations continued to grow. The Bank took the lead in establishing a blockchain trade finance platform in the industry and the Bank's AI-assisted documents review project became the first successful application of its kind in the industry. It also innovated "cross-border e-payment", an online payment tool and met e-commerce customers' needs for cross-border payment through virtual bank cards.

The Bank actively helped to build a new development pattern of "dual circulation". It issued an implementation plan on financial support for stabilising foreign trade and investment and proposed 29 measures in seven areas. It continued to increase the supply of foreign trade loans and the supply of trade finance reached RMB1.35 trillion as at 31 December 2020, representing a year-on-year increase of 44.36 per cent as compared to 31 December 2019. It took multiple measures to promote the coordinated development of the global industrial chain through white lists, loans guaranteed by credit and loans granted by banks and secured by the government. It was one of the first entities to establish direct connection with the "China International Trade Single Window" of the General Administration of Customs, and launched over 10 financial service functions. The Bank created a new series of "Cross-border Quick Loan" products featuring online, unsecured and pure credit, to serve small and micro foreign trade enterprises. As at 31 December 2020, the Bank's "Cross-border e+" comprehensive financial service platform had 180,100 contracted customers, an increase of 15.81 per cent. over 31 December 2019. The Bank also launched the Block Chain Trade finance platform, with the trading volume of over RMB700 billion and attracting 75 domestic peers. "CCB Match Plus" cross-border matchmaking platform launched featured sections such as the Belt and Road, Guangdong-Hong Kong-Macao Greater Bay Area, and the CHINA RAILWAY Express, and set up 3D digital banking exhibition halls for international exhibitions such as the first online China Import and Export Fair and the China International Fair for Trade in Services. It made overall use of products and services such as international syndicate, cross-border merger and acquisition, export credit, project financing, financial leasing, and actively provided all-round financial support and financing facilities for the Belt and Road construction.

The Bank's RMB clearing banks in the UK, Switzerland and Chile operated steadily. CCB London Branch continued to be the largest RMB clearing bank outside Asia, with a cumulative clearing amount of over RMB52 trillion as at 31 December 2020. In 2020, the Bank's cross-border RMB settlement volume reached RMB2.17 trillion, serving nearly 30,000 cross-border RMB settlement customers.

Custody service

The Bank's offering of asset custodial services is among the most comprehensive in China, including securities investment funds, Qualified Domestic Institutional Investors, Qualified Foreign Institutional Investors, RQFII, social security funds, corporate annuity funds, trust properties, insurance assets, entrusted investment assets of securities companies, basic pension insurance personal account funds, industrial investment funds and banking wealth management products. In 2013, the Bank obtained the qualification to provide custodial service to the first bond index exchange-traded funds ("**ETF**") and cross-border ETF for U.S. stocks in the PRC. The Bank also became one of the first Chinese-funded custodial banks of RQFII from Singapore. The Bank became one of the first batches of banks to conduct agency business for Mainland-Hong Kong mutual recognition of funds operations and was the first to offer "bond transaction plus custodian" services to overseas institutions for direct entry into the interbank bond market.

The Bank actively leveraged its strengths in custody service to support national strategy, promoted business innovation, strengthened risk control, and achieved high-quality development of asset custody business. The Bank provided custody service to the Belt and Road Initiative construction projects of the state-owned asset management platform, actively engaged in the ETF project for reform of Sichuan state-owned enterprises, and facilitated insurance funds investment in the construction of important national infrastructure such as highways and bridges. The number of funds in the Science and Technology Innovation Board ("**STAR Market**") under custody of the Bank and the winning rate of its bidding for enterprise annuity custody service for central government-owned enterprises were both higher than those of its peers. It was also one of the first banks to provide custody services to cross-border conversion brokers of the global depository receipt and to funds under the China-Japan ETF Connectivity scheme.

As at 31 December 2020, the Bank's assets under custody amounted to RMB15.25 trillion, increased by RMB2.13 trillion from 31 December 2019. For the year ended 31 December 2020, the Bank's fee income from custody service was RMB5,533 million, increased by RMB841 million compared to the same period last year.

Settlement and cash management business

The Bank was one of the first domestic commercial banks to provide cash management services for its corporate clients. In recent years, the Bank's cash management services expanded rapidly as the Bank introduced various new cash management products, providing services including account settlement services, fees receipt and payment services, liquidity management services, investment and financing management services, information and reporting services, industry-focused solutions and online banking services. The Bank has a range of cash management products and tailor-made industry specific cash management solutions for multinational corporations, large and medium sized enterprises, government agencies and financial institutions. The Bank's settlement and cash management business continued to grow steadily. The Bank launched its innovative "Huishibao – comprehensive service platform for high-end corporate settlement" and built "Jianguanyi", a multi-level fund supervision model, to meet treasury management needs of customers in specialised markets, fund supervision and other areas. In addition, through its internet and other electronic channels, as well as its customer-oriented branch network, the Bank has been able to provide comprehensive cash management services to its customers. The Bank's electronic bill business has also developed rapidly, and the electronic tax payment service brought more convenience to customers.

In 2019, as the PBOC's approval is no longer required for the opening of corporate bank accounts, the Bank created "Zhangyixing" brand to improve the convenience and efficiency of account opening service, and the number of corporate RMB accounts grew rapidly. The Bank also enhanced its management over corporate settlement accounts as well as payment and settlement, and carefully prevented new types of cybercrimes. It accelerated the mobile deployment in services such as "Yudaotongda", collection and payment of bills, and iteratively upgraded its global cash management product system, continuously improving the contribution of cash management to the Bank.

The Bank practiced the concept of "payment for the people" and strived to improve the quality and efficiency of corporate settlement account services. It promoted the scenario-based application of key products, innovated the first "Professional Employment Platform" among domestic peers, strived to build the "Fund Supervision Plus" service ecosystem, upgraded the C-community consumption scenario services of "Huishibao", and comprehensively enhanced its capability to serve the national strategy and the real economy as well as to improve people's livelihood. The Bank actively pressed ahead with pilot projects of integrating RMB and foreign currency account systems, upgraded the global cash management service system and launched SWIFT-AMH (Alliance Message Hub) services for several large and medium-sized multinational enterprise groups, continuously enhancing the integrated operation capacity of domestic and foreign currencies. At the end of 2020, the Bank had 11,461,800 corporate RMB settlement accounts, an increase of 408,400 over the end of 2019, while its active cash management customers increased by 394,100 to 2,843,400 from the end of 2019.

Customer Base

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

The Bank has focused and will continue to focus on customers in industries strategically important to China's economy. Most of these large companies in China's strategic industries are state-owned enterprises or state-controlled joint stock companies. As at 31 December 2020, loans to strategic emerging industries were RMB615,520 million, an increase of 15.36 per cent. compared to 31 December 2019.

Private enterprises have become important customers to the Bank, as in recent years, they have experienced significant growth in China and have become a major sector in China's economy. As at 31 December 2020, loans to private enterprises were RMB2.89 trillion, an increase of 27.60 per cent. compared to 31 December 2019.The Bank also focuses on expanding its range of high-quality SME customers.

Marketing

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

The Bank's corporate banking marketing channel primarily involves corporate and institutional customer managers, branch outlets and electronic banking channels which include online banking and phone-banking. The Bank's corporate and institutional customer managers are its key marketing channel for its corporate banking business. They are responsible for exploring new market opportunities, promoting the Bank's banking products, coordinating and accessing the Bank's bank-wide resources to provide a package of personalised and comprehensive financial services to the Bank's corporate and institutional customers. The Bank's branch outlets offer the physical venue for the Bank to provide services to corporate and institutional customers. Through the Bank's branch outlets, the Bank promotes and sells its products, mainly providing payment and settlement services and SME corporate customer services, and developing the Bank's corporate liabilities business and commission/fee based business.

With the aim to improve customer experience, the Bank also provides its customers with e-banking channels such as the Bank's cash management service system, corporate online banking, customer hotline service centre and mobile phone banking platform, thereby providing greater access for the Bank's customers. The Bank's e-commerce finance platform, which provides corporate clients with financing products such as order financing, guaranteed joint loans and collateralised loans, continued to deepen its involvement in causes relating to "agriculture, farmers and rural areas", promoted the use of credit card bonus points for direct shopping and air ticket booking for business travel, thus realising a rapid development. As at 31 December 2020, the number of personal online banking users increased to 371 million, representing an increase of 8.93 per cent. from 31 December 2019, and the Group's corporate online banking customers reached 10.28 million, representing an increase of 13.23 per cent. compared to 31 December 2019.

The Bank further strengthened innovation for its mobile banking, developed online sales, diversified online functions and delivered smarter and smoother experience. It launched the "ETC Intelligent Mobility" service to facilitate ETC user's application, sign up, activation and query online. Account information could be automatically recognised once the user scanned the bank card, simplifying the transfer processes for customers. The Bank introduced government services, such as social security and provident housing fund services, to provide more convenience. As at 31 December 2020, the number of personal mobile banking users rose to 388 million, an increase of 37.18 million or 10.60 per cent. compared to 31 December 2019. WeChat banking became a key platform for the Bank's business processing, consulting and marketing. As at 31 December 2020, the number of WeChat banking users who followed the Bank's WeChat account increased by 17.82 million or 17.51 per cent. to 120 million compared to 31 December 2019. As at 31 December 2020, the number of SMS financial service users reached 494 million, an increase of 30 million or 6.46 per cent. compared to 31 December 2019.

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

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

PERSONAL BANKING

Overview

As at 31 December 2020, the Group's domestic personal deposits rose to RMB10,184,904 million, an increase of 16.99 per cent. compared to 31 December 2019. The Group's profit before tax derived from personal banking for the years ended 31 December 2018, 2019 and 2020 amounted to RMB139,734 million, RMB148,642 million and RMB206,047 million, respectively, representing 45.34 per cent., 45.51 per cent. and 61.21 per cent. of the Group's total profit before tax for the same periods.

Key Products and Services

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

Personal deposits

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

Personal time deposit products include time savings deposits, education savings deposits and personal notification deposits. Personal deposits provide the Bank with a stable funding source. The Bank enhanced its capability to attract deposits through highly effective products and services, maintaining the steady growth of personal deposits. As at 31 December 2020, domestic personal deposits of the Bank was RMB10,184,904 million, an increase of 16.99 per cent. from 31 December 2019.

Personal loans

The Bank's personal loans are designed to meet the credit requirements of its personal customers. The Bank's personal loan products include residential mortgages, credit card loans, personal consumer loans, personal business loans and other loans. As at 31 December 2020, the total domestic personal loans of the Bank amounted to RMB7,233,869 million, representing an increase of 11.68 per cent. from 31 December 2019. As at 31 December 2020, the NPL ratio for domestic personal loans and advances was 0.41 per cent., which was the same as that at 31 December 2019.

Residential mortgage loans

The Bank provides residential mortgages to individuals to finance the purchase and construction of their residential properties. Residential mortgages include new home residential mortgages, residential refinancing mortgages, home equity loans to refinance residential property and fixed-rate residential mortgages. As at 31 December 2020, the Group's personal residential mortgages rose by 9.91 per cent. from 31 December 2019 to RMB5,830,859 million.

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

Home savings services

In February 2004, the Bank formed Sino-German Bausparkasse Co., Ltd. ("**Sino-German Bausparkasse**") with Bausparkasse Schwaebisch Hall, a German home savings bank. As at 31 December 2020, the Bank held a 75.10 per cent. equity interest in Sino-German Bausparkasse. The Bank's home savings bank products allow the Bank's customers to make scheduled deposits for the purpose of obtaining residential mortgage loans in the future. Sino-German Bausparkasse has improved the Bank's ability to develop more personal housing financing products. Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products increased to RMB32,179 million for the year ended 31 December 2020. As at 31 December 2020, total assets of Sino-German Bausparkasse were RMB25,060 million, and shareholders' equity was RMB3,010 million. Net profit for the year ended 31 December 2020 was RMB62 million.

Personal consumer loans

The Bank's personal consumer loans primarily consist of personal credit lines and automobile loans which usually have a maturity of up to five years. Personal credit lines are granted for general purposes based on the borrowers' credit history and the value of collateral provided. The Bank's automobile loans are primarily secured by the purchased automobile and residential properties. As at 31 December 2020, the Bank had domestic personal consumer loans of RMB264,581 million, representing 1.58 per cent. of the Group's gross loans and advances to customers.

Other personal loans

The Bank's other personal loan products primarily consist of credit card loans and personal business loans for private business owners involved in various specialised markets, personal agriculture-related loans to farmers on a trial basis in line with the PRC government's policy of supporting economic development of rural areas and other loans including educational loans. The Bank has also continued its offering of personal loan products, including the "Easy Education Loan" for personal education, the "Fortune Loan" for personal banking customers, differentiated credit, personal business loans, the "Hexing loans" for core enterprises upstream and downstream private owner business assistance loans, the "Refurbishment Loan" for home renovations and the "ShanRong loans" personal micro-credit revolving loans for consumption financing needs. The Bank also promoted business development with its self-service personal loans "Quick Loan" online channel. The balance of self-service loans via "Quick Loans", was RMB246,427 million, an increase of RMB73,281 million, or 42.32 per cent. over the end of 2019, serving tens of millions of customers.

Bank card business

The Bank offers a variety of bank card products comprising credit card and debit card to its customers under the registered "Long Card" ("龍卡") brand. As at 31 December 2020, the Bank had issued approximately 144 million credit cards and the number of debit cards in use was 1,208 million. For the year ended 31 December 2020, the Group's fee and commission income from bank card fees decreased to RMB21,374 million from RMB24,025 million for the same period in 2019, representing a decrease of 11.03 per cent.

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

Credit cards

Through the credit card centre in Shanghai established in December 2002, which centrally manages the Bank's credit card business, the Bank seeks to enhance its operational efficiency, improve its risk management and maintain a consistent level of customer service quality. The Bank has also established credit card departments in most of its tier-one branches to manage its operations locally. As approved by the then CBRC (now called CBIRC) and accepted by the Shanghai Banking Regulatory Bureau in 2008, the Bank's credit card centre was upgraded to a branch-level sales institution and obtained its business license in 2009. As at 31 December 2020, the Bank had issued approximately 144 million credit cards. The volume at credit card transactions totalled RMB3.05 trillion for the year ended 31 December 2020. As at 31 December 2020, the Bank's credit card loan balance reached RMB825,710 million.

The Bank's credit cards are accepted through its own network and through the China Unionpay network which are located in the PRC and various other countries and are also accepted overseas through the Bank's association with the Visa and MasterCard networks. The Bank continues to improve its credit card business structure and steadily enhance its service capabilities. It actively expands its young customer base and high-quality customers, make every effort to develop customers for agency salary payment services, and offered a number of new products, such as JOY Card, Bonus Card, MUSE Card and Long Card Credit (Daiba) virtual card, further improving the quality and activeness of customers. The Bank also issues diamond cards, which target high-end customers and issued specialised car-owner credit cards to car owners. The Bank has also launched consumer products including e-Pay Long Card, Tencent e-Pay Long Card, and Family Love Card, credit products such as "Fenqitong", and mobile payment services based on the Internet including Apple Pay, HCE Cloud Pay, and Samsung Pay. The Bank has increased its use of new electronic channels such as mobile phone, WeChat and QR codes to promote the use of its credit card products. The Bank has introduced the Long Card electronic payment wallet and "one-click payment" for cross-border internet purchases. The Bank has also introduced the "Mobile Long Card" mobile app allowing payments to be made with authorised merchants.

In 2019, the credit card business achieved rapid and sound development as the Bank implemented differentiated operating models for each region. The Bank actively promoted the innovation of its products for targeted customer bases such as young people, car owners and consumers shopping overseas. It introduced a range of products, such as QQ Music Card, Feichi Changxing Long Card, and Joy Card and issued more than 2.2 million virtual credit card "Long Card Credit (Daiba)", which can be applied and issued online instantly. It actively promoted marketing for ETC, with more than 20 million credit card customers contracting for ETC service. It strengthened credit card-based mobile payment and payment innovation, and accelerated scenario-based deployment with merchants by launching more than one hundred innovative industry applications at the intelligent POS platform. It comprehensively improved its risk control and compliance management capability, optimised its risk strategies and differentiated credit approval system, strictly implemented regulatory requirements and strengthened the control of the use of funds.

The Bank focused on target customers, enhanced the model automation operation capability, strengthened the building of online and offline scenarios, and comprehensively enhanced its digitalised operation capability. The Bank further built the scenario ecology, accelerated the building of three types of business areas, namely airports and high-speed rail stations, urban commercial complexes, and gas stations, by offering favourable interest rates, explored consumption scenarios welcomed by consumers, cooperated with leading companies such as Alipay, TikTok, Baidu, JD and Meituan on joint promotion, card payment and bonus points conversion to help expand domestic demand and promote consumption upgrade. The Bank strived to improve the living standards of the public, increased the support in auto consumption, and provided services to nearly 800,000 car owners in 2020. The Bank launched the "CCB Home Improvement Festival" as a one-stop application platform, and granted loan installment for housing decoration to 420,000 families in 2020. The Bank continued to improve the anti-fraud models and strategies, enhanced merchant risk monitoring and continuously improved its risk control and compliance management capability.

Debit cards

The Bank continuously improved the functions and services of debit card products to promote the activity of debit card transactions, continuously pressed ahead with the PBOC's mobile payment demonstration project to provide convenience service, and upgraded the "Long Pay" products and user management. As at 31 December 2020, the number of debit cards in use was 1,208 million, including 668 million financial IC debit cards. The transaction volume of debit cards in 2020 was RMB23.48 trillion. The cumulative number of users of the "Long Pay" products was 158 million.

Private Banking

The Bank provides a broad range private banking products and services and integrated solutions and to its high value customers, including family trust financial advisory services, asset allocation consultancy services, investment immigration, marital property preservation and family wealth inheritance. The Bank has developed its family trust business by coordinating efforts between the parent company and subsidiaries, and continuously improved the "Golden Housekeeper" comprehensive cash management business. The Bank has diversified its value-added services in three major areas, namely asset management, alternative financing and non-financial value-adding services. Drawing on Fintech, the Bank led the market in creating its mobile private bank and launching a mobile version of its private banking services "CCB e-private banking", promoting the building of benchmark private banking centres. Also, the Bank built a product system designed to "help customers structure their assets", and vigorously promoted its wealth advisory services. Additionally, the Bank launched the innovative service of Family Office.

The Bank focused on meeting the needs of high-net-worth customers for their wealth management, assets allocation and quality services by constantly improving professional capabilities, and maintained a good development momentum. Adhering to the perspective of customers and focusing on wealth management, the Bank improved the professional service system of wealth planning, assets allocation, and legal and tax consulting, and innovated and customised family wealth management services such as fully entrusted asset management and family funds, and consolidated its leading position in family trust advisory business among peers, with assets under management reaching RMB41,812 million. The Bank published professional reports on topics such as macro strategy analysis and legal and tax affairs, and held high-level salons such as family wealth forum. The Bank provided customers with customised services, enhanced customer trust, improved the integrated online and offline operation, optimised the layout of the private banking centres, and built a digital application system for private banking, all of which helping to improve customer experience. As at 31 December 2020, private banking customers' assets under management reached RMB1.78 trillion, representing an increase of RMB270,063 million or 17.89 per cent. as compared to 31 December 2019 and the number of private banking customers amounted to 160,794, representing an increase of 18,055 or 12.65 per cent. as compared to 31 December 2020.

Entrusted housing financing services

The Bank acts as an agent to national housing fund management departments to collect housing provident funds and housing maintenance funds and provide individual housing provident funds mortgages. The Bank is one of the earliest banks and the largest in China approved to engage in the housing provident fund management business. The Bank maintains sound business co-operation with local administrative centres of housing provident funds across China from which it takes deposits as a steady funding source. By implementing national policies on supporting the construction of homes and providing financing to mid-and low-income households, the Bank is able to capture such specialised market opportunities. The Bank has proactively improved its IT system and strengthened electronic channel expansion and product innovation in provident housing funds, in order to provide comprehensive and high-quality housing reform financial services. The Bank applied the "technology + internet" strategy to actively improve the service of the technology system of its entrusted housing finance business. Through innovative financial services, the Bank has launched new products and services including small amount cross-bank payments for housing provident funds, housing provident fund e-channel, housing provident fund co-named card and entrusted housing provident fund withdrawal for repayment of loans, while steadily developing its indemnificatory housing loans business and supporting low-and middle-income residents' housing needs for their own residential purposes.

The Bank improved financial service support by relying on FinTech to help the country use national housing funds for the prevention and control of COVID-19 and people's livelihood. In line with the reforms to streamline administration, delegate powers, and improve regulation and services, the Bank pressed ahead with data sharing of the national housing and construction system, continuously optimised business processes, and improved customer service capabilities. As at 31 December 2020, the balance of housing fund deposits was RMB971,879 million, and the balance of personal provident housing fund loans was RMB2.60 trillion. The Bank had cumulatively provided RMB117,116 million personal indemnificatory housing loans to nearly 600,000 low- and middle-income households as at 31 December 2020.

Marketing

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

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

Electronic Channels

In 2019 and 2020, the Bank strengthened its Fintech innovation and application, shifted from channel-based services to customer-focused operations, and built a brand new "online banking". In this regard, the channels' value contribution was comprehensively improved and the capability of customer services was greatly enhanced. In the first half of 2019, the Bank sought to build a digital bank with the feature of "available to everyone, open and sharing, full functions, all businesses, diverse scenarios, and easy access", steadily improving the contribution of its e-channels to value creation.

As at 31 December 2020, the Bank's personal online banking service had 371 million individual customers, representing an increase of 8.93 per cent. compared to 31 December 2019 and the number of corporate online banking users increased to 10.28 million, an increase of 13.23 per cent. compared to 31 December 2019. For the year ended 31 December 2020, the electronic banking service fees earned by the Bank was RMB29,007 million compared to RMB25,666 million for the same period in 2019, representing an increase of 13.02 per cent. This was mainly due to the steady increase in online payment transaction volume as the Group strengthened FinTech innovation and application and steadily improved its strength in online operation

TREASURY BUSINESS

The Bank's treasury business primarily consists of its money market activities, the management of its investment portfolio, treasury transactions on behalf of its customers, bond underwriting and development of treasury products. The Group's treasury business recorded a profit before tax of RMB55,915 million for the year ended 31 December 2020, accounting for 16.61 per cent. of its total profit before tax.

Key products and services

Money market activities

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

The Bank is an active participant in the interbank money market, one of the first market-makers in the interbank market and one of the sixteen Shanghai Interbank Offered Rate quotation banks approved by the PBOC. The Bank has actively responded to market fluctuations, taken initiatives to broaden the financing and investment channels, and managed its RMB and foreign currency positions in a centralised manner to safeguard the Bank's liquidity. The Bank actively participated in the reform of InterBank Offered Rates (IBOR) and was among the best in the interbank Foreign Currency Lending (FCL) Quoting Banks.

As at 31 December 2020, the Group's deposits and placements with banks and non-bank financial institutions amounted to RMB821,637 million, representing 2.92 per cent. of the Group's total assets. As at the same date, the deposits and placements from banks and non-bank financial institutions with the Group amounted to RMB2,293,272 million, representing 8.91 per cent. of the Group's total liabilities.

As at 31 December 2020, the total contractual amount in terms of framework agreements of debt-for-equity swaps of the Group is RMB886,403 million, maintaining a leading position in the industry.

Investment portfolio management

The Bank's investment portfolio mainly targets bond investment. The Bank classifies its portfolio as: (i) financial assets measured at fair value through profit or loss, (ii) financial assets measured at amortised cost and (iii) financial assets measured at fair value through other comprehensive income. The Bank achieved a reasonable balance between liquidity, security and returns on debt securities investments. With regard to investment in RMB debt securities, the Bank adheres to the principle of value-driven investment, actively serving the real economy, managing a reasonable pace of investment, continuously improving the portfolio structure, and strengthening the business collaboration between the CCB Head Office and branches, in order to maximise returns for the whole bank. With regard to investment in foreign-currency debt securities, the Bank adjusted the portfolio structure with close attention to trends in the global financial markets, and increased the portfolio returns under the premise of ensuring the liquidity of foreign-currency portfolios. As at 31 December 2020, financial assets measured at fair value through profit or loss, financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income represented 8.31 per cent., 64.82 per cent. and 26.87 per cent. of the Group's financial investment portfolio, respectively.

Proprietary trading

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

Proprietary investment

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

Treasury transactions on behalf of customers

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

The Bank steadily promoted the high-quality development of its customer-based trading business. It consolidated its customer base, actively expanded its overseas institutional investors base, with a steadily increasing number of customers. The Bank fully seized the development opportunity of RMB interest rate liberalisation, actively pressed ahead with the product innovation of interest rate derivative business in order to meet the diversified needs of customers. The Bank successfully launched the "Blue Core Exchange Rate Portfolio Management Platform", taking the lead among its peers in terms of system autonomy and comprehensive function. For the year ended 31 December 2020, customer-based trading business amounted to US$456.4 billion, and the volume of foreign exchange market-making transactions reached US$3.95 trillion, maintaining its competitive strength in the comprehensive ranking for interbank foreign exchange market.

Precious metals and commodities

The Bank realised sound development of the precious metals and commodities business in compliance with regulations. It introduced gold fixed accumulation plan and new trading categories such as apple, naphtha and PX, and increased commodity hedging categories to 35. It actively supported the demand of medical and safety supplies manufacturers for hedging the price of raw materials by reducing their hedging costs, and helped enterprises to resume work and production. It strengthened digitalised operation and improved customer experience. It closely followed market changes and strengthened the protection of consumers' rights and interests. For the year ended 31 December 2020, the total trading volume of precious metals of the Bank reached 118,000 tonnes.

Innovation and development of treasury products

The Group carried out platform-based operation, and continuously explored new, intelligent and ecological modes for inclusive finance to comprehensively improve the coverage, availability and satisfaction of inclusive finance services. It diversified the digital product system, realised the rapid customisation of new products on demand, and launched a series of products with new pattern, such as "Quick Loan for Small and Micro Businesses", "Yunong Quick Loan", "Quick Loan for Transactions" and "Quick Loan for Personal Business". As at 31 December 2020, loans granted by the Group had exceeded RMB3.6 trillion, benefiting more than 1.70 million customers. It continued promoted "Huidongni", "Huizhuni", and "Huidiantong" service platforms and the "three-in-one" inclusive finance operation and management platform. It also promoted digitalised precision marketing, and implemented digitalised and end-to-end refined risk control, to safeguard the high-quality development of inclusive finance business. The Bank pressed ahead with poverty alleviation through e-commerce based on e.ccb.com and established various poverty alleviation pavilions in cooperation with local governments and state-owned enterprises. As at 31 December 2020, the poverty alleviation transaction volume on "e.ccb.com" amounted to RMB17,080 million, covering poverty alleviation merchants in 1,013 poverty-stricken counties nationwide.

In order to effectively address financing difficulties for customers engaged in international trade, the Bank continuously improves it product offerings, including conversion of overseas loans to debt securities, export credit, cross-border e+ and cross-border financing, and global financing for financial leasing, incorporating a host of innovation in business processes and risk mitigations. The Bank also continuously improves its service offerings, such as "Bond Connect", direct top-up for IC cards and Subways Go Easy, and simplified the financial service processes and enhanced customer experience by means of technology development and interconnectivity.

Asset management

The Bank has designed and launched various wealth management products according to customer needs to provide wealth management services to customers. The Bank has widened its wealth management product distribution channels and increased its distribution of high yield debt and equity wealth management products. These wealth management products play an important role in securing the Bank's customers, particularly high-end customers. NAMeS, the Bank's new asset management system, went live to form an integrated end-to-end automated framework. The Bank also launched its innovative "Qianyuan" wealth management product and launched its robo-advisor services.

In 2019, the Bank set up the Assets Management Business Committee to coordinate the high-quality development of Group-level assets management business. The first phase of "Mega Assets Manager" system was launched smoothly. CCB Wealth Management became the first wealth management subsidiary of commercial banks in China. For the years ended 31 December 2018, 2019 and 2020, the Bank issued various wealth management products with a total amount of RMB7,519,123 million, RMB7,771,813 million and RMB7,132,244 million, respectively. As at 31 December 2020, the Bank's outstanding balance from wealth management products was RMB1,637,264 million compared to RMB2,145,757 million as at 31 December 2019.

INVESTMENT BANKING BUSINESS

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

Key products and services

Financial advisory service

The Bank's financial advisory business refers to its provision of consultation, analysis and solution design services to customers in respect of investment and financing, capital operation, asset management, debt management and corporate diagnosis based on the customers' requirements with an aim to assist them in reducing financing cost, increasing funding utilisation efficiency and optimising financial management. Furthermore, the Bank focused on providing its customers with product portfolios consisting of both investment banking and commercial banking products. In 2009, the Bank took the industry lead in launching FITS (Financial Total Solutions), a comprehensive financial solution also known as "Feichi". Depending on different situations and financial needs, FITS combines products and vehicles such as traditional commercial banking, new investment banking, various funds and bank wealth management programmes in order to provide comprehensive and diversified financial services plans. In 2020, the Bank completed the improvement and upgrade of the ecosystem of "FITS® 6+1" smart investment banking, pressed ahead with inclusive finance by providing free access to intelligent financial advisory service system named "FITS® e Intelligent" for 19,000 small- and micro-sized enterprises.

Equity financing service

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

Bond financing service

The Bank provides composite bond financing services for clients including short-term debentures, and mid-term notes. The Bank is an active underwriter in the domestic bond market and it is also a Class A underwriter in the MOF treasury bond underwriting syndicate. For the year ended 31 December 2020, the Bank accumulatively underwrote 851 issuance of debt financing instruments with the underwriting volume of debt securities of the Bank for enterprises of the real economy with a total amount of RMB532,200 million. As part of its continuous efforts in promoting green economy, the Bank also developed green asset-backed notes and green asset securitisation, becoming the first underwriter in the green finance reform zone. The Bank also promoted the issuance of the first green building panda bond, doubling as green "Bond Connect" bond, in the inter-bank market, and it issued RMB6.6 billion green bonds for enterprises in 2020.

Asset securitisation

The Bank was among the first commercial banks approved to undertake asset securitisation business. In 2005, the Bank issued the first residential mortgage-backed securities in China with a size of RMB3.0 billion. The Bank has developed a specialised information system for its securitisation products and the Bank has extensive experience in the development of securitisation products and the execution of such transactions. In 2018, the Bank actively cooperated with the National Development and Reform Commission to jointly promote and establish the National Development Fund for Strategic Industries.

For the year ended 31 December 2020, the Bank's underwriting volume of asset-backed notes reached RMB57,154 million, ranking first in the market. It completed the issuance of RMB71.4 billion of corporate credit asset-backed securities, issued the first RMB50 billion inclusive finance products of online quick loan asset-backed securities in the market, and issued RMB9,342 million asset-backed notes relating to reverse factoring supply chain, thereby collectively providing funds for 5,360 upstream small- and micro-sized customers. The Bank raised a total of RMB24,345 million for the strategic emerging industry fund, participated in the establishment of the National Green Development Fund by investing RMB8 billion and underwrote RMB4.4 billion green credit asset-backed securities.

Customer base

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

Marketing

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

OVERSEAS BUSINESS

As at 31 December 2020, the Bank had 19 major subsidiaries with a total of 595 entities, including 422 domestic ones and 173 overseas ones, covering 30 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, the U.S., the U.K., Vietnam, Australia, Russia, the United Arab Emirates, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, Chile, Indonesia, Malaysia, Poland and Kazakhstan and maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia.

As at 31 December 2020, the total assets of the Group's overseas entities were RMB1,434,781 million, representing approximately 3.84 per cent. of the Group's total assets. In May 2015, Chile Branch became the first RMB clearing bank in South America, and the branch officially opened in 2016. In June 2015, Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe were successively opened. Cape Town Branch (under Johannesburg Branch) commenced business in September 2015. London Branch commenced business in October 2015. Zurich Branch was established and designated as the RMB clearing bank in November 2015, and it officially opened in 2016 and Dubai International Financial Centre Branch received its official banking licence and commenced business in November 2015 and Warsaw Branch received its official banking licence in December 2016. CCB Malaysia obtained a commercial banking licence in October 2016. The Bank completed its acquisition of PT Bank Windu Kentjana International Tbk in September 2016, and renamed the entity to PT Bank China Construction Bank Indonesia Tbk. PT Bank China Construction Bank Indonesia Tbk was officially inaugurated in February 2017 and the Warsaw Branch of CCB Europe, CCB Malaysia and CCB Australia Perth Branch officially commenced operations in 2017. In February 2018, the Bank's New Zealand Branch officially opened for business. In March 2019, the Bank's Astana Branch was granted a licence and in June 2019, the Bank's Labuan Branch was granted a licence. In June 2020, Hungary Branch under CCB Europe received its banking license and completed the local registration.

MAJOR SUBSIDIARIES

In 2009, the Bank established the equity investment and strategy cooperation department to coordinate and manage its subsidiaries. According to the Group 2020 Annual Financial Statements, major subsidiaries of the Bank as at 31 December 2020 are set out below:

Name of subsidiary	Principal activities
China Construction Bank (London) Limited	Commercial banking
China Construction Bank (Europe) S.A.	Commercial banking
PT Bank China Construction Bank Indonesia, Tbk	Commercial Banking
China Construction Bank (Malaysia) Berhad	Commercial Banking
China Construction Bank (New Zealand) Limited	Commercial banking
China Construction Bank (Asia) Corporation Limited	Commercial banking
China Construction Bank (Brasil) Banco Múltiplo S/A	Commercial banking
China Construction Bank (Russia) Limited	Commercial banking
CCB Financial Leasing Co., Ltd.	Financial leasing
CCB Life Insurance Co., Ltd.	Insurance
Sino-German Bausparkasse Co., Ltd.	House savings bank
CCB Trust Co., Ltd.	Trust business
CCB Pension Management Co., Ltd.	Pension Management
CCB Principal Asset Management Co., Ltd.	Fund management services
CCB International (Holdings) Limited	Investment
CCB Futures Co., Ltd.	Futures
CCB Property & Casualty Insurance Co., Ltd.	Insurance
CCB Financial Asset Investment Co., Ltd.	Investment
CCB Wealth Management Co., Ltd.	Wealth management

Integrated Operation Subsidiaries

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

As at 31 December 2020, the Group owned several domestic and offshore subsidiaries in the non-banking financial sector, including CCB Wealth Management Co., Ltd. ("**CCB Wealth Management**"), CCB Principal Asset Management Co., Ltd. ("**CCB Principal Asset Management**"), CCB Financial Leasing Co., Ltd. ("**CCB Financial Leasing**"), CCB Trust Co., Ltd. ("**CCB Trust**"), CCB Life Insurance Co., Ltd. ("**CCB Life**"), Sino-German Bausparkasse Co., Ltd. ("**Sino-German Bausparkasse**"), CCB Futures Co., Ltd. ("**CCB Futures**"), CCB Pension Management Co., Ltd. ("**CCB Pension**") CCB Property & Casualty Insurance Co., Ltd ("**CCB Property & Casualty**"), CCB Financial Asset Investment Co., Ltd. ("**CCB Investment**") and CCB International (Holdings) Limited ("**CCB International**").

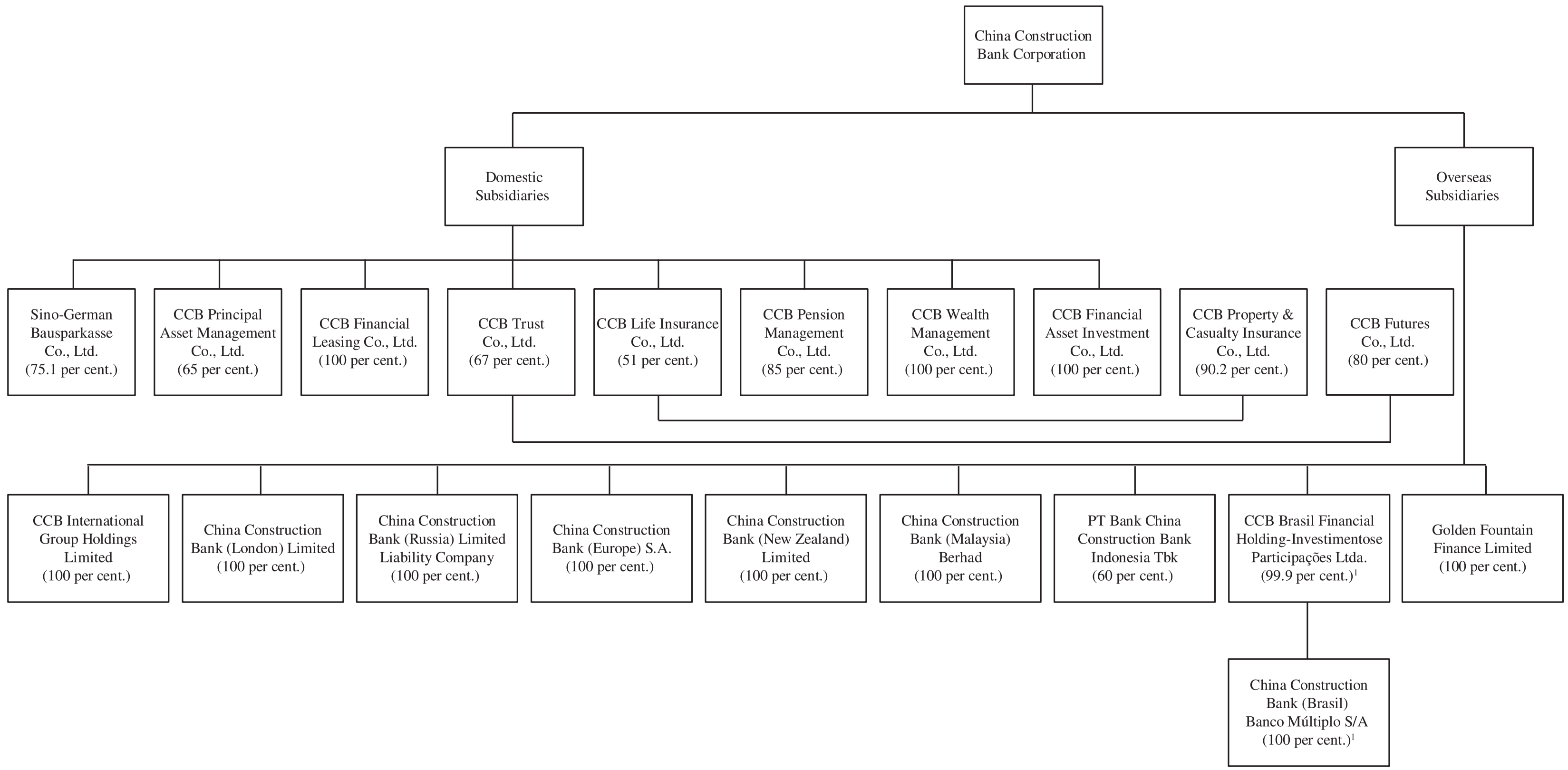
The Group set up several banking entities providing professional and differentiated services in specific industries and regions. In 2013, Sino-German Bausparkasse developed its housing credit business and achieved significant results in selling housing savings products. As at 31 December 2020, total assets of Sino-German Bausparkasse were RMB25,060 million.

CCB Pension has a registered capital of RMB2.3 billion, of which the Bank and National Council for Social Security Fund hold 85 per cent. and 15 per cent. of its shares, respectively. CCB Pension is mainly engaged in businesses including investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, pension advisory for above businesses and other businesses as approved by banking regulators under the State Council. As at 31 December 2020, the total assets of CCB Pension were RMB3,348 million and the net profit for the year ended 31 December 2020 was RMB90 million.

As at 31 December 2020, the total assets of the integrated operation subsidiaries were RMB698,777 million, an increase of 15.75 per cent. from 31 December 2019. For these purposes, integrated operation subsidiaries include the following subsidiaries as set out in the Group 2020 Annual Financial Statements: CCB Wealth Management, CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment and CCB International. CCB Principal Asset Management made full efforts to promote the development of various businesses, maintained safe and steady operation, and achieved good business performance; as at 31 December 2020, total assets managed by CCB Principal Asset Management were RMB1.36 trillion. CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered strong operating results; as at 31 December 2020, trust assets under management by CCB Trust amounted to RMB1,526,114 million. Net profit of the integrated operation subsidiaries for the year ended 31 December 2020 was RMB7,967 million, an increase of 109.16 per cent. from the previous year.

Organisational Structure

The following chart shows the Bank's simplified group structure as at 31 December 2020:



Note:

(1) As at 31 December 2020, the Bank held 100 per cent. of the total share capital of China Construction Bank (Brasil) Banco Múltiplo S/A, and held 100 per cent. of its total issued voting share.

Recent Developments

Impact of COVID-19 pandemic and the Group's main countermeasures

In 2020, the spread of COVID-19 has had a severe impact on the global economy. China has achieved significant strategic results through coordinated efforts in the prevention and control of COVID-19 and in economic and social development, and the domestic economy has resumed to normal. However, the international economic and financial environment remained complex and challenging, and there still exists many uncertainties in the developments of COVID-19 in China and the rest of the world. The Group actively shouldered responsibilities as a large bank, fully supported the prevention and control of COVID-19 and the resumption of work and production, vigorously promoted digitalised operations and services, and strove to achieve high-quality development of its businesses. Please refer to "*Risk Factors – Risks Relating to the Bank's Business – Uncertainties and instability in the global market conditions could adversely affect the Bank's business, financial condition and results of operations*" and "*Risk Factors – Risks Relating to the Bank's Business – Any force majeure events, including occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19) may have an adverse effect on the Bank's business operations, financial condition and results of operations*".

The Group's main countermeasures in response to COVID-19 are as follows:

Implementing regular COVID-19 prevention and control to ensure the smooth operation of business

The Group set up a leading team for COVID-19 prevention and control, strengthened its organisational structure, optimised response mechanisms and improved emergency response plans. It enhanced its prediction of risks including credit risk and liquidity risk and strengthened the unified credit risk control at the group level. It also enhanced business continuity management and improved internal control measures such as rules, regulations and IT systems. The Group strengthened the care and safety protection of its associates and ensured the provision of various prevention supplies. It quickly enabled remote working of the uniform staff platform, deployed more robotic process automation (RPA) applications, and implemented flexible working arrangements such as working from home, rotating shifts and staggered shifts.

Introducing multiple strategies to fully support the prevention and control of COVID-19 and the resumption of work and production

The Group took coordinated efforts to support the prevention and control of COVID-19 and the economic and social development, for example it successively introduced "10 Measures" of financial services to support the prevention and control of COVID-19. The Group also increased credit supply, mainly to address the credit demands of sectors and industries related to the prevention and control of COVID-19 and the resumption of work and production, as well as inclusive finance business, and the manufacturing sector. A total of RMB125,680 million loans were granted to 12,166 key enterprises engaging in the prevention and control of COVID-19. The Group further reduced service fees, provided favourable loan interest rates to key enterprises engaging in the prevention and control of COVID-19, and adopted relief measures such as deferred principal repayment and interest payment, loan extension and renewal to help customers affected by COVID-19. The Group provided fund support to key customers and financial institutions in key regions, and successfully issued special bonds for enterprises engaging in the prevention and control of COVID-19 and special interbank certificates of deposit for the prevention and control of COVID-19. The Group co-built "Oxygen Tank for Enterprises" with governments to support enterprises for the resumption of work and production, signed a total of 31 cooperation agreements with different levels of governments and departments of provinces and cities, and granted nearly RMB180 billion loans for over 20,000 enterprises. By the end of 2020, donations from the Group and its associates had reached RMB317 million, which included 11.50 million pieces of epidemic prevention materials.

Promoting forward-looking active risk mitigation to consolidate asset quality foundation

Adhering to the principle of prudence, and fully considering the impact of COVID-19 and government relief measures on the macro-economy, the Group increased provisions, and improved the disposal of risk assets based on the actual risk profile of customers, to enhance its risk mitigation capability. The Group carried out forward-looking special stress tests on the impact of COVID-19, continued to improve post-lending monitoring and management, and took measures to mitigate risks in advance to ensure the steady development of businesses. The assumptions underlying the expected credit losses calculation, such as how the maturity profile of probability of defaults and how the collateral values change, were monitored and reviewed on a quarterly basis. There were no significant changes in estimation techniques and such assumptions made during the reporting period. At the end of 2020, the NPL ratio of the Group was 1.56 per cent., and the proportion of special mention loans was 2.95 per cent. The allowances to total loans was 3.33 per cent. and allowances to NPLs was 213.59 per cent., maintaining at a high level.

RISK MANAGEMENT AND INTERNAL CONTROL

OVERVIEW

In 2020, the Group strengthened research on the macroeconomic situation, increased the frequency of stress testing, carried out major risks assessment, and adhered to the principle that business development should be bound by its risk management and control capabilities. The Group effectively promoted the building of the comprehensive, proactive and intelligent risk management system, enhanced the unified view of risks for the Group, and pushed forward standardised control and systematic prevention of all types of risks for all assets at every group member.

RISK MANAGEMENT FRAMEWORK

The board of directors of the Bank (the "**Board**") carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The risk management committee under the Board is responsible for making risk management strategies, monitoring their implementation, and evaluating the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and communicates risk appetite through relevant policies. The board of supervisors oversees the building of the comprehensive risk management system, as well as the performance of the Board and the senior management in delivering their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategies adopted by the Board and organising the implementation of the comprehensive risk management activities across the Group.

The chief risk officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. The Risk Management Department is the leading management department responsible for the Group's comprehensive risk management, and the Market Risk Management Department, its subordinate department, is in charge of the management of market risks. The Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. The Asset and Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of the banking book. The Internal Control and Compliance Department is the leading management department responsible for operational risk and information technology risk management. The Public Relations and Corporate Culture Department is in charge of reputational risk management. The Strategy and Policy Coordination Department is responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank places high priority on the risk management of subsidiaries, monitors their adherence to the risk appetite and conducts overall risk assessment of subsidiaries on a regular basis. It established a centralised reporting mechanism for risk management of subsidiaries, and pushes subsidiaries to continuously improve their corporate governance. The subsidiaries implemented the risk management requirements of the parent bank through their corporate governance mechanisms, established and improved their comprehensive risk management systems to enhance their compliance and risk management capabilities.

CREDIT RISK MANAGEMENT

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligations or commitment to the Group. In 2020, COVID-19 seriously affected the global economic development, and brought unprecedented impact on domestic economic growth. Against the backdrop of extremely complex and challenging external environment, the Group actively implemented various national policies, increased credit supply, and focused on supporting key areas in the real economy to assist in economic recovery. It made great efforts in risk prevention and control so as to achieve sound risk control together with stable growth.

Reinforcing proactive and forward-looking credit management

The Group continued to carry out proactive and forward-looking credit management. It continuously optimised credit structure, consolidated strength in infrastructure sector, improved the proportion of inclusive finance, promoted the steady development of green finance and strategic emerging industries, and supported the upgrading of manufacturing sector. It improved the credit process and mechanism, and promoted the refined management of the process. It adhered to substantive risk judgment to identify risks effectively and accurately, and enhanced unified credit risk monitoring of the Group. It strictly followed the principle of prudence to enhance its ability to withstand risks, and accurately reflected risk pressures and operating results.

Strengthening risk control over credit approval

The Group strengthened risk control over credit approval. The Group strictly implemented credit approval strategy, and strengthened risk control in key areas to optimise credit structure. It centralised all information resources, strengthened information mining, analysis and application based on monitoring data, and promoted the development of a decision-making support system to assist in credit approval decision-making. It optimised the approval mechanism and process at domestic and foreign institutions, and shortened the business chain. It promoted intensive management and pressed ahead with the pilot programme of "Cloud-based Approval". It also promoted the development of an intelligent compliance review system and a credit approval document library, and achieved mobile credit approval for the whole process.

Enhancing risk measurement capabilities

The Group enhanced its risk measurement capabilities. It expanded the application scope of its online business risk scanning and detection system and optimised the screening rules. It strengthened the development and application of the risk model decision system, which supported branches to diagnose and analyse issues in daily risk management. It deepened the refined management of economic capital, and strengthened its internal growth drivers. It developed intelligent rating tools for corporate customers, and launched the function to help verify the authenticity of financial statements. Its credit limit control strengthened the management of concentration risk and the risk from borrowers who had loans from multiple sources.

Strengthening the operation and value management of non-performing assets

The Group adjusted its structure, clarified the strategies for non-performing assets operation and carried forward innovation in NPLs disposal channels. It set the ultimate goal of maximising the recovery value with classified and categorised operational targets. The Group improved the closing rates and recovery rate of batch transfers in the process of pushing forward refined management, leading to a remarkable rise in the cash recovery from written-off assets. In particular, it adjusted its operation and disposal strategy for non-performing assets in responding to the adverse impact of COVID-19, took multiple measures to increase NPL disposals, and steadily enhanced its operating and disposal capacity for non-performing assets.

Concentration of Credit Risks

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

At the end of 2020, the Group's gross loans to the largest single borrower accounted for 3.55 per cent. of its total capital after regulatory adjustments, while those to the top ten customers accounted for 11.84 per cent. of its total capital after regulatory adjustments.

Concentration of loans

	As at 31 December		
	2020	**2019**	**2018**
		(%)	
Proportion of loans to the largest single customer	3.55	2.65	2.95
Proportion of loans to the top ten customers	11.84	10.82	13.05

Concentration of Borrowers

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

		As at 31 December 2020	
		Amount	**% of gross loans and advances excluding accrued interest**
		(In millions of RMB, except percentages)	
	Industry		
Customer A . . .	Transportation, storage and postal services	100,597	0.60
Customer B . . .	Leasing and commercial services	38,400	0.23
Customer C . . .	Transportation, storage and postal services	34,487	0.21
Customer D . . .	Transportation, storage and postal services	27,948	0.17
Customer E . . .	Transportation, storage and postal services	27,330	0.16
Customer F . . .	Transportation, storage and postal services	26,313	0.16
Customer G . . .	Production and supply of electric power, heat, gas and water	20,779	0.12
Customer H . . .	Production and supply of electric power, heat, gas and water	20,648	0.12
Customer I. . . .	Finance	19,400	0.12
Customer J. . . .	Transportation, storage and postal services	19,346	0.11
Total		335,248	2.00

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that occurs when a commercial bank 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 Board assumes the ultimate responsibility for liquidity risk management, and authorises its special committees to discharge relevant duties, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The Asset and Liability Management Department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as significant drop in liquidation of current assets, massive outflow of wholesale or retail deposits, decreasing access to wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and breakdown of the Bank's payment and settlement system. In light of the regulatory requirements, external macro environment and the Bank's business development, the CCB Head Office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

The Group conducts quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

In 2020, the Group continued to adhere to the principle of robustness and prudence in liquidity risk management. By fully considering changes in internal and external liquidity situation, it controlled the size and progress of asset growth as appropriate, and reasonably adjusted the term structure of assets and liabilities. It actively cooperated with the PBOC to carry out monetary policies, and provided liquidity timely at reasonable prices to maintain the stable operation of money market in the special period of COVID-19 prevention and control. It continued to improve the refined management of liquidity, and predicted liquidity risk with sensitivity analysis to ensure the safety of payment and settlement of the Group and keep the stability and compliance of various indicators.

Indicators of liquidity risk management

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

	As at 31 December			
	Regulatory standard	2020	2019	2018
	(per cent.)			
Liquidity ratio[1] **RMB**	>25	55.66	51.87	47.69
Liquidity ratio[1] Foreign currency.	>25	58.64	68.29	84.88
Loan-to-deposit ratio[2] **RMB**		78.49	77.68	73.71

Notes:

(1) Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBIRC.

(2) Calculated on the basis of domestic legal person in accordance with the requirements of the CBIRC.

The following table sets forth the Group's liquidity coverage indicators for the fourth quarter of 2020:

		Total Unweighted Value	Total Weighted Value
		(RMB million yuan, except for percentage)	
No.	**High-quality liquid assets**		
1	Total High-Quality Liquid Assets (HQLA)		4,719,927
	Cash outflow		
2	Retail deposits and deposits from small business customers, of which:	9,836,595	861,301
3	Stable deposits	2,445,788	122,220
4	Less stable deposits	7,390,807	739,081
5	Unsecured wholesale funding, of which:	10,326,756	3,355,510
6	Operational deposits (excluding those generated from correspondent banking activates)	6,795,090	1,687,314
7	Non-operational deposits (all counterparties)	3,395,272	1,531,802
8	Unsecured debt	136,394	136,394
9	Secured funding		90
10	Additional requirements, of which:	1,825,123	238,154
11	Outflows related to derivative exposures and other collateral requirements	72,283	72,283
12	Outflows related to loss of funding on secured debt products	5,222	5,222
13	Credit and liquidity facilities	1,747,618	160,649
14	Other contractual funding obligations	47	–
15	Other contingent funding obligations	4,045,775	461,595
16	**Total Cash Outflows**	4,916,650	
	Cash inflow		
17	Secured lending (including reverse repos and securities borrowing)	764,901	763,538
18	Inflow from fully performing exposures	1,709,833	1,103,134
19	Other cash inflows	73,750	68,601
20	**Total Cash Inflows**	2,548,484	1,935,273

		Total Unweighted Value	Total Weighted Value
		(RMB million yuan, except for percentage)	
			Total Adjusted Value
21	Total HQLA		4,719,927
22	Total Net Cash Outflows		2,981,377
23	Liquidity coverage ratio (%)[1]		158.53

Note:

(1) The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

The Group regularly monitors the gaps between its assets and liabilities in different time brackets in order to assess its liquidity risk for different time periods. As at 31 December 2020, the cumulative maturity gap of the Group was RMB2,390,000 million, an increase of RMB154,226 million over the end of 2019. The negative gap for repayment on demand was RMB11,560,000 million, an increase of RMB993,690 million over the end of 2019, mainly due to the Group's large demand deposits from its expansive customer base. Considering the low turnover rate of the Group's demand deposits and steady growth of deposits, the Group expects to have stable sources of funding and maintain a stable liquidity position in the future.

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. Market risk arises from both the Group's trading and non-trading businesses.

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 manage 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.

In 2020, the Group actively responded to fluctuations in bond, stock, foreign exchange and commodity markets, and significantly tightened its market risk management. The Group launched its contingency response mechanism for major market risks in a timely manner, and set up a contingency response team in charge of major market risk events to actively analyse risks and take targeted forward-looking risk control measures. It promoted the development of its intelligent management and control platform for investment and trading businesses, and expanded the unified risk view of trading and investment customers. The Group strengthened the risk prevention and control of debentures and underwriting businesses, promoted the remediation and resolution of existing risk assets in asset management business, launched its risk management system for asset management business, and strengthened the limit management of asset management business at its subsidiaries. It also strengthened the risk management and control of financial institution customers, improved the risk limit management and list-based management of counterparties.

Value at Risk Analysis

The Bank divides its on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk ("**VaR**") analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99 per cent. and with a holding period of one trading day). The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows:

	For the year ended 31 December 2020				For the year ended 31 December 2019			
	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
	(In millions of RMB)							
Risk valuation of trading portfolio. .	141	250	317	137	253	302	341	227
– Interest rate risk . .	87	98	182	46	59	85	117	57
– Exchange risk . . .	145	246	298	137	262	298	361	234
– Commodity risk . .	1	9	42	–	4	12	31	–

INTEREST RATE RISK MANAGEMENT

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 a bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The Group established interest rate risk management framework and system in light of its own condition, and implemented robust and prudent interest rate risk management strategy and policy. The Group employed a range of methods to measure and analyse the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and value, and ensure stable profit growth and capital structure.

In 2020, the Group paid close attention to changes in market rates, and reinforced dynamic risk monitoring and prediction. It continued to optimise the product portfolio and term structure and maintained the solid and coordinated growth of assets and liabilities. It flexibly adjusted internal and external price policies and strengthened its review of interest rate risk associated with innovative products. In addition, the Group actively implemented the requirements of the PBOC on the reform of interest rate liberalisation, and effectively promoted the conversion of benchmark interest rates. It strengthened the management of overseas entities and subsidiaries and optimised the relevant interest rate risk limits. It improved the interest rate risk management system, strengthened the backtesting of the measurement model, and consolidated the foundation of interest rate risk management. The results of the stress testing indicated that all indicators are kept within the limits, and the interest rate risk on banking book of the Group was under control.

In a speech in July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "**FCA**") committed the FCA to begin planning a transition away from LIBOR to alternative reference rates that are based on actual transactions, such as the Sterling Over Night Index Average. The announcement indicated that the continuation of LIBOR in its current form is not guaranteed after 2021. Subsequent speeches by the Chief Executive of the FCA and other FCA officials emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the "**IBA**") to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023). The Bank actively addressed the impact of adopting alternative or replacement reference rates, completed quantitative analysis on related areas, and identified overall standard and principles. Since the proportion of the Bank's foreign currency business based on LIBOR in the overall business is relatively low, the risk related to the transition to alternative or replacement reference rates is very limited. In future, the Bank will closely follow the progress of the establishment of new benchmark interest rates in various countries, facilitate an orderly transition from LIBOR, and effectively control related risks under China's financial supervision framework.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps as at the specified dates by the next expected repricing dates or maturity dates (whichever are earlier) is set out below:

	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	(In millions of RMB)					
Interest rate sensitivity gap as at 31 December 2020 . .	108,331	(2,864,124)	3,641,112	(1,502,646)	3,006,680	2,389,353
Accumulated interest rate sensitivity gap as at 31 December 2020		(2,864,124)	776,988	(725,658)	2,281,022	
Interest rate sensitivity gap as at 31 December 2019 . .	173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127
Accumulated interest rate sensitivity gap as at 31 December 2019		(1,696,225)	589,208	(123,702)	2,061,634	

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes all yield curves to rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBOC remain the same; the second assumes the yield curves to rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBOC and the demand deposits remain the same.

The interest rate sensitivity of the Group's net interest income as at 31 December 2019 and 2020 is set out below:

	Change in net interest income			
	Rise by 100 basis points (interest rates for deposits at the PBOC being constant)	**Fall by 100 basis points (interest rates for deposits at the PBOC being constant)**	**Rise by 100 basis points (interest rates for deposits at the PBOC and demand deposit rates being constant)**	**Fall by 100 basis points (interest rates for deposits at the PBOC and demand deposit rates being constant**
	(In millions of RMB)			
As at 31 December 2020	(45,546)	45,546	80,344	(80,344)
As at 31 December 2019	(35,183)	35,183	77,716	(77,716)

EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk is the risk of impact of adverse movements in foreign exchange rates on a bank's financial position. The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In 2020, the Group paid close attention to changes in global economic and financial situation in the wake of COVID-19, and the impact on exchange rate trend and exchange rate risk level of the Group. It strengthened research on exchange rates of currencies for major economies and emerging markets, and improved its exchange rate risk prediction capability for multiple currencies. It continued to enhance the building of its exchange rate risk management system, updated and improved internal management rules. The Group's overall exchange rate risk exposure was small, and continued to satisfy regulatory requirements of the CBIRC. The stress testing results of exchange rate risk showed that the overall risk was under control.

Currency concentrations

The Group's currency concentrations as at 31 December 2019 and 2020 are set out below:

	As at 31 December 2020				As at 31 December 2019			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
	(In millions of RMB)							
Spot assets	945,417	352,098	376,645	1,674,160	1,177,322	336,136	473,907	1,987,365
Spot liabilities	(1,000,213)	(330,942)	(290,448)	(1,621,603)	(1,280,135)	(388,492)	(324,861)	(1,993,488)
Forward purchases	1,826,299	75,051	137,233	2,038,583	2,126,358	174,874	185,347	2,486,579
Forward sales	(1,758,605)	(60,684)	(203,639)	(2,022,928)	(1,988,021)	(79,784)	(309,671)	(2,377,476)
Net options position	(16,261)	(29)	(4)	(16,294)	(14,714)	–	(10)	(14,724)
Net long position	(3,362)	35,494	19,787	51,919	20,810	42,734	24,712	88,256

As at 31 December 2020, the net exposure of foreign exchange rate risk of the Group was RMB51,919 million, a decrease of RMB36,337 million as compared to 31 December 2019, mainly due to the redemption of U.S. dollars-denominated preference shares and changes to the transactional exposure.

Operational Risk Management

Operational risk is the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In 2020, the Group continued to promote the application of operational risk management tools, strengthened collection, analysis and reporting of non-compliance losses information, and conducted operational risk assessments for new products. It strengthened the building of internal controls, formulated challenge policies in business operations, and revised management rules for incompatible duties. It improved its contingency plans for COVID-19, carried out related drills, and standardised business continuity contingency responses at overseas institutions.

The Group strengthened the statistical analysis of non-compliance losses such as regulatory penalties and credit violations, developed relevant system functions and reduced operational risk losses caused by non-compliance. It re-examined and adjusted the manual on incompatible positions to enhance the counterbalance of different positions. It made arrangements for job rotation and mandatory vacation of important positions to strengthen internal control capabilities. It also selected key areas to carry out self-assessment of operational risk to improve operational risk prevention and control. Moreover, the Group continued to promote its emergency planning and drills for key businesses in the "New Generation" core banking system to improve its capability in response to business disruption emergencies.

ANTI-MONEY LAUNDERING

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

In line with the risk-based approach, the Group continued to improve its rules and mechanisms for AML, counter-terrorist financing and anti-tax evasion, and optimised its AML management policies at the group level. It enhanced the customer identification programme and improved the completeness, accuracy and effectiveness of customer information. It continued to optimise its money-laundering risk assessment and mitigation system, and improved the effectiveness of money-laundering risk management from the perspectives of institutions and products. It steadily promoted the management of AML data, and continuously enhanced the Group's AML capabilities. In addition, it made solid efforts in financial sanctions compliance and safeguarded the bottom line of sanctions compliance programme requirements. The Group strengthened AML support for the prevention and control of COVID-19, and stepped up its efforts to combat COVID-19-related money laundering activities while improving the convenience of financial services.

REPUTATIONAL RISK MANAGEMENT

Reputation risk is the risk of potential or actual negative impact on or damage to a bank's overall image, reputation and brand value, when certain aspects of the commercial bank's operational, managerial or other behaviours or events attract media attention or coverage.

The Group continued to improve its reputational risk management system and mechanism, and enhanced its competence in managing reputational risk. It strengthened the publicity and reputational risk management at the bank level and enhanced guidance to overseas entities. It further strengthened the public opinion monitoring and coordination between CCB Head Office and branches, parent company and subsidiaries, domestic and overseas branches, to timely detect any adverse public opinions and send early warnings to resolve crisis in time. The Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation.

COUNTRY RISK MANAGEMENT

Country risk is the risk of losses in the physical outlets, equipment, facilities or other losses to the Group in a country or a region or other losses the Group suffers as a result of insolvency or refusal of borrowers or debtors in a country or a region to repay their debts to the Group, due to the economic, political, social changes and events in such country or region.

In the context of increasingly complex international political and economic situation, the Group continued to strengthen country risk management. It adopted a range of tools to manage the country risk, including evaluation and rating, risk limit, exposure measurement, provisioning, stress testing, monitoring and early warning, and emergency responses. It revised country risk management policies, carried out country risk monitoring, early warning and emergency response, and re-examined the ratings and risk limits of certain countries and regions. It optimised country risk management system and focused on improving proactive management capabilities. The Group's country risk exposure was mainly concentrated in countries or regions with "low" or "relatively low" country risk, and the overall country risk was maintained at a reasonable level.

CONSOLIDATED MANAGEMENT

Consolidated management is the Bank's on-going comprehensive management and control over the corporate governance, capital and finance of the Group and the subsidiaries, which enables the Bank to effectively identify, measure, monitor and control the overall risk profile of the Group.

The Bank continuously enhanced consolidated management and reinforced various aspects of consolidated management, including business collaboration at the group level, corporate governance, risk management and capital management. It strengthened the strategic management of subsidiaries and deepened the building of the parent-subsidiary coordination system. It optimised the corporate governance mechanism of subsidiaries and clarified that the board of subsidiaries was responsible for risk management. It established annual market risk limit policy and enhanced centralised credit approval management of the Group. It continued to optimise the consolidated management system and improved the automation level of consolidated management.

INTERNAL AUDIT

The Bank's internal audit department serves the purpose of promoting a sound and effective risk management mechanism, the internal control system and corporate governance procedures. It evaluates the effectiveness of the internal control system and risk management mechanism, the effects of corporate governance procedures, the profitability of business operations, and the economic responsibilities of relevant individuals, and puts forward related suggestions for improvement. The internal audit system of the Bank is vertically managed, and relatively independent. The internal auditors are responsible to and report to the Board and the audit committee, and also report to the board of supervisors and senior management. In addition to the audit department at the CCB Head Office, the Bank also has 29 audit offices at some tier-1 branches and an overseas audit centre in Hong Kong.

Taking into account COVID-19 prevention and control situation and regulatory requirements, the Bank organised and implemented systematic audit projects such as dynamic audits on credit business, cross-financial business, and finance and operation, as well as audits on related party transactions, agency business, credit card business, collateral management, and outsourcing business. The Bank performed in-depth analysis on the underlying causes of identified issues, so as to drive relevant departments and branches to continuously improve management mechanisms, business processes and internal management, and to effectively promote the stable and compliant development of the Bank's operation and management

INTERNAL CONTROL

The objectives of the internal control of the Bank are to reasonably ensure its operation and management in compliance with laws and regulations, assets safety, the accuracy and integrity of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Bank to achieve its development strategies. According to the requirements regarding the standard system of enterprises internal control, the Board establishes sound and effective internal control, evaluates its effectiveness and supervises the effectiveness of the internal control system. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2020, the Bank actively explored the establishment and digitisation of the internal control evaluation system, and implemented a normal evaluation work mechanism throughout the Bank, which achieved certain results. Based on the Bank's internal control evaluation work practice and development model, and with reference to the industry's advanced experience, the Bank's independently developed internal control evaluation system was successfully launched, achieving the refined management targets and requirements of internal control evaluation. Based on the typical characteristics of violations, corresponding data analysis and verification methods were designed to form a data analysis model, which improved the relevance and effectiveness of internal control evaluation. There was an in-depth evaluation of the Bank's business processes, and the Bank urged institutions at all levels to carry out normalised self-evaluations and self-inspections to timely identify and improve internal control deficiencies.

The Board and the audit committee assess the effectiveness of the internal control and examine the report of internal control annually. As at 31 December 2020, there was no material deficiency in the internal control of financial reporting of the Bank, and no material deficiency was detected in the internal control of non-financial report. The Board held that the Bank conducted effective internal control of financial reporting covering all the major aspects, in compliance with the requirements regarding the standard system of enterprise internal control and other relevant regulations.

Ernst & Young Hua Ming LLP audited the internal control of the Bank for the year ended 31 December 2020 in accordance with relevant requirements of Enterprise Internal Control Audit Guidelines, and the audit opinion of internal control issued by it was in line with the Bank's assessment of conclusion on the effectiveness of internal control of the financial report. The disclosure of material deficiencies of internal control of the non-financial report in the audit report of internal control was also in line with the disclosure of the assessment report of internal control of the Bank.

GENERAL

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

Each of the Bank's directors, supervisors and senior management has disclosed to the Bank at the time of appointment, and in a timely manner for any change in, the number and nature of offices held in public companies or organisations and other significant commitments, the identity of the public companies or organisations and an indication of the time involved. As at 31 December 2020, some of the directors, supervisors and senior management of the Bank indirectly held H-shares of the Bank via the employee stock incentive plan before they assumed their current positions. Mr. Wu Jianhang held 20,966 H-shares, Mr. Yang Fenglai held 16,789 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Wang Hao held 12,108 H-shares, Ms. Zhang Min held 9,120 H-shares, Mr. Jin Yanmin held 15,739 H-shares and Mr. Hu Changmiao held 17,709 H-shares. Mr. Zhang Gengsheng, the resigned executive director and executive vice president, held 19,304 H-shares, Mr. Fang Qiuyue, the resigned shareholder representative supervisor, held 21,927 H-shares, Mr. Xu Yiming, the resigned chief financial officer, held 17,925 H-shares and Mr. Cheng Yuanguo, the resigned employee representative supervisor, held 15,863 H-shares. Mr. Wang Jiang, appointed as president of the Bank in February 2021, held 15,417 H-shares. Save as disclosed above, as at 31 December 2020, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")).

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

Directors

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

Name	Position
Tian Guoli	Chairman, executive director
Wang Jiang	Vice chairman, executive director, president
Lyu Jiajin	Executive director, executive vice president
Xu Jiandong	Non-executive director

Name	Position
Zhang Qi	Non-executive director
Tian Bo	Non-executive director
Xia Yang	Non-executive director
Shao Min	Non-executive director
Liu Fang	Non-executive director
Anita Fung Yuen Mei	Independent non-executive director
Malcolm Christopher McCarthy	Independent non-executive director
Carl Walter	Independent non-executive director
Kenneth Patrick Chung	Independent non-executive director
Graeme Wheeler	Independent non-executive director
Michel Madelain	Independent non-executive director

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

Tian Guoli
Chairman, executive director

Mr. Tian has served as chairman and executive director since October 2017, concurrently as chairman of Sino-German Bausparkasse since March 2018. Mr. Tian currently also serves as chairman of China Banking Association, a member of the Expert Committee for the 14th Five-Year Plan for Economic and Social Development of China, a member of the Monetary Policy Committee of the People's Bank of China and chairman of Asian Financial Cooperation Association and a member of International Advisory Panel of Monetary Authority of Singapore. Mr. Tian joined Bank of China in April 2013 and served as chairman of Bank of China from May 2013 to August 2017. During this period, he also served as chairman and non-executive director of Bank of China Hong Kong (Holdings) Limited. From December 2010 to April 2013, Mr. Tian served as vice chairman and general manager of China CITIC Group. During this period, he also served as chairman and non-executive director of China CITIC Bank. From April 1999 to December 2010, Mr. Tian served consecutively as vice president and president of China Cinda Asset Management Company, and chairman of China Cinda Asset Management Co., Ltd. From July 1983 to April 1999, Mr. Tian held various positions in CCB, including sub-branch general manager, branch deputy manager, department general manager of the CCB Head Office, and assistant president of CCB. Mr. Tian is a senior economist. He received a bachelor's degree in economics from Hubei Institute of Finance and Economics in 1983.

Wang Jiang
Vice chairman, executive director, president

Mr. Wang has served as vice chairman and executive director since March 2021 and president of the Bank since February 2021. From January 2020 to February 2021, Mr. Wang served as vice chairman and executive director of Bank of China. From December 2019 to February 2021, Mr. Wang served as president of Bank of China. From March 2020 to February 2021, Mr. Wang concurrently served as vice chairman and non-executive director of BOC Hong Kong (Holdings) Limited. From July 2017 to November 2019, Mr. Wang served as vice-governor of Jiangsu Province. From August 2015 to July 2017, Mr. Wang served as executive vice president of Bank of Communications. From October 2002 to March 2015, Mr. Wang successively served as deputy general manager of Shandong Branch of the Bank, general manager of Hubei Branch of the Bank, general manager of Shanghai Branch of the Bank. Mr. Wang served as general manager of Dezhou Branch in Shandong Province of the Bank from September 2000 to October 2002 and deputy director of Credit Risk Management Division of Shandong Branch of the Bank from June 1999 to September 2000. Mr. Wang graduated from Xiamen University in 1999 with a doctoral degree in economics and Shandong Economics College in 1984 with a bachelor's degree in finance.

Lyu Jiajin
Executive director, executive vice president

Mr. Lyu has served as an executive director since December 2020 and executive vice president of the Bank since July 2020. Mr. Lyu served as executive vice president of Bank of Communications from January 2019 to July 2020. From May 2016 to January 2019, Mr. Lyu served as deputy general manager of China Post Group Corporation and executive director and president of Postal Savings Bank of China Co., Ltd. From December 2012 to May 2016, Mr. Lyu served as executive director and president of Postal Savings Bank of China Co., Ltd. From March 2007 to December 2012, Mr. Lyu served as executive director and executive vice president of Postal Savings Bank of China Limited (which was renamed Postal Savings Bank of China Co., Ltd. on 21 January 2012). From July 2005 to March 2007, Mr. Lyu served as deputy head of China Postal Savings and Remittance Bureau. Mr. Lyu served as deputy head of Post Bureau of Liaoning Province from February 2004 to July 2005, as deputy head of Post Bureau of Henan Province from March 2001 to February 2004, as head of Post Bureau of Xinxiang City in Henan Province from October 1999 to March 2001 and successively served as deputy head and head of Postal Savings and Remittance Bureau of Henan Province from May 1998 to October 1999. Mr. Lyu worked in the Board of Currency of Postal Savings and Remittance Bureau of Henan Province and Administrative Bureau of Post and Telecommunications of Henan Province from July 1988 to May 1998. Mr. Lyu is a senior economist. He obtained his Ph.D. degree in economics from Southwestern University of Finance and Economics in June 2014.

Xu Jiandong
Non-executive director

Mr. Xu has served as a non-executive director since June 2020. Mr. Xu has served as non-executive director of Agricultural Bank of China Limited from February 2015 to June 2020. Mr. Xu worked at the State Administration of Foreign Exchange from July 1986 to April 2015, during which, he served as deputy counsel of the Management and Inspection Department from June 2012 to April 2015, deputy director of the Financial Affairs Office of Jilin Province from April 2011 to June 2012, deputy counsel of the Balance of Payment Department from March 2004 to April 2011, division-chief of the Banking Management Division of the Balance of Payment Department from September 2000 to March 2004 and deputy division-chief of the Foreign Exchange Market Management Division of the Balance of Payment Department from September 1994 to September 2000. Mr. Xu Jiandong graduated from Central University of Finance and Economics with a bachelor’s degree in finance in 1986. Mr. Xu is currently an employee of Huijin, the Bank’s substantial shareholder.

Zhang Qi
Non-executive director

Mr. Zhang has served as a non-executive director since July 2017. Mr. Zhang has served as a non-executive director of Bank of China Limited from July 2011 to June 2017. Mr. Zhang served successively in the Central Expenditure Division One and Comprehensive Division of the Budget Department and Ministers’ Office of the General Administration Department of the Ministry of Finance as well as the Operation Department of China Investment Corporation, serving as deputy division-chief, division-chief and senior manager from 2001 to 2011. Mr. Zhang studied in the Investment Department and Finance Department of Dongbei University of Finance & Economics from 1991 to 2001 and obtained his bachelor’s degree, master’s degree and Ph.D. degree in economics in 1995, 1998 and 2001 respectively. Mr. Zhang is currently a part-time doctoral supervisor at China Northeast University of Finance and Economics. Mr. Zhang is currently an employee of Huijin, the Bank’s substantial shareholder.

Tian Bo
Non-executive director

Mr. Tian has served as a non-executive director since August 2019. Mr. Tian served as Deputy General Manager of Global Transaction Banking Department of Bank of China from January to August 2019. From March 2006 to January 2019, Mr. Tian was Division Head of Banking Business Department, Division Head and Assistant General Manager of Corporate Banking Department and Deputy General Manager of Global Trade Services Department of Bank of China. Concurrently, Mr. Tian also served as Member of the Standing Committee of the CPC Municipal Party Committee and Vice Mayor of Fangchenggang City of Guangxi Zhuang Autonomous Region from February 2016 to February 2018. Mr. Tian obtained a bachelor's degree in Economics from the Major of Finance of Beijing College of Finance and Trade in 1994 and a master's degree in Management from the Major of Accounting from Capital University of Economics and Business in 2004. Mr. Tian is currently an employee of Huijin, the Bank's substantial shareholder.

Xia Yang
Non-executive director

Mr. Xia has served as a non-executive director since August 2019. Mr. Xia served as general manager of the asset custody services department of Hua Xia Bank from January 2018 to September 2019. Since August 1997, Mr. Xia has been working in Hua Xia Bank, consecutively serving various positions including president of Jinan Branch, president of Hefei Branch etc. Mr. Xia is a senior economist and a senior accountant. Mr. Xia received a bachelor's degree in science from the biology department of Nanjing University in 1988, specialised in human and animal physiology; he graduated from Nanjing University with a doctoral degree in management sciences and engineering in 2018. Mr. Xia is currently an employee of Huijin, the Bank's substantial shareholder.

Shao Min
Non-executive director

Ms. Shao has served as a non-executive director since January 2021. Ms. Shao has served as senior counsel of the Supervision and Evaluation Bureau of Ministry of Finance from June 2019 to February 2021. From April 2019 to June 2019, Ms. Shao was counsel of the Supervision and Evaluation Bureau of Ministry of Finance. From September 2015 to April 2019, Ms. Shao was deputy director-general of the Accounting Department of Ministry of Finance. From June 2000 to September 2015, Ms. Shao consecutively served as deputy director, director and deputy director-general of the Supervision and Inspection Bureau of Ministry of Finance. From July 1998 to June 2000, Ms. Shao consecutively served as assistant consultant and deputy director of the Fiscal Supervision Department of Ministry of Finance. From August 1987 to July 1998, Ms. Shao consecutively served as cadre, officer, deputy chief officer, chief officer and assistant consultant of the Industrial Transportation Finance Department of Ministry of Finance. Ms. Shao Min graduated from school of accounting of Dongbei University of Finance and Economics with a bachelor's degree in economics in 1987. Ms. Shao is currently an employee of Huijin, the Bank's substantial shareholder.

Liu Fang
Non-executive director

Ms. Liu has served as a non-executive director since January 2021. Ms. Liu has served as deputy director-general of the General Affairs Department (Policy and Regulation Department) and counsel of State Administration of Foreign Exchange ("**SAFE**") from July 2019 to February 2021. From March 2015 to June 2019, Ms. Liu was deputy director-general of the General Affairs Department (Policy and Regulation Department) of SAFE. From July 2010 to February 2015, Ms. Liu consecutively served as deputy director and director of the General Affairs Department (Policy and Regulation Department) of SAFE. From March 2009 to July 2010, Ms. Liu was deputy director of the General Affairs Department of SAFE. From July 1999 to March 2009, Ms. Liu consecutively served as cadre, deputy chief officer, chief officer and deputy director of the International Balance of Payments Department of SAFE. Ms. Liu Fang graduated from Renmin University of China with a master's degree in economics in 1999, majoring in world economics of school of international economics. Ms. Liu is currently an employee of Huijin, the Bank's substantial shareholder.

Anita Fung Yuen Mei
Independent non-executive director

Ms. Fung has served as a director since October 2016. Ms. Fung served as the group general manager of HSBC Holdings plc from May 2008 to February 2015. Ms. Fung served consecutively as the head of Hong Kong currency bond market, head of Asian fixed income trading, head of Asian Pacific trading, treasurer and joint head of global capital markets for Asia-Pacific, treasurer and head of global capital markets for Asia-Pacific, head of global banking and capital markets for Asia-Pacific as well as the chief executive officer of the Hong Kong region of The Hongkong and Shanghai Banking Corporation Limited from September 1996 to February 2015. Ms. Fung also served as a non-executive director of Bank of Communications Co., Ltd. from November 2010 to January 2015. Ms. Fung concurrently served in various positions including chairwoman and director of HSBC Global Asset Management (Hong Kong) Limited, non-executive director of HSBC Bank (China) Company Limited and director of HSBC Markets (Asia) Limited from September 2011 to February 2015. Ms. Fung served as a non-executive director of Hang Seng Bank Limited from November 2011 to January 2014. Ms. Fung currently serves as an independent non-executive director of Hong Kong Exchanges and Clearing Limited and Hang Lung Properties Limited and a member of the advisory board of the Hong Kong University of Science and Technology.Ms. Fung obtained a master's degree in Applied Finance from Macquarie University of Australia in 1995. Ms. Fung was awarded the Bronze Bauhinia Star in 2013, and was appointed as the Justice of Peace in 2015 by the Government of the Hong Kong Special Administrative Region.

Malcolm Christopher McCarthy
Independent non-executive director

Sir McCarthy has served as a director of the Bank since August 2017. Sir McCarthy served as independent non-executive director of Industrial and Commercial Bank of China Limited from December 2009 to October 2016. Sir McCarthy worked first as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary. Sir McCarthy subsequently worked as a senior executive of Barclays Bank in London, Japan and then North America. Sir McCarthy served as chairman and chief executive of the Office of Gas and Electricity Markets (Ofgem), chairman of the Financial Services Authority, non-executive director of Her Majesty's Treasury, Chairman of the board of directors of J.C. Flowers & Co. UK Ltd, a non-executive director of NIBC Holding N.V., NIBC Bank N.V., OneSavings Bank plc, Castle Trust Capital plc and Intercontinental Exchange ("**ICE**"), and Trustee of the Said Business School of Oxford University. Sir McCarthy is an Honorary Fellow of Merton College, an Honorary Doctorate of the University of Stirling and the Cass Business School, and a Freeman of the City of London. Sir McCarthy has a Master of Arts in History at Merton College of Oxford University, a PhD in Economics of Stirling University, and a Master's degree at the Stanford Graduate School of Business.

Carl Walter

Independent non-executive director

Mr. Walter has served as a director since October 2016. Mr. Walter is currently an independent consultant, providing strategic consulting advice to various countries and financial institutions. Mr. Walter served as the managing director and the chief operating officer in China of JPMorgan Chase & Co and chief executive officer of JP Morgan Chase Bank (China) Company Limited from September 2001 to April 2011. He was seconded from Morgan Stanley to serve as the managing director and chief administrative officer of China International Capital Corporation (Beijing) from January 1999 to July 2001. He served concurrently as a vice president and the head of Asian Credit Management and Research (Singapore) of Credit Suisse First Boston as well as the director and head of China Investment Bank Corporation (Beijing) from September 1990 to December 1998. Mr. Walter served consecutively in various positions including as vice president and general manager of Taipei Branch of Chemical Bank from January 1981 to August 1990. Mr. Walter was a visiting scholar and an adjunct professor of Freeman Spogli Institute of Stanford University in 2012. He obtained a bachelor degree in politics and Russian language from Princeton University in 1970, an advanced studies certificate in economics from Peking University in 1980, and a doctoral degree in politics from Stanford University in 1981.

Kenneth Patrick Chung

Independent non-executive director

Mr. Chung has served as a director since November 2018. He served as independent non-executive director of Industrial and Commercial Bank of China Limited from December 2009 to March 2017. He joined Deloitte Haskins and Sells London Office in 1980, became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and China) since 1996. Previously, he was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and China), the global lead partner of the audit engagement team for Bank of China Limited, the honorary treasurer of the Community Chest of Hong Kong and was a member of the Ethics Committee, Limitation of Professional Liability Committee, Communications Committee, and the Investigation Panel of the Hong Kong Society of Accountants. Mr. Chung has also served as the audit head for the restructurings and initial public offerings of Bank of China Limited, Bank of China (Hong Kong) Limited and Bank of Communications, chairman of the audit committee of the Harvest Real Estate Investments (Cayman) Limited and independent non-executive director of Prudential Corporation Asia. Currently, Mr. Chung serves as independent non-executive director of Sands China Ltd., Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited and is a trustee of Fu Tak Iam Foundation Limited. He is a member of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Macau Society of Certified Practising Accountants. Mr. Chung received a bachelor's degree in economics from the University of Durham.

Graeme Wheeler

Independent non-executive director

Mr. Graeme Wheeler has served as director since October 2019. Mr. Wheeler has served as non-executive Director of Thyssen-Bornemisza Group since 2017. He served as Governor of the Reserve Bank of New Zealand from 2012 to 2017, non-executive director of Thyssen-Bornemisza Group and co-founder of Privatisation Analysis and Consulting Ltd from 2010 to 2012, managing director responsible for operations of World Bank from 2006 to 2010, vice president and treasurer of the World Bank from 2001 to 2006, director of Financial Products and Services Department of World Bank from 1997 to 2001, treasurer of New Zealand Debt management Office and deputy secretary to the New Zealand Treasury from 1993 to 1997, director of Macroeconomic Policy of New Zealand Treasury from 1990 to 1993, Economic and Financial Counsellor of New Zealand Delegation to the OECD, Paris, from 1984 to 1990 and an advisor in the New Zealand Treasury from 1973 to 1984. Mr. Graeme Wheeler obtained his master of commerce in economics from University of Auckland in 1972. Mr. Graeme Wheeler was awarded Companion of the New Zealand Order of Merit in 2018.

Michel Madelain
Independent non-executive director

Mr. Michel Madelain has served as director since January 2020. Mr. Madelain has been trustee of the IFRS Foundation since January 2018 and a member of the Supervisory Board of La Banque Postale in France since April 2018. From June 2016 to December 2018, he was vice chairman of Moody's Investors Service ("**MIS**"). Concurrently, he chaired the European Board of Moody's Corporation and was a member of MIS US Board. From May 2008 to June 2016, he was president and chief operating officer of MIS, having previously assumed a number of positions in Europe and the USA with MIS from 1994 to May 2008. From May 1980 to May 1994, he worked in Ernst & Young in Belgium and France and was promoted to the partnership in 1989. Mr. Madelain is a qualified Chartered Accountant of France. He obtained a master's degree in Management from Kellogg Graduate School of Management of Northwestern University (USA) and a bachelor's degree in Business Administration from the Ecole Supérieure de Commerce de Rouen, France.

Supervisors

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

Name	Position
Wang Yongqing	Chairman of the Board of Supervisors, Shareholder representative supervisor
Wu Jianhang	Shareholder representative supervisor
Yang Fenglai	Shareholder representative supervisor
Lu Kegui	Employee representative supervisor
Wang Yi	Employee representative supervisor
Zhao Xijun	External supervisor
Liu Huan	External supervisor
Ben Shenglin	External supervisor

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

Wang Yongqing
Chairman of the Board of Supervisors, Shareholder representative supervisor

Mr. Wang has served as chairman of the board of supervisors of the Bank since October 2019. Mr. Wang has served as vice chairman of the China Federation of Industry and Commerce from December 2016 to July 2019. Mr. Wang has served consecutively as the deputy director (director-general level) and director of the fifth bureau, the director of the sixth bureau of the United Front Work Department of the Central Committee from December 2003 to November 2016. He served consecutively as deputy director of the general office, assistant to the general manager and director of the general office, chief accountant of China International Engineering Consulting Corporation from December 1998 to December 2003. He joined China Development Bank in July 1994. He joined and started to work in Financial Department of the Ministry of Railway in July 1985. Mr. Wang is a senior accountant. He graduated from Hubei Institute of Finance and Economics, he obtained a master's degree in economics from Renmin University of China and a PhD degree in economics from Beijing Jiaotong University.

Wu Jianhang
Shareholder representative supervisor

Mr. Wu has served as supervisor since June 2018. Mr. Wu has served as director of humanities teaching and research department of China Construction Bank University since November 2019, concurrently as deputy head of China Construction Bank Research Academy since August 2018. He served as dean of training centre for staff's development of China Construction Bank University from December 2018 to November 2019. Mr. Wu served as general manager of strategic planning department of the Bank from March 2014 to January 2019. Mr. Wu served as general manager of research department of the Bank from October 2013 to March 2014. From December 2007 to October 2013, Mr. Wu served as president of CCB Financial Leasing. Mr. Wu served as general manager of Guangdong Branch of the Bank from October 2004 to December 2007, general manager of Shenzhen Branch of the Bank from July 2003 to October 2004, and deputy general manager of Zhejiang Branch of the Bank from May 1997 to July 2003. Mr. Wu is a senior accountant and is a recipient of a special grant by the PRC government. He graduated from Nankai University with a master's degree in international finance in 1991 and obtained a PhD degree in technology economics and management from Tongji University in 2003.

Yang Fenglai
Shareholder representative supervisor

Mr. Yang has served as supervisor since June 2020. Mr. Yang has served as the general manager of Sichuan Branch of the Bank since June 2014. From July 2011 to April 2014, he served as the person in charge of the operation and management department of the Bank; from January 2005 to July 2011, he was the deputy general manager of Sichuan Branch of the Bank; from October 2003 to January 2005, he served as assistant general manager (deputy general manager level) of the Sichuan Branch of the Bank; from March 2003 to October 2003, he served as full-time credit approver (deputy general manager level) of credit approval department of the Bank; from April 2002 to March 2003, he served as full-time credit approver (deputy general manager level) of the credit approval office of the risk and internal control management committee of the Bank; from November 1994 to April 2002, he worked consecutively as the deputy chief of the credit division of Sichuan Branch of the Bank, deputy chief and chief of the credit management department of the head office, chief of credit risk management division, chief of credit operation division, general manager of the corporate business department of Sichuan Branch of the Bank. Mr. Yang is a senior economist. He graduated from University of Chengdu with a bachelor's degree in enterprise management in 1983 and obtained a master's degree in economics from Southwestern University of Finance and Economics in 2004.

Lu Kegui
Employee representative supervisor

Mr. Lu has served as supervisor since May 2018. Mr. Lu has served as dean of the training centre for asset management and investment banking of China Construction Bank University since October 2019. Mr. Lu served as dean of the training centre for the wealth management of asset management business of China Construction Bank University from December 2018 to October 2019 and concurrently as general manager of the special assets resolution centre of the Bank from April 2017 to April 2019. From September 2013 to April 2017, Mr. Lu served as the director of the Tianjin audit department of the Bank. From April 2011 to September 2013, Mr. Lu served as president of Heilongjiang Branch of the Bank. From February 2011 to April 2011, Mr. Lu served as the head of Heilongjiang Branch of the Bank. From July 2008 to February 2011, Mr. Lu served as general manager of the fund settlement department of the Bank. From August 2000 to July 2008, Mr. Lu served as general manager of the accounting department of the Bank. From January 1998 to August 2000, Mr. Lu served as deputy general manager of the planning and finance department of the Bank and of the finance and accounting department of the Bank from September 1995 to January 1998. From July 1988 to September 1995, Mr. Lu successively served as deputy division-chief and division-chief of the finance and accounting department as well as other positions of the Bank. Mr. Lu is a senior accountant and is a recipient of a special grant awarded by the PRC Government. Mr. Lu graduated from Hubei Institute of Finance and Economics and obtained his bachelor's degree in infrastructure finance and credit in 1982.

Wang Yi
Employee representative supervisor

Mr. Wang has served as supervisor since May 2018. Mr. Wang has served as general manager of the housing finance and personal credit department of the Bank since November 2013. He served concurrently as chairperson of CCB Housing Services Co., Ltd. from December 2018 to November 2019. From November 2009 to November 2013, Mr. Wang served as deputy general manager of the personal savings and investment department of the Bank (equivalent to the department general manager of the CCB Head Office); from December 2008 to November 2009, Mr. Wang served as deputy general manager of the personal savings and investment department of the Bank; from June 2005 to December 2008, Mr. Wang served as the deputy general manager of the personal finance department of the Bank. From July 2001 to June 2005, Mr. Wang served as the assistant general manager of the personal banking department of the Bank. From January 1992 to July 2001, Mr. Wang worked in the Qingdao Branch of the Bank, serving successively as deputy division-chief of the computer management division, deputy division-chief of the retail business division and division-chief of the electronic banking department as well as other positions. Mr. Wang is a senior engineer, and graduated from Shandong University with a bachelor's degree in computer mathematics in 1984. Mr. Wang also obtained a master's degree of business administration for senior management in 2010.

Zhao Xijun
External supervisor

Mr. Zhao has served as external supervisor of the Bank since June 2019. He has been Deputy Dean of the School of Finance of Renmin University of China since 2005. Mr. Zhao was Director of International Office of Renmin University of China from 2001 to 2005, Department Head of the Finance Department of the School of Finance of Renmin University of China from 1995 to 2001 and a researcher fellow of the International Department of China Securities Regulatory Commission from 1994 to 1995. Mr. Zhao serves as an independent director of each of China National Foreign Trade Financial & Leasing Co., Ltd. and FAW Capital Holdings Co., Ltd. Mr. Zhao served as an independent non-executive director of the Bank from August 2010 to March 2014. Mr. Zhao was a visiting scholar in each of University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, a master's degree in finance from the Finance Department of Renmin University of China in 1987 and a PhD in finance from the School of Finance of Renmin University of China in 1999.

Liu Huan
External supervisor

Mr. Liu has served as external supervisor since June 2020. Mr. Liu serves as Counselor of the State Council and professor at the School of Public Finance and Tax of Central University of Finance and Economics. From 2006 to 2016, he served as deputy dean of the School of Tax of Central University of Finance and Economics; from 1997 to 2006, he served consecutively as the deputy director of the Department of Tax of the Central University of Finance and Economics, and deputy dean of the School of Finance and Public Management; from 2004 to 2005, he worked consecutively on secondment as deputy director of Local Taxation Bureau in Xicheng district of Beijing, assistant director of the Beijing Local Taxation Bureau; he worked in the Central Institute of Finance and Banking (now Central University of Finance and Economics) since 1982, and served as deputy director of the Department of Finance from 1992 to 1997. Mr. Liu is a standing member of Beijing Municipal Committee of the Chinese People's Political and Consultative Conference and deputy director of the Economic Committee of the Beijing Municipal Committee of the Chinese People's Political and Consultative Conference; he also worked concurrently as visiting professor at the School of Economics and Management of Tsinghua University, visiting professor at the School of Overseas Education of Shanghai Jiao Tong University and master advisor of Tax in University of Chinese Academy of Social Sciences. He also serves as independent director of the Liaoning Wellhope Agri-Tech Group Company. Mr. Liu is a certified public accountant and obtained his bachelor's degree in economics from the Central Institute of Finance and Banking in 1982.

Ben Shenglin
External supervisor

Mr. Ben has served as external supervisor since June 2020. Mr. Ben has served as professor and doctoral advisor of Zhejiang University since May 2014, the executive director of the International Monetary Institute of Renmin University of China since January 2014, and the co-director of the International Monetary Institute since July 2018; He served as dean of Academy of Internet Finance of Zhejiang University since April 2015; dean of the International Business School of Zhejiang University since October 2018. From April 2010 to April 2014, he served as the chief executive officer and a member of the global leadership team at global corporate bank of J.P. Morgan Chase Bank (China); from February 2005 to March 2010, he served as the head of financial institutions department and head of industrial commercial banking department and other positions of HSBC in China; from September 1994 to January 2005, he served as general manager of liquidity business of Dutch Bank in China. Mr. Ben currently serves as an independent director of China International Capital Corporation Limited, Wuchan Zhongda Group Co., Ltd. and Home Credit B.V., and an external supervisor of Industrial Bank Co., Ltd. Mr. Ben is a standing member of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and holds social positions such as the co-chairman of the Zhejiang Internet Finance Association. Mr. Ben graduated from Tsinghua University in 1987 with a bachelor's degree in engineering. He obtained a master's degree in enterprise management from Renmin University of China in 1990 and a PhD degree in economics from Purdue University in 1994.

Senior Management

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

Name	Position
Wang Jiang	President
Lyu Jiajin	Executive vice president
Zhang Min	Executive vice president
Wang Hao	Executive vice president
Ji Zhihong	Executive vice president
Jin Yanmin	Chief risk officer
Jin Panshi	Chief information officer
Hu Changmiao	Secretary to the board

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

Wang Jiang
Vice chairman, executive director, president

See "*Directors*".

Lyu Jiajin
Executive director, executive vice president

See "*Directors*".

Zhang Min
Executive vice president

Ms. Zhang has served as an executive vice president of the Bank since December 2020. Ms. Zhang was general manager of Tianjin Branch of the Bank and dean of North China Campus of CCB University from December 2018 to November 2020. She was general manager of Tianjin Branch of the Bank from July to December 2018, general manager of Ningxia Branch of the Bank from March 2017 to July 2018, deputy general manager of Hubei Branch of the Bank from November 2015 to December 2016, deputy general manager of Shaanxi Branch of the Bank from July 2013 to November 2015 and was assistant general manager of Shaanxi Branch of the Bank, general manager of Accounting and Settlement Department, general manager of Accounting Department, director of the Treasury Management Centre, and general manager of Xi'an Xingqinglu Sub-branch, etc. Ms. Zhang Min is a senior accountant. She took undergraduate study in accounting in East China Institute of Engineering from September 1988 to July 1992. She obtained a Master's degree in economics from Shaanxi Institute of Finance and Economics in July 1996, majoring in Accounting. She obtained a Ph.D. degree in economics from Xi'an Jiaotong University in July 2013, majoring in applied economics.

Wang Hao
Executive vice president

Mr. Wang has served as an executive vice president of the Bank since October 2020. Mr. Wang was general manager of Hubei Branch of the Bank and dean of Central China Campus of CCB University from December 2018 to July 2020 and general manager of Hubei Branch of the Bank from June to December 2018. He was general manager of Guizhou Branch of the Bank from August 2016 to June 2018, deputy general manager of Qinghai Branch of the Bank from August 2014 to June 2016, deputy general manager of Sichuan Branch of the Bank from October 2008 to August 2014, assistant general manager of Sichuan Branch of the Bank from October 2005 to October 2008, general manager of Mianyang Branch in Sichuan Province of the Bank from July 2004 to October 2005, general manager of Personal Banking Department and Credit Card Center of Sichuan Branch of the Bank from April 2004 to July 2004, general manager of Personal Banking Department of Sichuan Branch of the Bank from December 2001 to April 2004, deputy division-chief in charge of work of Personal Banking Department of Sichuan Branch of the Bank from November 2000 to December 2001 and successively served as assistant general manager and deputy general manager of the Sub-branch under direct administration of Sichuan Branch of the Bank from December 1996 to November 2000. He started working in the Sub-branch under direct administration of Sichuan Branch of the Bank in July 1993. Mr. Wang is an economist. He graduated and obtained his Bachelor's Degree in Marketing from Southwestern University of Finance and Economics in July 1993.

Ji Zhihong
Executive vice president

Mr. Ji has served as an executive vice president of the Bank since August 2019. Mr. Ji was Director-general of the Financial Market Department of the PBOC from August 2013 to May 2019, during which Mr. Ji was concurrently Director of the Financial Market Management Department of the PBOC Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, Mr. Ji was Director-general of the Research Bureau of the PBOC. From April 2010 to September 2012, Mr. Ji was Deputy Director-general of the Monetary Policy Department of the PBOC. From February 2008 to April 2010, Mr. Ji was Deputy Director (Deputy Director-general Level) of the Open Market Operations Department of the PBOC Shanghai Head Office. Mr. Ji Zhihong is a Researcher. He graduated from the PBOC School of Finance, Tsinghua University (formerly known as the Graduate School of the PBOC Head Office) with a master's degree in International Finance in 1995 and obtained a PhD degree in National Economics from the Chinese Academy of Social Sciences in 2005.

Jin Yanmin
Chief risk officer

Mr. Jin has served as chief risk officer of the Bank since May 2019. He has served as supervisor of CCB Financial Leasing Co., Ltd. from December 2015 to December 2020 and non-executive director of CCB Financial Asset Investment Co., Ltd. from November 2017 to December 2020. Mr. Jin served as general manager of Credit Approval Department of the Bank from November 2014 to May 2019. From February 2011 to November 2014, Mr. Jin served as head and general manager of Guangdong Branch of the Bank; from March 2009 to February 2011, Mr. Jin served as general manager of the Corporate Banking Department and concurrently as general manager of the Small Enterprises Finance Service Department of the Bank; from August 2007 to March 2009, he served as general manager of the Corporate Banking Department of the Bank; from June 2006 to August 2007, he served as risk control director of Guangdong Branch of the Bank; from March 2001 to June 2006, he served as deputy general manager of Corporate Banking Department of the Bank. Mr. Jin is an economist and obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1983 and obtained his EMBA degree from Tsinghua University in 2010.

Jin Panshi
Chief information officer

Mr. Jin has served as the chief information officer since March 2021. Mr. Jin has served as information controller of the Bank since February 2018. He served as general manager of the information technology management department of the Bank from January 2010 to February 2018, general manager of the audit department of the Bank from December 2007 to January 2010, deputy director of the Board of Supervisors Office from November 2004 to December 2007, supervisor of the Bank from October 2004 to November 2016, and deputy general manager of the audit department of the Bank from June 2001 to October 2004. Mr. Jin is a senior engineer and a Certified Information Systems Auditor. He graduated from Jilin University of Technology with a bachelor's degree and a master's degree in computer application in 1986 and 1989 respectively, and obtained an EMBA degree from Tsinghua University in 2010.

Hu Changmiao
Secretary to the board

Mr. Hu has served as the secretary to the board since May 2019. Mr. Hu has served as general manager of the Board Office of the Bank since December 2018. He served as the chairman of CCB Financial Leasing Co., Ltd. from August 2016 to December 2018, general manager of Guangxi Branch of the Bank from February 2012 to August 2016, general manager of Public Relations & Corporate Culture Department of the Bank from March 2006 to February 2012, and deputy general manager in charge of the overall management of the Board Office of the Bank from June 2005 to March 2006. He served as deputy general manager of the Executive Office of the Bank from December 2004 to June 2005, deputy general manager of Credit Card Centre of the Bank from March 2003 to December 2004, and deputy general manager of Retail Banking Department of the Bank from July 2001 to March 2003. Mr. Hu is a senior economist. He graduated from the Peking University with a master of science in economic geography in 1986.

Company Secretary

Ma Chan-Chi
Company secretary

Mr. Ma is a Hong Kong resident and was appointed as the company secretary of the Bank on 29 August 2014. He obtained his Master Degree in Business Administration from the University of Strathclyde in 1995 and the qualifications of the Hong Kong Institute of Certified Public Accountants. He joined CCB Asia in 2010 and currently serves as its Deputy Chief Executive and Chief Financial Officer. He has more than 30 years of corporate financial and legal affairs experience. Prior to joining CCB Asia, he was the Chief Financial Officer & Secretary to the Board of Hang Seng Bank (China) Limited and the Chief Financial Officer of Nanyang Commercial Bank (China) Limited.

Board Committees

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the Bank had a total of 372,500 ordinary shareholders, of which 41,053 were holders of H-shares and 331,447 were holders of A-shares.

HUIJIN

Central Huijin Investment Ltd. ("**Huijin**") is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the "Company Law of the PRC" on 16 December 2003 with the approval of the State Council. Its Chairman is Mr. Peng Chun. Huijin makes equity investments in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets.

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

As at 31 December 2020, Huijin held approximately 57.11 per cent. of the shares of the Bank, and indirectly held 0.20 per cent. of the shares of the Bank through its subsidiary, Central Huijin Asset Management Co., Ltd.

As at 31 December 2020, there were no other corporate shareholders holding 10 per cent. or more of the shares of the Bank (excluding HKSCC Nominees Limited, which acts as the common nominee for the shares held through the Central Clearing and Settlement System). All transactions and relationships between the Bank and its substantial shareholders are conducted on an arm's length basis and on normal contractual terms. The Bank can operate its business independently of its substantial shareholders.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer, the Hong Kong Branch and the Bank believes to be reliable, but none of the Issuer, the Hong Kong Branch, the Bank or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None the Issuer, the Hong Kong Branch, the Bank or any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

BOOK-ENTRY SYSTEMS

Euroclear and Clearstream

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

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

CMU

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together as "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU Service. The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to financial institutions regulated by Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

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

Transfers of Notes Represented by Registered Global Notes

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

REGULATION AND SUPERVISION IN THE PRC

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

PRINCIPAL REGULATORS

Prior to April 2003, PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from PBOC. PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions. In April 2018, CBRC and China Insurance Regulatory Commission were merged as China Banking and Insurance Regulatory Commission, covering the regulation of banking and insurance sectors in the PRC. In this Offering Circular, we still use the term of "**CBRC**" in the context of regulations, rules and actions issued or taken by CBRC before April 2018.

CBIRC

Functions and Powers

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

According to the Law of PRC on Supervision and Administration of Banking Sector, the main responsibilities of CBIRC in relation to banking regulation include:

(1) formulating and promulgating rules and regulations governing banking institutions and their business activities;

(2) reviewing and approving the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks, their branches and subsidiaries, branches and representative offices of foreign banks in the PRC;

(3) regulating the business activities of banking institutions, including the products and services they offer;

(4) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;

(5) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;

(6) conducting on-site inspection and off-site surveillance of the business activities and risk exposure status of banking institutions;

(7) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;

(8) imposing corrective and punitive measures for violations of applicable banking regulations;

(9) formulating prudential regulation principles of banking sector in accordance with laws and administrative regulations;

(10) working with authorities (including the PBOC and the MOF);

(11) to establish emergency disposal mechanisms and to deal with any emergencies in the banking sector;

(12) guiding and conducting surveillance on the activities of banking self-disciplinary organisations; and

(13) carrying out international communication and cooperation activities related to supervisions of the banking sector.

Examination and Supervision

CBIRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. CBIRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, CBIRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

PBOC

As the central bank of the PRC, PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, PBOC is empowered to do the following:

(1) drafting and enforcing relevant laws, rules and regulations that are related to fulfilling its functions;

(2) formulating and implementing monetary policy in accordance with law;

(3) issuing the Renminbi and administering its circulation;

(4) regulating the inter-bank lending market and the inter-bank bond market;

(5) implementing foreign exchange management, supervising inter-bank foreign exchange market;

(6) supervising and regulating gold market;

(7) holding and managing the state foreign exchange and gold reserves;

(8) managing the State treasury as fiscal agent;

(9) making payment and settlement rules in collaboration with relevant departments and ensuring normal operation of the payment and settlement systems;

(10) providing guidance to anti-money laundering work in the financial sector and monitoring money-laundering related suspicious fund movement;

(11) developing statistics system for the financial industry and responsible for the consolidation of financial statistics as well as the conduct of economic analysis and forecast; and

(12) participating in international financial activities at the capacity of the central bank.

OTHER REGULATORY AUTHORITIES

In addition to CBIRC and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, SAFE and CSRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; and in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC.

REGULATIONS REGARDING CAPITAL ADEQUACY

Capital Adequacy Guidelines

In June 2012, the CBRC issued the Administrative Measures on the Capital of Commercial Banks (Trial) (the "**2012 Administrative Measures**") regulating capital adequacy ratios ("**CAR**") of PRC commercial banks. The 2012 Administrative Measures, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of "capital" and "risk-weighted assets". The overall CAR requirements are 11.5 per cent. for systematically important commercial banks and 10.5 per cent. for other commercial banks. Commercial banks in the PRC are required to have a CAR of not less than 8 per cent., Tier 1 CAR of not less than 6 per cent. and Core Tier 1 CAR of not less than 5 per cent. The CARs are calculated in accordance with the 2012 Administrative Measures as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

$$\text{Core Tier 1 Capital Adequacy Ratio} = \frac{\text{Core Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

In 29 November 2012, the CBRC further released the Guiding Opinion on Commercial Banks' Innovation on Capital Instruments (the "**2012 Guiding Opinions**"), setting out the general principles of the innovation of capital instruments of commercial banks and criteria of qualified capital instruments. In 22 November 2019, the 2012 Guiding Opinions was abolished by CBIRC and was superseded by the Guiding Opinions on Innovation of Capital Instruments of Commercial Banks issued by CBIRC (Revised) (中國銀行業監督管理委員會關於商業銀行資本工具創新的指導意見(修訂) (the "**2019 Guiding Opinions**").

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as "**non-PRC Noteholders**" or "**non-resident Noteholders**" in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the PRC Individual Income Tax Law, as amended on 30 June 2011 and 31 August 2018, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident Noteholders, including non-resident enterprises and non-resident individuals.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》) (Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China, but where the services are sold by offshore entities or individuals to onshore entities or individuals and such services purely take place outside the PRC, they should not be deemed as services sold within the territory of China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer.

(I) In the event that the Issuer is the Bank's head office (the "CCB Head Office")

In the event that the Issuer is CCB Head Office, CCB Head Office will be subject to withholding PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the mainland China and

Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to such arrangement. Further, given that the CCB Head Office is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC. The Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the mainland China and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

(II) In the event that the Issuer is the Hong Kong Branch or other overseas branch of the Bank

In the event that the Issuer is the Hong Kong Branch or other offshore branch of the Bank, the Issuer is not obliged to withhold PRC income tax at the rate up to 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders provided that the payments are made outside of the territory of PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the Issuer is treated as income sourced from the PRC, a withholding tax may be imposed on such interest and the Issuer will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

In the case of issuance of Notes by the Hong Kong Branch or other offshore branch of the Bank, Circular 36 does not apply if the provision of loans by individuals or entities located outside the PRC takes place outside the PRC. Neither the Hong Kong Branch or other offshore branch of the Bank nor the holders of the Notes are located in the PRC and if the provision of loans takes place outside the PRC, then no VAT is payable on interest payments under the Notes. This is, however, subject to the interpretation of Circular 36 by the relevant authority.

If CCB Head Office shall perform the obligation of paying interest of the Notes in the event and only when the Issuer fails to perform its obligations of paying the interest of the Notes, CCB Head Office will be obliged to withhold PRC income tax at a rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) (unless a lower rate is available under an applicable tax treaty) and PRC VAT tax and local levies at the rate of 6.72 per cent. of the interest component of the amount payable by CCB Head Office to the Noteholders if the PRC tax authority views such component as an interest income arising within the territory of the PRC.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if such capital gains are determined as income sourced in China, accordingly such capital gains would be subject to the rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable. According to an arrangement between the mainland China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes. There is uncertainty as to whether gains realized on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as income sourced within the PRC which as a result will be subject to PRC individual income tax.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT prescribed under Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Circular 36 has been issued quite recently, the above statements on VAT may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC Noteholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT or VAT otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Where the Hong Kong Branch is the Issuer, pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, an authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source, unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes by the Issuer, provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes, provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

United States FATCA Tax Provisions

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the People's Republic of China) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai, and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, 27 July 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades, the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods, Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these circulars (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces and cities, (iii) the restriction on designated offshore districts has been uplifted, and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**"). On 12 June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (銀發[2013]168號), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

On 23 October 2019, the SAFE promulgated the *Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts* (國家外匯管理局關於精簡外匯帳戶的通知,匯發[2019]29號) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplify the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by banks, enterprises and other market participants. For example, "Current accounts – foreign currency cash account" and "current accounts – foreign exchange account under current accounts of overseas institutions" are included in "current accounts – foreign exchange settlement account".

On the same day, the SAFE issued the *Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment* (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知,匯發[2019]28號), based on which, for revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue ("**to-be-inspected account**"). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the bank in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

The foregoing measures and circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practises in applying these circulars and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

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

On 12 October 2011, MOFCOM promulgated the Notice on Issues concerning Cross-border Direct Investment in RMB (the "**2011 MOFCOM Notice**"). In accordance with the 2011 MOFCOM Notice, MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement under the PRC strategic investment regime.

On 13 October 2011, the PBOC promulgated the PBOC FDI Measures as amended in May 2015, pursuant to which, PBOC special approval for RMB FDI and shareholder loans which was required by an earlier circular of PBOC is no longer necessary. The PBOC RMB FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, and a foreign investor is allowed to open Renminbi special accounts for designated usage in relation to making equity investment in a PRC enterprise or receiving Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries. The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

On 19 November 2012, SAFE promulgated the SAFE Circular on DI, which became effective on 17 December 2012 and was later amended on 4 May 2015. According to the SAFE Circular on DI, SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within the PRC of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 3 December 2013, the MOFCOM promulgated the MOFCOM Circular, which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the 2011 MOFCOM Notice. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, microcredit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macroregulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

On 30 March 2015, SAFE promulgated the *Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises* (關於改革外商投資外匯資本金結匯管理方式的通知 (匯發[2015]19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement;

- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;

- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;

- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;

- further standardising the administration of payment by the capital obtained by foreign exchange settlement;

- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and

- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the *Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment* (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) issued on 28 February 2015, the SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, the SAFE issued the *Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核政策的通知(匯發[2017]3號)) to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;

- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;

- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent. The funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones. Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30 per cent. of owner's equity in the audited financial statements of the previous year.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

The interbank foreign exchange market is also opening up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated the *Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts* (國家外匯管理局關於精簡外匯帳戶的通知,匯發[2019]29號) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "Capital accounts – special account for domestic reinvestment" is included in "capital accounts – foreign exchange capital account".

On the same day, the SAFE issued the *Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment* (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知,匯發[2019]28號) in order to further promote the reform of "simplification of administrative procedures and decentralization of powers, combination of decentralization and appropriate control, and optimization of services". It cancelled restrictions on the use of funds in domestic asset realization accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

DEALER AGREEMENT

Subject to the terms and on the conditions contained in the dealer agreement dated 9 April 2021 (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") made between the Bank, the Hong Kong Branch, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer will reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant subscription agreement.

The Issuer will indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the relevant Dealers.

The Arrangers, the Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Arrangers, the Dealers or any of their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with or for the Issuer and/or its affiliates for which they have received, or will receive, fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or their business.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Bank or the Hong Kong Branch, including the Notes and could adversely affect the trading price and liquidity of the relevant Notes. The Arrangers, the Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, the Bank or the Hong Kong Branch and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer, the Bank or the Hong Kong Branch.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates or affiliates of the Issuer may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers and/or their respective affiliates or affiliates of the Issuer may act as investors and place orders, receive allocations and purchase and trade Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations and/or trades of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Issuer, the Bank, the Hong Kong Branch, the Arrangers, the Dealers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. If such transactions occur, the trading price and liquidity of such Notes may be impacted.

Furthermore, it is possible that a significant proportion of a Series of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in such Notes may be constrained. The Issuer, the Bank, the Hong Kong Branch and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

UNITED STATES

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

(b) Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Bearer Notes will be issued in accordance with the provisions of U.S. Treasury Regulation or section 1.163 – 5(c)(2)(i)(D), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation or section 1.163 – 5(c)(2)(i)(C). The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

(c) In connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S ("**Category 1 of Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and it will not offer or sell any Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the Securities Act, and that accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. Each Dealer has represented, and each further Dealer appointed under the Programme will be required to, represent that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

(d) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S ("**Category 2 of Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered, sold and delivered, and it will offer, sell or deliver such Category 2 of Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified to the Issuer and each relevant Dealer, by the Fiscal Agent or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 of Regulation S Notes are a part, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 of Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 of Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has represented, and each further Dealer appointed under the Programme will be required to, represent that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

(e) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

UNITED KINGDOM

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the relevant subscription agreement:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Acts 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

    (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation (as defined below); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

SINGAPORE

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A (1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

HONG KONG

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws in Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

PEOPLE'S REPUBLIC OF CHINA

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong Special Administrative Region and Macau Special Administrative Region of the People's Republic of China or Taiwan), except as permitted by the securities laws of the People's Republic of China.

UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

DUBAI INTERNATIONAL FINANCIAL CENTRE

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the Dubai Financial Services Authority rulebook.

KINGDOM OF SAUDI ARABIA

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 and/or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**") through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 and/or Article 11 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

KINGDOM OF BAHRAIN

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

STATE OF QATAR

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar, including the Qatar Financial Centre, except (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre, and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

GENERAL

Each Dealer has agreed and each further Dealers appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Dealer shall have any responsibility therefor.

None of the Issuer and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

AUTHORISATION

1. Pursuant to the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No. 574)《關於進一步加強海外負債業務管理的通知》(建總函(2014)574號), the power of attorney (中國建設銀行股份有限公司授權委託書) issued by the Bank dated 10 April 2018, the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No. 74)《關於更新香港分行中期票據計劃方案的批覆》(建資債(2017)74號) and the Notice for Issuance of Sustainable Bonds and Transition Bonds (Zi Chan Fu Zhai Guan Li Bu (2021) No. 117) 《關於發行可持續發展類債券及轉型債券的通知》 (資產負債管理部[2021]117號) in relation to the MTN programme update of the Hong Kong Branch and the bonds issuance plan and the relevant processing sheet of the asset and debt management department of the Bank dated 24 March 2021, the establishment and update of, and the issue of Notes under, the Programme have been duly authorised.

LISTING

2. Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular. The issue price of listed Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes.

3. Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST.

   The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, the admission of any Notes to the Official List of, and the quotation of any Notes on the SGX-ST, are not to be taken as indications of the merits of the Issuer, the Hong Kong Branch or the Bank, their respective subsidiaries, associated companies, the Programme or such Notes.

   For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S$200,000 (or its equivalent in other currencies).

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

NDRC APPROVAL

4. The Notes will be issued in accordance with either (i) the pre-issuance filing and registration with the NDRC to obtain the Enterprise Overseas Debt Issuance Filing and Registration Certificate (企業發行外債備案登記證明) prior to the issuance of the Notes under the Programme pursuant to the NDRC Circular, or (ii) the then applicable annual foreign debt quota granted by the NDRC to the Bank for any issuance of the Notes pursuant to the NDRC Circular.

5. In the case of (i), the Bank will make a pre-issuance registration with the NDRC, followed by a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes. In the case of (ii), the Bank is able to rely on such annual foreign debt quota granted by the NDRC and is not required to make any pre-issuance registration for issuance of the Notes within the annual foreign debt quota with the NDRC. However, the Bank will be required to make a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes.

CLEARING SYSTEMS

6. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

7. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the CMU Service is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

LEGAL ENTITY IDENTIFIER

8. The legal entity identifier of the Bank is 5493001KQW6DM7KEDR62.

NO SIGNIFICANT CHANGE

9. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank or of the Group since 31 December 2020 and there has been no material adverse change in the financial position or prospects of the Bank or of the Group since 31 December 2020.

LITIGATION

10. Save as disclosed in this Offering Circular, neither the Issuer nor any member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or the Group.

INDEPENDENT AUDITORS

11. The independent auditor of the Bank for the years ended 31 December 2016, 2017 and 2018 was PricewaterhouseCoopers, and the independent auditor of the Bank from 1 January 2019 is Ernst & Young, in accordance with the requirement of the Ministry of Finance with respect to the maximum number of years of service of an auditor for a financial enterprise. Each of PricewaterhouseCoopers and Ernst & Young is a Certified Public Accountant under The Hong Kong Institute of Certified Public Accountants.

12. The audited consolidated financial statements of the Bank as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, independent auditor.

DOCUMENTS

13. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong:

    (a) the constitutional documents of the Bank;

    (b) the audited consolidated financial statements of the Bank in respect of the financial years ended 31 December 2019 and 2020 (in each case together with the audit report in connection therewith). The Bank currently prepares audited consolidated accounts on an annual basis;

    (c) the most recent annual audited consolidated financial statements of the Bank and the most recently published unaudited consolidated interim financial statements of the Bank (if any);

    (d) the Fiscal Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

    (e) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein; and

    (f) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:

(1) The independent auditor's reports on the Group's consolidated financial statements for the year ended 31 December 2019 set out herein are reproduced from the annual report of the Group published on 28 April 2020 (the "**2019 Annual Report**"). The audited condensed consolidated financial statements of the Group as at and for the year ended 31 December 2020 has been extracted from the Group 2020 Annual Financial Statements in the Announcement of Annual Results 2020 published on 26 March 2021 (the "**2020 Results Announcement**"). Page references referred to in the abovenamed reports refer to pages set out in the 2019 Annual Report or the 2020 Results Announcement. These independent auditor's reports and the consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

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

To the Shareholders of China Construction Bank Corporation
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 150 to 282, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers at amortised cost	
The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 – Financial Instruments. The Group uses a number of models and assumptions in the measurement of expected credit losses, for example: • Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgemental, and may have a significant impact on expected credit losses for loans and advances to customers at amortised cost with longer outstanding maturities; • Models and parameters – Complex models, numerous inputs and parameters are used to measure expected credit losses, involving many management judgements and assumptions; • Forward-looking information – Macroeconomic forecasts are developed, and impact on expected credit losses are considered for probability weighted multiple economic scenarios; • Individual impairment assessment – Identifying loans and advances to customers at amortised cost that have been impaired requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.	We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management and loan impairment assessment, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information. With the support of our internal credit risk modelling experts, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgements and assumptions, mainly focusing on the following aspects: (1) Expected credit loss model: • Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and significant increase in credit risk; • Assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios; • Evaluated the models and related assumptions used in individual impairment assessment, and analysed the amount, timing and probability of management's estimated future cash flows, especially the recoverable cash flows from collateral.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Expected credit losses for loans and advances to customers at amortised cost (Continued)

Due to the fact that impairment assessment for loans and advances to customers at amortised cost involves significant judgements and assumptions, and in view of the materiality of the balances (as at 31 December 2019, gross loans and advances to customers at amortised cost amounted to RMB14,479,931 million, representing 56.93% of total assets, and impairment allowance for loans and advances to customers at amortised cost amounted to RMB482,158 million), we consider impairment of loans and advances to customers at amortised cost a key audit matter.

Relevant disclosures are included in Note 4(3), Note 4(26)b, Note 25 and Note 61(1) to the financial statements.</td><td>(2) Design and operating effectiveness of key controls:
• Evaluated and tested the data and processes used to determine expected credit loss, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system;
• Evaluated and tested key controls over the expected credit loss model, including approval of model changes, ongoing monitoring of model performance, model validation and parameter calibration.

We evaluated and tested the design and operating effectiveness of internal controls over the disclosures of credit risk exposures and expected credit losses.</td></tr>
<tr><td>Consolidation assessment of, and disclosure about, structured entities

The Group holds interests in many different structured entities as a result of its business activities in financial investment, asset management, and credit asset transfer. Such interests in structured entities include wealth management products, funds, asset management plans, trust plans, and asset-backed securities. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation.

The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fee, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment of, and disclosure about, the structured entities a key audit matter.

Relevant disclosures are included in Note 4(1), Note 4(26)f, Note 26(1)a and Note 28 to the financial statements.</td><td>We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity.

We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, and the magnitude and variability of the variable returns from its involvement with structured entities.

We assessed whether the Group has legal or constructive obligations to ultimately absorb losses from the structured entities through contract inspection, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities.

Furthermore, we evaluated and tested the design and operating effectiveness of internal controls over the disclosures of unconsolidated structured entities.</td></tr>
</table>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Choi Kam Cheong, Geoffrey*.

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2020

CONTENTS OF FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Interest income		**883,499**	811,026
Interest expense		**(372,819)**	(324,748)
Net interest income	6	**510,680**	486,278
Fee and commission income		**155,262**	138,017
Fee and commission expense		**(17,978)**	(14,982)
Net fee and commission income	7	**137,284**	123,035
Net trading gain	8	**9,120**	12,614
Dividend income	9	**1,184**	773
Net gain arising from investment securities	10	**9,093**	3,444
Net gain/(loss) on derecognition of financial assets measured at amortised cost	11	**3,359**	(2,241)
Other operating income, net:			
– Other operating income		**36,127**	35,918
– Other operating expense		**(28,846)**	(26,049)
Other operating income, net	12	**7,281**	9,869
Operating income		**678,001**	633,772
Operating expenses	13	**(188,132)**	(174,764)
		489,869	459,008
Credit impairment losses	14	**(163,000)**	(151,109)
Other impairment losses	15	**(521)**	121
Share of profits of associates and joint ventures		**249**	140
Profit before tax		**326,597**	308,160
Income tax expense	18	**(57,375)**	(52,534)
Net profit		**269,222**	255,626

The notes on pages 157 to 282 form part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		199	(296)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		444	120
Others		59	43
Subtotal		702	(133)
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		9,005	35,887
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		1,624	303
Reclassification adjustments included in profit or loss due to disposals		(175)	(149)
Net loss on cash flow hedges		(292)	(267)
Exchange difference on translating foreign operations		2,682	2,573
Subtotal		12,844	38,347
Other comprehensive income for the year, net of tax		13,546	38,214
Total comprehensive income for the year		282,768	293,840
Net profit attributable to:			
Equity shareholders of the Bank		266,733	254,655
Non-controlling interests		2,489	971
		269,222	255,626
Total comprehensive income attributable to:			
Equity shareholders of the Bank		280,268	292,705
Non-controlling interests		2,500	1,135
		282,768	293,840
Basic and diluted earnings per share (in RMB Yuan)	19	1.05	1.00

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2019	31 December 2018
Assets:			
Cash and deposits with central banks	20	**2,621,010**	2,632,863
Deposits with banks and non-bank financial institutions	21	**419,661**	486,949
Precious metals		**46,169**	33,928
Placements with banks and non-bank financial institutions	22	**531,146**	349,727
Positive fair value of derivatives	23	**34,641**	50,601
Financial assets held under resale agreements	24	**557,809**	201,845
Loans and advances to customers	25	**14,540,667**	13,365,430
Financial investments	26		
Financial assets measured at fair value through profit or loss		**675,361**	731,217
Financial assets measured at amortised cost		**3,740,296**	3,272,514
Financial assets measured at fair value through other comprehensive income		**1,797,584**	1,711,178
Long-term equity investments	27	**11,353**	8,002
Fixed assets	29	**170,740**	169,574
Land use rights	30	**14,738**	14,373
Intangible assets	31	**4,502**	3,622
Goodwill	32	**2,809**	2,766
Deferred tax assets	33	**72,314**	58,730
Other assets	34	**195,461**	129,374
Total assets		**25,436,261**	23,222,693
Liabilities:			
Borrowings from central banks	36	**549,433**	554,392
Deposits from banks and non-bank financial institutions	37	**1,672,698**	1,427,476
Placements from banks and non-bank financial institutions	38	**521,553**	420,221
Financial liabilities measured at fair value through profit or loss	39	**281,597**	431,334
Negative fair value of derivatives	23	**33,782**	48,525
Financial assets sold under repurchase agreements	40	**114,658**	30,765
Deposits from customers	41	**18,366,293**	17,108,678
Accrued staff costs	42	**39,075**	36,213
Taxes payable	43	**86,635**	77,883
Provisions	44	**42,943**	37,928
Debt securities issued	45	**1,076,575**	775,785
Deferred tax liabilities	33	**457**	485
Other liabilities	46	**415,435**	281,414
Total liabilities		**23,201,134**	21,231,099

The notes on pages 157 to 282 form part of these financial statements.

AS AT 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	**31 December 2019**	31 December 2018
Equity:			
Share capital	47	**250,011**	250,011
Other equity instruments	48		
Preference shares		**79,636**	79,636
Perpetual bonds		**39,991**	–
Capital reserve	49	**134,537**	134,537
Other comprehensive income	50	**31,986**	18,451
Surplus reserve	51	**249,178**	223,231
General reserve	52	**314,389**	279,725
Retained earnings	53	**1,116,529**	990,872
Total equity attributable to equity shareholders of the Bank		**2,216,257**	1,976,463
Non-controlling interests		**18,870**	15,131
Total equity		**2,235,127**	1,991,594
Total liabilities and equity		**25,436,261**	23,222,693

Approved and authorised for issue by the Board of Directors on 27 March 2020.

Liu Guiping
Vice Chairman, executive director and president

Kenneth Patrick Chung
Independent non-executive director

Carl Walter
Independent non-executive director

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2019	250,011	79,636	–	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594
Movements during the year	–	–	39,991	–	13,535	25,947	34,664	125,657	3,739	243,533
(1) Total comprehensive income for the year	–	–	–	–	13,535	–	–	266,733	2,500	282,768
(2) Changes in share capital										
i Capital injection by other share holders	–	–	–	–	–	–	–	–	1,980	1,980
ii Capital injection by other equity instruments holders	–	–	39,991	–	–	–	–	–	–	39,991
iii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	(196)	(196)
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	25,947	–	(25,947)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	34,664	(34,664)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	–	(76,503)
iv Dividends to preference shareholders	–	–	–	–	–	–	–	(3,962)	–	(3,962)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(545)	(545)
As at 31 December 2019	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127

	Attributable to equity shareholders of the Bank								
	Share capital	Other equity instruments-Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2018	250,011	79,636	134,537	(19,599)	198,613	259,680	857,569	15,929	1,776,376
Movements during the year	–	–	–	38,050	24,618	20,045	133,303	(798)	215,218
(1) Total comprehensive income for the year	–	–	–	38,050	–	–	254,655	1,135	293,840
(2) Changes in share capital									
i Acquisition of subsidiaries	–	–	–	–	–	–	–	(8)	(8)
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	(138)	(138)
iii Disposal of subsidiaries	–	–	–	–	–	–	–	(1,667)	(1,667)
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	24,618	–	(24,618)	–	–
ii Appropriation to general reserve	–	–	–	–	–	20,045	(20,045)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	(72,753)	–	(72,753)
iv Dividends to preference shareholders	–	–	–	–	–	–	(3,936)	–	(3,936)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	(120)	(120)
As at 31 December 2018	250,011	79,636	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		**326,597**	308,160
Adjustments for:			
– Credit impairment losses	14	**163,000**	151,109
– Other impairment losses	15	**521**	(121)
– Depreciation and amortization	13	**23,927**	17,874
– Interest income from impaired financial assets		**(3,092)**	(3,312)
– Revaluation gain on financial instruments at fair value through profit or loss		**(2,456)**	(144)
– Share of profits of associates and joint ventures		**(249)**	(140)
– Dividend income	9	**(1,184)**	(773)
– Unrealised foreign exchange loss/(gain)		**2,548**	(6,981)
– Interest expense on bonds issued		**16,418**	12,975
– Interest income from investment securities and net income from disposal		**(198,282)**	(175,508)
– Net gain on disposal of fixed assets and other long-term assets		**(42)**	(135)
		327,706	303,004
Changes in operating assets:			
Net decrease in deposits with central banks and with banks and non-bank financial institutions		**183,478**	367,756
Net increase in placements with banks and non-bank financial institutions		**(94,096)**	(50,390)
Net increase in loans and advances to customers		**(1,297,965)**	(852,702)
Net (increase)/decrease in financial assets held under resale agreements		**(355,758)**	6,778
Net increase in financial assets held for trading purposes		**(10,791)**	(35,256)
Net (increase)/decrease in other operating assets		**(75,045)**	47,322
		(1,650,177)	(516,492)
Changes in operating liabilities:			
Net decrease in borrowings from central banks		**(2,132)**	(3,121)
Net increase in placements from banks and non-bank financial institutions		**96,186**	16,211
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,461,277**	602,520
Net increase/(decrease) in financial assets sold under repurchase agreements		**83,663**	(44,616)
Net increase in certificates of deposit issued		**338,170**	40,963
Income tax paid		**(65,793)**	(49,174)
Net (decrease)/increase in financial liabilities measured at fair value through profit or loss		**(149,986)**	11,922
Net increase in other operating liabilities		**142,373**	82,550
		1,903,758	657,255
Net cash from operating activities		**581,287**	443,767

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Cash flows from investing activities			
Proceeds from sales of financial investments		1,504,300	1,198,833
Cash received from redemption of financial investments		192,870	176,475
Proceeds from disposal of fixed assets and other long-term assets		2,366	2,612
Purchase of investment securities		(1,963,872)	(1,553,492)
Purchase of fixed assets and other long-term assets		(23,234)	(20,783)
Acquisition of subsidiaries, associates and joint ventures		(4,978)	(1,360)
Net cash used in investing activities		(292,548)	(197,715)
Cash flows from financing activities			
Issue of bonds		42,106	123,524
Cash received from issuance of perpetual bonds		39,991	–
Cash received from subsidiaries' capital injection by non-controlling interests holders		1,980	–
Dividends paid		(81,010)	(76,811)
Repayment of borrowings		(79,052)	(6,319)
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity		(196)	(138)
Interest paid on bonds issued		(18,051)	(11,335)
Cash payment for other financing activities		(7,609)	–
Net cash (used in)/from financing activities		(101,841)	28,921
Effect of exchange rate changes on cash and cash equivalents		4,740	14,390
Net increase in cash and cash equivalents		191,638	289,363
Cash and cash equivalents as at 1 January	54	860,702	571,339
Cash and cash equivalents as at 31 December	54	1,052,340	860,702
Cash flows from operating activities include:			
Interest received		695,047	653,845
Interest paid, excluding interest expense on bonds issued		(337,478)	(308,323)

The notes on pages 157 to 282 form part of these financial statements.

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), respectively. As at 31 December 2019, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2018, it was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") 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 mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the 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 its rights and obligations as an investor on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 27 March 2020.

2 BASIS OF PREPARATION

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

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

(1) Basis of measurement

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

(2) Functional and presentation currency

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

(3) Use of estimates and judgements

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

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

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(26).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following new or revised IFRSs and Interpretations effective for the current year. There is no early adoption of any new IFRSs and Interpretations not yet effective for the year ended 31 December 2019.

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan amendment, Curtailment or Settlement
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

IFRIC Interpretation 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have significant impact on the consolidated financial statements of the Group.

Except for IFRS 16, of which the financial impacts are elaborated in note 4(27), the adoption of the above standards, amendments and interpretations does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(10). If this is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(b) Subsidiaries and non-controlling interests

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

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

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(12).

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

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

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

(c) Associates and joint arrangements

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

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

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(3) Financial instruments

(a) Classification

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The business model of the Group's management of financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specific date are only for payment of the principal and the interest based on the amount of principal outstanding. Of which, principal refers to the fair value of financial assets at initial recognition. The payment of the underlying interest, where the principal is the fair value of the financial asset at the time of initial recognition, and its amount may change during the lifetime of the financial asset due to prepayment and other reasons; interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(a) Classification (continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(20)(c). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payment of principal and interests ("SPPI") testing and the remaining equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

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

At initial inception, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

(b) Derivatives and hedge accounting

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

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

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assess the hedge effectiveness both at hedge inception and on an ongoing basis.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(b) Derivatives and hedge accounting (continued)

(i) Fair value hedge

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

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

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

(ii) Cash flow hedge

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

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

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

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

(c) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is an financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not an financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

(d) Recognition and derecognition

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

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit asset, but has given up control of the credit asset;or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit assets, but has given up control of the credit asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(d) Recognition and derecognition (continued)

When a financial asset is derecognized, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in other comprehensive income.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

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

(e) Measurement

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

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss respectively. Financial liabilities other than those measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at fair value through profit or loss

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

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at FVPL are measured at fair value, where the gain or loss arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, they are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss. When the financial liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to retained earnings.

Financial assets measured at FVOCI

The impairment losses, foreign exchange gains and losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Besides, other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss. For equity instrument investments designated as measured at FVOCI, once the designation is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured with the initial recognition after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortization process.

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected lifetime of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or sourced financial assets that have suffered credit impairment, from the initial recognition, interest income is calculated using the financial assets' amortised cost and credit-adjusted effective interest rate; (ii) for a purchased or sourced financial asset that has not suffered credit impairment but has become credit impaired in subsequent periods, interest income is determined using the financial asset's amortised cost and the effective interest rate. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

(f) Impairment

At the end of the reporting period, the Group performs impairment assessment based on expected credit loss on financial assets measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received discounted at the original real interest rate by the Group, that is, the present value of all cash shortages. Among them, financial assets that have been purchased or sourced by the Group and have suffered credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustments.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has credit impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit and loss, which should not change the book value of the financial assets set out in the statement of financial position.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and the reversal of the loss provision arising from it is recognised in profit or loss for the current reporting period.

For financial assets that have been purchased or sourced for credit impairment, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in current profit or loss.

(g) Write off

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

(h) Modification of contracts

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

(i) Fair value measurement

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

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

(j) Offsetting

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

(k) Securitisations

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

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

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

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

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

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

(4) Precious metals

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

(5) Fixed assets

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

(a) Cost

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

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

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

(b) Depreciation and impairment

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

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

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

Aircraft and vessels are used for the Group's operating lease business, depreciated using straight-line method over the expected useful life of 20 to 30 years (less the years in service at the time of purchase) with the estimated residual value rate varying from 2.9% to 4.8%.

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

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets (continued)

(c) Disposal

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

(6) Lease

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

For the accounting treatment of the Group as a lessee, see Note 4(7) and(14).

Lease modifications

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease (continued)

As lessee (continued)

Short-term leases and leases of low-value assets

If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements in Note 4(20) to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessee, measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the lessor; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessee, continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The Group accounts for the financial liability applying Note 4(3).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Right-of-use assets

The right-of-use assets of the Group mainly include right to use buildings and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

(8) Land use rights

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

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(12).

(9) Intangible assets

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

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

(10) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recognised immediately in profit or loss.

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

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(12).

(11) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When using repossessed assets as compensation for losses on loans and advances to customers and interest receivable, the Group recognizes repossessed assets in the form of financial assets at fair value, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognized at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognized at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(12).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Allowances for impairment losses on assets

The Group determines the impairment of assets, other than the impairment of deferred tax assets and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

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

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

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

(a) Testing CGU with goodwill for impairment

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

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

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

(b) Impairment loss

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

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

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(13) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Employee benefits (continued)

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, employees in Mainland China have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

(15) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be distinguished and separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(a) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(b) The related economic benefits are likely to flow to the Group; and

(c) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

(18) Financial guarantees and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group can not separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(19) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(20) Income recognition

Provided the control of goods or services have been transferred to customers in an amount reflects the consideration to which the Group expects to be entitled, revenue is recognised in the income statement as follows:

(a) Interest income

Interest income for interest bearing debt instruments measured at amortized cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

(b) Fee and commission income

Fee and commission income is recognised when the performance obligation is satisfied. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

(c) Dividend income

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(22) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(23) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(24) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(26) Significant accounting estimates and judgements

(a) Classification of financial assets

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers are compensated.

In assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group uses the following key judgments: whether the principals may change because of the changes of time distribution or amount during the life period due to the reasons such as prepayment; whether the interests includes only the time value of money, credit risk, other basic borrowing risks and the consideration of costs and profits. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

(b) Expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 61(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and

– Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 61(1) credit risk.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(26) Significant accounting estimates and judgements (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

(f) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(27) Changes in significant accounting policies

The Group has adopted IFRS 16 "Leases" ("IFRS 16") as issued by the International Accounting Standards Board ("IASB") in January 2016 with a date of initial application on 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

The Group has not reassessed existing contracts before the date of initial application and adopted several specified practical expedients, including (a) applying a single discount rate to a portfolio of leases with reasonably similar characteristics; (b) accounting for leases for which the lease term ends within 12 months from the date of initial application in the same way as short-term leases; (c) excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and (d) using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group chose to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of prepaid lease payments, etc. Total assets and total liabilities at the group level as at 1 January 2019 both increased by RMB19,944 million as compared to the end of 2018. In addition to land use rights, the Group recognised other right-of-use assets and lease liabilities of RMB21,752 million and RMB19,914 million at the date of initial application, respectively. The reconciliation between the operating lease commitments disclosed in the Group's financial statements for the year ended 31 December 2018, and the lease liabilities recognised in the statement of financial position at the date of initial application is as follows:

Operating lease commitments as at 31 December 2018	22,351
Less: minimum lease payments with recognition exemption	(790)
Add: minimum lease payments arising from reasonably exercising an option to extend the lease	467
Less: impact of discounting at the incremental borrowing rate as at 1 January 2019	(2,114)
Lease liabilities as at 1 January 2019	19,914

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

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 ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016, and the main VAT taxation rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of 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.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 NET INTEREST INCOME

	2019	2018
Interest income arising from:		
Deposits with central banks	34,769	38,892
Deposits with banks and non-bank financial institutions	9,027	12,231
Placements with banks and non-bank financial institutions	11,052	11,765
Financial assets held under resale agreements	8,657	9,049
Investment securities	189,465	172,147
Loans and advances to customers		
– Corporate loans and advances	341,616	322,082
– Personal loans and advances	274,965	239,888
– Discounted bills	13,948	4,972
Total	883,499	811,026
Interest expense arising from:		
Borrowings from central banks	(14,326)	(15,671)
Deposits from banks and non-bank financial institutions	(32,248)	(36,441)
Placements from banks and non-bank financial institutions	(14,344)	(13,684)
Financial assets sold under repurchase agreements	(1,296)	(1,340)
Debt securities issued	(29,671)	(24,735)
Deposits from customers		
– Corporate deposits	(130,879)	(118,392)
– Personal deposits	(150,055)	(114,485)
Total	(372,819)	(324,748)
Net interest income	510,680	486,278

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

	2019	2018
Impaired loans and advances	2,816	3,229
Other impaired financial assets	276	83
Total	3,092	3,312

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

7 NET FEE AND COMMISSION INCOME

	2019	2018
Fee and commission income		
Bank card fees	52,620	46,192
Electronic banking service fees	25,666	18,585
Agency service fees	16,894	16,044
Commission on trust and fiduciary activities	14,194	12,748
Wealth management service fees	12,899	11,113
Settlement and clearing fees	12,267	12,101
Consultancy and advisory fees	10,331	10,441
Guarantee fees	3,633	3,414
Credit commitment fees	1,449	1,573
Others	5,309	5,806
Total	155,262	138,017
Fee and commission expense		
Bank card transaction fees	(8,859)	(8,000)
Inter-bank transaction fees	(1,277)	(1,360)
Others	(7,842)	(5,622)
Total	(17,978)	(14,982)
Net fee and commission income	137,284	123,035

8 NET TRADING GAIN

	2019	2018
Debt securities	8,384	11,496
Derivatives	250	(66)
Equity investments	5	(450)
Others	481	1,634
Total	9,120	12,614

9 DIVIDEND INCOME

	2019	2018
Dividend income from equity investments measured at fair value through profit or loss	1,148	676
Dividend income from equity investments measured at fair value through other comprehensive income	36	97
Total	1,184	773

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2019	2018
Net gain related to financial assets designated as measured at fair value through profit or loss	8,699	15,567
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(9,399)	(14,761)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	8,687	1,938
Net gain related to financial assets measured at fair value through other comprehensive income	711	499
Net revaluation gain reclassified from other comprehensive income on disposal	234	204
Others	161	(3)
Total	9,093	3,444

11 NET GAIN/(LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

For the year ended 31 December 2019, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to RMB2,820 million net gains arising from derecognition of loans and advances to customers (for the year ended 31 December 2018: net losses RMB2,507 million).

12 OTHER OPERATING INCOME, NET

Other operating income

	2019	2018
Insurance related income	22,914	21,495
Foreign exchange gains	4,617	6,153
Rental income	2,981	2,790
Others	5,615	5,480
Total	36,127	35,918

Foreign exchange gains or losses 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 cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

Other operating expense

	2019	2018
Insurance related costs	22,354	20,714
Others	6,492	5,335
Total	28,846	26,049

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 OPERATING EXPENSES

	2019	2018
Staff costs		
– Salaries, bonuses, allowances and subsidies	70,342	66,788
– Other social insurance and welfare	11,673	11,187
– Housing funds	6,521	6,390
– Union running costs and employee education costs	2,948	2,820
– Defined contribution plans	14,275	14,850
– Early retirement expenses	19	20
– Compensation to employees for termination of employment relationship	6	2
	105,784	102,057
Premises and equipment expenses		
– Depreciation charges	21,304	15,447
– Rent and property management expenses	4,952	9,926
– Maintenance	3,394	3,000
– Utilities	1,851	1,953
– Others	2,174	2,064
	33,675	32,390
Taxes and surcharges	6,777	6,132
Amortisation expenses	2,623	2,427
Audit fees	163	162
Other general and administrative expenses	39,110	31,596
Total	188,132	174,764

14 CREDIT IMPAIRMENT LOSSES

	2019	2018
Loans and advances to customers	148,942	143,045
Financial investments		
– Financial assets measured at amortised cost	5,789	1,072
– Financial assets measured at fair value through other comprehensive income	1,497	16
Off-balance sheet business	4,343	5,435
Others	2,429	1,541
Total	163,000	151,109

15 OTHER IMPAIRMENT LOSSES

	2019	2018
Other impairment losses	521	(121)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2019				
	Fees RMB' 000	Remuneration paid RMB' 000	Contributions to defined contribution retirement schemes RMB' 000	Other benefits in kind (Note (v)) RMB' 000	Total (Note (i)) RMB' 000
Executive directors					
Tian Guoli (Note (vi))	–	579	50	119	748
Liu Guiping (Note (ii) & (vi))	–	386	31	77	494
Zhang Gengsheng (Note (vi))	–	521	50	115	686
Non-executive directors					
Feng Bing (Note (iii))	–	–	–	–	–
Zhu Hailin (Note (iii))	–	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–	–
Tian Bo (Note (ii) & (iii))	–	–	–	–	–
Xia Yang (Note (ii) & (iii))	–	–	–	–	–
Independent non-executive directors					
Anita Fung Yuen Mei	415	–	–	–	415
Malcolm Christopher McCarthy	410	–	–	–	410
Carl Walter	442	–	–	–	442
Kenneth Patrick Chung	430	–	–	–	430
Graeme Wheeler (Note (ii))	110	–	–	–	110
Supervisors					
Wang Yongqing (Note (ii) & (vi))	–	241	19	47	307
Wu Jianhang (Note (vi))	–	660	50	146	856
Fang Qiuyue (Note (vi))	–	660	46	154	860
Lu Kegui (Note (iv))	50	–	–	–	50
Cheng Yuanguo (Note (iv))	50	–	–	–	50
Wang Yi (Note (iv))	50	–	–	–	50
Zhao Xijun (Note (ii))	138	–	–	–	138
Former executive director					
Wang Zuji (Note (ii) & (vi))	–	137	14	31	182
Former non-executive directors					
Li Jun (Note (ii) & (iii))	–	–	–	–	–
Wu Min (Note (ii) & (iii))	–	–	–	–	–
Former independent non-executive directors					
Chung Shui Ming Timpson (Note(ii))	220	–	–	–	220
Murray Horn (Note (ii))	353	–	–	–	353
Former supervisor					
Bai Jianjun (Note (ii))	125	–	–	–	125
	2,793	3,184	260	689	6,926

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

	2018			
	Accrued cost (Allowances) RMB'000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB'000	Other monetary income RMB'000	Total RMB'000
Executive directors				
Tian Guoli	793	165	–	958
Wang Zuji	793	165	–	958
Zhang Gengsheng	713	162	–	875
Non-executive directors				
Feng Bing (Note (iii))	–	–	–	–
Zhu Hailin (Note (iii))	–	–	–	–
Li Jun (Note (ii) & (iii))	–	–	–	–
Wu Min (Note (ii) & (iii))	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–
Independent non-executive directors				
Anita Fung Yuen Mei	413	–	–	413
Malcolm Christopher McCarthy	410	–	–	410
Carl Walter	440	–	–	440
Chung Shui Ming Timpson (Note (ii))	440	–	–	440
Kenneth Patrick Chung	70	–	–	70
Murray Horn (Note (ii))	470	–	–	470
Supervisors				
Wu Jianhang	936	98	–	1,034
Fang Qiuyue	936	103	–	1,039
Lu Kegui	29	–	–	29
Cheng Yuanguo	29	–	–	29
Wang Yi	29	–	–	29
Bai Jianjun (Note (ii))	250	–	–	250
Former executive director				
Pang Xiusheng	535	117	–	652
Former non-executive director				
Hao Aiqun	–	–	–	–
Former supervisors				
Guo You	264	49	–	313
Liu Jin	936	91	–	1,027
Li Xiaoling	936	49	–	985
Li Xiukun	21	–	–	21
Jin Yanmin	21	–	–	21
Li Zhenyu	21	–	–	21
	9,485	999	–	10,484

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2019 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Graeme Wheeler commenced his position as independent non-executive director of the Bank from October 2019. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Tian Bo and Mr. Xia Yang commenced their positions as non-executive directors of the Bank from August 2019. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as executive director and vice chairman of the Bank from July 2019; upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as president of the Bank from May 2019.

Due to change of job, Mr. Wu Min ceased to serve as non-executive director of the Bank from December 2019. Due to change of job, Mr. Murray Horn ceased to serve as independent non-executive director of the Bank from September 2019. Due to expiration of his term of office, Mr. Chung Shui Ming Timpson ceased to serve as independent non-executive director of the Bank from June 2019. Due to retirement, Mr. Li Jun ceased to serve as non-executive director of the Bank from May 2019. By reason of his age, Mr. Wang Zuji ceased to serve as vice chairman of the Board, executive director and president of the Bank from March 2019.

Upon election at the 2019 first extraordinary general meeting of the Bank and the 2019 fifth meeting of the board of supervisors, Mr. Wang Yongqing commenced his position as chairman of the board of supervisors and the shareholder representative supervisor of the Bank from October 2019. Upon election at the 2018 annual general meeting of the Bank, Mr. Zhao Xijun commenced his position as external supervisor of the Bank from June 2019.

Due to expiration of his term of office, Mr. Bai Jianjun ceased to serve as external supervisor of the Bank from June 2019.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2019 and 2018.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2019. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2018 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2018 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2018 was the final amount.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities are paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2019 and 2018.

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and allowance	**15,644**	15,861
Variable compensation	**32,370**	34,352
Contributions to defined contribution retirement schemes	**792**	1,144
Other benefit in kind	**706**	627
	49,512	51,984

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2019	2018
RMB8,000,001 – RMB8,500,000	–	–
RMB8,500,001 – RMB9,000,000	1	–
RMB9,000,001 – RMB9,500,000	1	–
RMB9,500,001 – RMB10,000,000	–	1
RMB10,000,001 – RMB10,500,000	2	3
RMB10,500,001 – RMB11,000,000	–	–
RMB11,000,001 – RMB11,500,000	1	1
RMB11,500,001 – RMB12,000,000	–	–

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the year ended 31 December 2019 and 2018.

18 INCOME TAX EXPENSE

(1) Income tax expense

	2019	2018
Current tax	74,013	72,531
– Mainland China	71,045	69,949
– Hong Kong	1,340	1,444
– Other countries and regions	1,628	1,138
Adjustments for prior years	498	(1,928)
Deferred tax	(17,136)	(18,069)
Total	57,375	52,534

The provisions for 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 reporting 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

	Note	2019	2018
Profit before tax		326,597	308,160
Income tax calculated at the 25% statutory tax rate		81,649	77,040
Effects of different applicable rates of tax prevailing in other countries/regions		(234)	(740)
Non-deductible expenses	(i)	11,891	9,212
Non-taxable income	(ii)	(36,429)	(31,050)
Adjustments on income tax for prior years which affect profit or loss		498	(1,928)
Income tax expense		57,375	52,534

(i) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

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

19 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2019 and 2018 has been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

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 conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2019 and 2018, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2019	2018
Net profit attributable to equity shareholders of the Bank	**266,733**	254,655
Less: profit for the year attributable to preference shareholders of the Bank	**(3,962)**	(3,936)
Net profit attributable to ordinary shareholders of the Bank	**262,771**	250,719
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**1.05**	1.00
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**1.05**	1.00

20 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	**31 December 2019**	31 December 2018
Cash		**60,791**	65,215
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,094,800**	2,130,958
– Surplus deposit reserves	(2)	**398,676**	389,425
– Fiscal deposits and others		**65,825**	46,095
Accrued interest		**918**	1,170
Total		**2,621,010**	2,632,863

(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 Bank's statutory deposit reserve rates in Mainland China were as follows:

	31 December 2019	31 December 2018
Reserve rate for RMB deposits	**11.50%**	13.00%
Reserve rate for foreign currency deposits	**5.00%**	5.00%

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)

21 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	406,202	468,564
Non-bank financial institutions	12,605	15,703
Accrued interest	1,072	2,912
Gross balances	419,879	487,179
Allowances for impairment losses (Note 35)	(218)	(230)
Net balances	419,661	486,949

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	371,963	451,606
Overseas	46,844	32,661
Accrued interest	1,072	2,912
Gross balances	419,879	487,179
Allowances for impairment losses (Note 35)	(218)	(230)
Net balances	419,661	486,949

For the year ended 31 December 2019 and 2018, the book value of deposits with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	387,211	240,418
Non-bank financial institutions	141,822	107,285
Accrued interest	2,338	2,138
Gross balances	531,371	349,841
Allowances for impairment losses (Note 35)	(225)	(114)
Net balances	531,146	349,727

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (CONTINUED)

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	339,185	187,065
Overseas	189,848	160,638
Accrued interest	2,338	2,138
Gross balances	531,371	349,841
Allowances for impairment losses (Note 35)	(225)	(114)
Net balances	531,146	349,727

For the year ended 31 December 2019 and 2018, the book value of placements with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

23 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contract

		31 December 2019			31 December 2018		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		535,745	1,187	2,088	302,322	1,998	1,902
Exchange rate contracts		3,727,006	31,681	29,726	4,947,440	47,749	44,772
Other contracts	(a)	85,784	1,773	1,968	89,325	854	1,851
Total		4,348,535	34,641	33,782	5,339,087	50,601	48,525

(2) Analysed by counterparty credit risk-weighted assets

	Note	31 December 2019	31 December 2018
Counterparty credit default risk-weighted assets			
– Interest rate contracts		2,670	1,365
– Exchange rate contracts		37,124	21,402
– Other contracts	(a)	1,500	2,276
Subtotal		41,294	25,043
Risk-weighted assets for credit valuation adjustment		14,194	12,493
Total		55,488	37,536

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 Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets include risk-weighted assets for credit valuation adjustments with the considerations of counterparty status and maturity characteristics, and include back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

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

	31 December 2019			31 December 2018		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**39,801**	**83**	**(344)**	46,452	559	(88)
Cross currency swaps	**35**	**–**	**–**	344	17	–
Cash flow hedges						
Foreign exchange swaps	**39,146**	**640**	**(193)**	45,146	324	(330)
Cross currency swaps	**–**	**–**	**–**	4,007	238	(6)
Interest rate swaps	**13,608**	**25**	**(78)**	17,156	37	(79)
Total	**92,590**	**748**	**(615)**	113,105	1,175	(503)

(a) Fair value hedge

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at FVOCI, debt securities issued, deposits from customers, and loans and advances to customers arising from changes in interest rates and exchange rates.

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

	2019	2018
Net (losses)/gains on		
– hedging instruments	**(664)**	72
– hedged items	**661**	(69)

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the year ended 31 December 2019 and 2018.

(b) Cash flow hedge

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of deposits from customers, loans and advances to customers, debt security issued, placement from banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets measured at FVPL and financial assets measured at FVOCI. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2019, the Group's net loss from the cash flow hedge of RMB292 million was recognised in other comprehensive income (for the year ended 31 December 2018: net loss of RMB267 million) and the gain and loss arising from the ineffective portion of cash flow hedge were immaterial.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	31 December 2019	31 December 2018
Debt securities		
– Government bonds	**189,501**	62,775
– Debt securities issued by policy banks, banks and non-bank financial institutions	**299,738**	77,639
– Corporate bonds	**25**	28
Subtotal	**489,264**	140,442
Discounted bills	**68,345**	61,302
Accrued interest	**263**	145
Gross balance	**557,872**	201,889
Allowances for impairment losses (Note 35)	**(63)**	(44)
Net balances	**557,809**	201,845

For the year ended 31 December 2019 and 2018, the book value of financial assets held under resale agreements was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by measurement

	Note	**31 December 2019**	31 December 2018
Loans and advances to customers measured at amortised cost		**14,479,931**	13,405,030
Less: allowances for impairment losses		**(482,158)**	(417,623)
The carrying amount of loans and advances to customers measured at amortised cost	(a)	**13,997,773**	12,987,407
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	(b)	**492,693**	308,368
The carrying amount of loans and advances to customers measured at fair value through profit or loss	(c)	**15,282**	32,857
Accrued interest		**34,919**	36,798
The carrying amount of loans and advances to customers		**14,540,667**	13,365,430

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Analysed by measurement (continued)

(a) *Loans and advances to customers measured at amortised cost*

	31 December 2019	31 December 2018
Corporate loans and advances		
– Loans	**7,789,682**	7,309,538
– Finance leases	**137,769**	136,071
	7,927,451	7,445,609
Personal loans and advances		
– Residential mortgages	**5,355,724**	4,844,440
– Personal consumer loans	**199,007**	214,783
– Personal business loans	**44,918**	37,287
– Credit cards	**745,137**	655,190
– Others	**207,694**	205,845
	6,552,480	5,957,545
Discounted bills	**–**	1,876
Gross loans and advances to customers measured at amortised cost	**14,479,931**	13,405,030
Stage 1	**(240,027)**	(183,615)
Stage 2	**(92,880)**	(93,624)
Stage 3	**(149,251)**	(140,384)
Allowances for impairment losses (Note 35)	**(482,158)**	(417,623)
Net loans and advances to customers measured at amortised cost	**13,997,773**	12,987,407

(b) *Loans and advances to customers measured at fair value through other comprehensive income*

	31 December 2019	31 December 2018
Discounted bills	**492,693**	308,368

(c) *Loans and advances to customers measured at fair value through profit or loss*

	31 December 2019	31 December 2018
Corporate loans and advances	**15,282**	32,857

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of expected credit losses

	31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**13,804,206**	**463,976**	**211,749**	**14,479,931**
Less: allowances for impairment losses	**(240,027)**	**(92,880)**	**(149,251)**	**(482,158)**
The carrying amount of loans and advances to customers measured at amortised cost	**13,564,179**	**371,096**	**62,498**	**13,997,773**
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**490,545**	**1,424**	**724**	**492,693**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(958)**	**(94)**	**(570)**	**(1,622)**

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	12,808,032	396,117	200,881	13,405,030
Less: allowances for impairment losses	(183,615)	(93,624)	(140,384)	(417,623)
The carrying amount of loans and advances to customers measured at amortised cost	12,624,417	302,493	60,497	12,987,407
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	308,346	22	–	308,368
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(944)	(2)	–	(946)

For loans and advances to customers at Stages 1 and 2 and personal loans and advances at Stage 3, the expected credit loss ("ECL") model is used to calculate the ECL amount, while for corporate loans and advances and discounted bills at Stage 3, the discounted cash flow model is used.

The segmentation of the loans mentioned above is defined in Note 61(1).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

		2019			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		183,615	93,624	140,384	417,623
Transfers:					
Transfers in/(out) to Stage 1		6,416	(6,061)	(355)	–
Transfers in/(out) to Stage 2		(7,197)	8,537	(1,340)	–
Transfers in/(out) to Stage 3		(2,163)	(18,815)	20,978	–
Newly originated or purchased financial assets		116,460	–	–	116,460
Transfer out/repayment	(i)	(76,030)	(12,040)	(50,416)	(138,486)
Remeasurements	(ii)	18,926	27,635	81,082	127,643
Write-off		–	–	(49,078)	(49,078)
Recoveries of loans and advances written off		–	–	7,996	7,996
As at 31 December 2019		240,027	92,880	149,251	482,158

		2018			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018		149,249	65,887	128,666	343,802
Transfers:					
Transfers in/(out) to Stage 1		3,153	(2,578)	(575)	–
Transfers in/(out) to Stage 2		(4,241)	5,041	(800)	–
Transfers in/(out) to Stage 3		(1,476)	(16,077)	17,553	–
Newly originated or purchased financial assets		88,574	–	–	88,574
Transfer out/repayment	(i)	(60,428)	(9,578)	(40,718)	(110,724)
Remeasurements	(ii)	8,784	50,929	73,514	133,227
Write-off		–	–	(43,879)	(43,879)
Recoveries of loans and advances written off		–	–	6,623	6,623
As at 31 December 2018		183,615	93,624	140,384	417,623

(i) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swap and as a result of foreclosures, as well as repayment of the loans.

(ii) Remeasurements comprise the impact of changes in Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"); changes in model assumptions and methodology; credit loss changes due to stage-transfer; unwinding of discount; and the impact of exchange rate changes.

The allowances for impairment losses disclosed above are for loans and advances to customers measured at amortised cost.

For the year ended 31 December 2019, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance mainly resulted from credit business in Mainland China, including:

For the year ended 31 December 2019, the gross carrying amount of domestic branches corporate loans and advances to customers transferred from Stage 1 to Stage 2 were RMB162,163 million. The gross carrying amount of loans transferred from Stage 2 to Stage 3 were RMB53,519 million. The gross carrying amount of the loans transferred from Stage 2 to Stage 1 were RMB27,999 million. The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 were not significant. For the year ended 31 December 2019, the changes of impairment allowances resulting from stage-transfer of domestic branches personal loans and advances to customers were not significant.

For the year ended 31 December 2019, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition were not significant.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

	31 December 2019				
	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	**17,134**	**14,363**	**4,829**	**757**	**37,083**
Guaranteed loans	**8,490**	**24,773**	**17,813**	**5,593**	**56,669**
Loans secured by property and other immovable assets	**20,387**	**25,982**	**17,080**	**5,507**	**68,956**
Other pledged loans	**2,556**	**4,304**	**3,121**	**194**	**10,175**
Total	**48,567**	**69,422**	**42,843**	**12,051**	**172,883**
As a percentage of gross loans and advances to customers	**0.32%**	**0.46%**	**0.29%**	**0.08%**	**1.15%**

	31 December 2018				
	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	13,719	12,734	4,547	825	31,825
Guaranteed loans	13,461	27,875	21,495	3,206	66,037
Loans secured by property and other immovable assets	25,407	22,671	19,243	5,188	72,509
Other pledged loans	2,458	1,983	685	224	5,350
Total	55,045	65,263	45,970	9,443	175,721
As a percentage of gross loans and advances to customers	0.40%	0.47%	0.33%	0.07%	1.27%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(5) Packaged disposal of non-performing loans

For the year ended 31 December 2019, the total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB28,902 million (for the year ended 31 December 2018: RMB36,136 million).

(6) Write-off

According to the Group's write-off policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2019, the amount of the loans and advances to customers that the Group has written off but still under enforcement was RMB29,128 million (for the year ended 31 December 2018: RMB16,910 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS

(1) Analysed by measurement

	Note	31 December 2019	31 December 2018
Financial assets measured at fair value through profit or loss	(a)	**675,361**	731,217
Financial assets measured at amortised cost	(b)	**3,740,296**	3,272,514
Financial assets measured at fair value through other comprehensive income	(c)	**1,797,584**	1,711,178
Total		**6,213,241**	5,714,909

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	31 December 2019	31 December 2018
Held-for-trading purposes			
– Debt securities	(i)	**229,946**	218,757
– Equity instruments and funds	(ii)	**940**	1,706
		230,886	220,463
Financial assets designated as measured at fair value through profit or loss			
– Debt securities	(iii)	**9,256**	14,909
– Other debt instruments	(iv)	**182,369**	350,578
		191,625	365,487

	Note	31 December 2019	31 December 2018
Others			
– Credit investments	(v)	**6,161**	14,257
– Debt securities	(vi)	**68,921**	31,740
– Funds and others	(vii)	**177,768**	99,270
		252,850	145,267
Total		**675,361**	731,217

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

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

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	31 December 2019	31 December 2018
Government	**8,392**	8,361
Central banks	**443**	–
Policy banks	**44,466**	41,068
Banks and non-bank financial institutions	**59,224**	52,288
Enterprises	**117,421**	117,040
Total	**229,946**	218,757
Listed (Note)	**229,503**	218,757
– of which in Hong Kong	**953**	1,091
Unlisted	**443**	–
Total	**229,946**	218,757

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments and funds

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	**61**	453
Enterprises	**879**	1,253
Total	**940**	1,706
Listed	**940**	1,677
– of which in Hong Kong	**772**	1,150
Unlisted	**–**	29
Total	**940**	1,706

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

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

Analysed by type of issuers (continued)

Financial assets designated as measured at fair value through profit or loss

(iii) Debt securities

	31 December 2019	31 December 2018
Government	470	–
Enterprises	8,786	14,909
Total	9,256	14,909
Listed	1,111	–
– of which in Hong Kong	355	–
Unlisted	8,145	14,909
Total	9,256	14,909

(iv) Other debt instruments

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	122,285	257,813
Enterprises	60,084	92,765
Total	182,369	350,578

Other debt instruments were mainly the deposits with banks and non-bank financial institutions, debt securities and credit assets invested by principal guaranteed wealth management products (Note 28(2)).

The amounts of changes in the fair value of these financial assets that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2019 and 2018.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

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

Analysed by type of issuers (continued)

Others

(v) Credit investments

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	1,706	14,257
Enterprises	4,455	–
Total	6,161	14,257
Unlisted	6,161	14,257
Total	6,161	14,257

(vi) Debt securities

	31 December 2019	31 December 2018
Policy banks	4,381	4,094
Banks and non-bank financial institutions	64,538	27,646
Enterprises	2	–
Total	68,921	31,740
L Listed (Note)	68,801	31,279
Unlisted	120	461
Total	68,921	31,740

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(vii) Funds and others

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	83,946	62,156
Enterprises	93,822	37,114
Total	177,768	99,270
Listed	67,357	44,027
–of which in Hong Kong	1,957	1,143
Unlisted	110,411	55,243
Total	177,768	99,270

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	31 December 2019	31 December 2018
Government	**3,024,534**	2,623,081
Central banks	**463**	447
Policy banks	**361,084**	372,422
Banks and non-bank financial institutions	**107,407**	33,972
Enterprises	**157,683**	152,404
Special government bond	**49,200**	49,200
Subtotal	**3,700,371**	3,231,526
Accrued interest	**52,627**	47,823
Gross balances	**3,752,998**	3,279,349
Allowances for impairment losses		
–Stage 1	**(8,932)**	(5,171)
–Stage 2	**(134)**	(509)
–Stage 3	**(3,636)**	(1,155)
Subtotal	**(12,702)**	(6,835)
Net balances	**3,740,296**	3,272,514
Listed (Note)	**3,553,837**	3,121,678
–of which in Hong Kong	**7,836**	5,903
Unlisted	**186,459**	150,836
Total	**3,740,296**	3,272,514
Market value of listed bonds	**3,629,398**	3,124,407

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	31 December 2019	31 December 2018
Debt securities	(i)	**1,791,553**	1,707,884
Equity instruments	(ii)	**6,031**	3,294
Total		**1,797,584**	1,711,178

Analysed by type of issuers

(i) Debt securities

	31 December 2019	31 December 2018
Government	**1,103,764**	1,015,579
Central banks	**39,844**	38,483
Policy banks	**346,478**	351,329
Banks and non-bank financial institutions	**107,524**	112,860
Enterprises	**135,769**	145,290
Accumulated change of fair value charged in other comprehensive income	**33,000**	19,900
Subtotal	**1,766,379**	1,683,441
Accrued interest	**25,174**	24,443
Total	**1,791,553**	1,707,884
Listed (Note)	**1,741,972**	1,681,048
–of which in Hong Kong	**56,100**	65,938
Unlisted	**49,581**	26,836
Total	**1,791,553**	1,707,884

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments

	31 December 2019		31 December 2018	
	Fair value	Dividend income during the year	Fair value	Dividend income during the year
Equity instruments	**6,031**	**36**	3,294	97

For the year ended 31 December 2019 and 2018, the Group neither sold any investments above nor transferred any cumulative profit or loss in the equity.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

	Note	2019 Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		**5,171**	**509**	**1,155**	**6,835**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(15)**	**15**	**–**	**–**
Transfers in/(out) to Stage 3		**(7)**	**(407)**	**414**	**–**
Newly originated or purchased financial assets		**5,299**	**3**	**–**	**5,302**
Financial assets derecognised during the year		**(1,440)**	**(20)**	**–**	**(1,460)**
Remeasurements	(i)	**(125)**	**20**	**2,052**	**1,947**
Foreign exchange and other movements		**49**	**14**	**15**	**78**
As at 31 December 2019		**8,932**	**134**	**3,636**	**12,702**

	Note	2018 Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018		4,049	83	523	4,655
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(342)	342	–	–
Transfers in/(out) to Stage 3		(345)	–	345	–
Newly originated or purchased financial assets		1,166	–	–	1,166
Financial assets derecognised during the year		(691)	(64)	(27)	(782)
Remeasurements	(i)	359	77	252	688
Foreign exchange and other movements		975	71	62	1,108
As at 31 December 2018		5,171	509	1,155	6,835

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income

		2019			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2019		**2,090**	–	–	**2,090**
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		**2,117**	–	–	**2,117**
Financial assets derecognised during the year		**(562)**	–	–	**(562)**
Remeasurements	(i)	**(58)**	–	–	**(58)**
Foreign exchange and other movements		**(7)**	–	–	**(7)**
As at 31 December 2019		**3,580**	–	–	**3,580**

		2018			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018		2,139	–	–	2,139
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		501	–	–	501
Financial assets derecognised during the year		(182)	–	–	(182)
Remeasurements	(i)	(303)	–	–	(303)
Foreign exchange and other movements		(65)	–	–	(65)
As at 31 December 2018		2,090	–	–	2,090

(i) Remeasurements mainly comprise the impact of changes in probability of default, loss given default and exposure at default, credit loss changes due to stage-transfer.

As at 31 December 2019, the Group's financial investments measured at amortised cost with carrying amount of RMB7,774 million were impaired and classified as Stage 3, financial investments measured at amortised cost with carrying amount of RMB1,271 million were classified as Stage 2, and all financial investments measured at fair value through other comprehensive income and the remaining financial investments measured at amortised cost were classified as Stage 1.

For the year ended 31 December 2019, the increase in the Group's Stage 1 financial investments due to newly originated or purchased financial assets amounted to RMB1,402,711 million, the decrease in Stage 1 financial investments due to derecognition were amounted to RMB860,406 million, and there were no significant changes in the balances of financial investments classified as Stage 2 and 3. Both the amounts of financial investments transferred between stages and the amounts of financial investments with modifications of contractual cash flows that do not result in a derecognition were not significant.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS

(1) Investments in subsidiaries

(a) Investment cost

	Note	31 December 2019	31 December 2018
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")	(i)	**15,000**	–
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		**12,000**	12,000
CCB Brasil Financial Holding – Investimentos e Participações Ltda		**9,542**	9,542
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		**8,163**	8,163
CCB Trust Co., Ltd. ("CCB Trust")	(ii)	**7,429**	3,409
CCB Life Insurance Co., Ltd. ("CCB Life")		**3,902**	3,902
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 Bausparkasse")		**1,502**	1,502
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		**1,340**	1,340
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Total		**69,290**	50,270

(i) In May 2019, the Bank set up a wholly-owned subsidiary, CCB Wealth Management. As at 31 December 2019, the Bank held 100% of the total capital of CCB Wealth Management.

(ii) In December 2019, the Bank increased capital of CCB Trust by RMB4.02 billion based on shareholding percentage for the company to increase registered capital step by step. At present, part of the procedures are still in progress.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the 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	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Investment	Beijing, the PRC	RMB12,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Brasil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brasil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Financial Leasing	Beijing, the PRC	RMB8,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Trust	Anhui, the PRC	RMB2,467 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB 1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	85%	–	85%	Establishment
CCB Europe	Luxembourg	EUR200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows: *(continued)*

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Indonesia	Jakarta, Indonesia	IDR1,663,146 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil")	Sao Paulo, Brasil	R$2,957 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(c) As at 31 December 2019, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

	2019	2018
As at 1 January	**8,002**	7,067
Acquisition during the year	**4,978**	1,352
Disposal during the year	**(1,812)**	(252)
Share of profits	**249**	140
Cash dividend receivable	**(149)**	(202)
Effect of exchange difference and others	**85**	(103)
As at 31 December	**11,353**	8,002

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

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoxin Jianxin Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB4,114 million	Equity investment	50.00%	50.00%	4,102	–	47	(13)
CCB Gold Investment Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	3,563	–	63	63
Diamond String Limited	Hong Kong, the PRC	HK $10,000	Property investment	50.00%	50.00%	1,740	1,615	247	101
Guangdong SOE Reorganization Development Fund (Limited Partnership)	Zhuhai, the PRC	RMB720 million	Investment management and consultancy	49.67%	33.00%	731	–	20	14
Shaanxi Yanchang Petroleum Finance Limited	Xi 'an, the PRC	RMB3,500 million	Settlement, loans and financial leasing	8.00%	20.00%	17,669	12,930	626	358

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

28 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, etc. which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 31 December 2019 and 2018, 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:

	31 December 2019	31 December 2018
Financial investments		
Financial assets measured at fair value through profit or loss	**85,564**	68,499
Financial assets measured at amortised cost	**65,178**	54,884
Financial assets measured at fair value through other comprehensive income	**729**	896
Interests in associates and joint ventures	**6,906**	4,196
Other assets	**3,185**	3,510
Total	**161,562**	131,985

For the year ended 31 December 2019 and 2018, the income from these unconsolidated structured entities held by the Group was as follows:

	2019	2018
Interest income	**3,735**	3,356
Fee and commission income	**14,871**	12,326
Net trading loss	**138**	–
Dividend income	**669**	309
Net gain arising from investment securities	**2,773**	1,932
Share of profits of associates and joint ventures	**163**	21
Total	**22,349**	17,944

As at 31 December 2019, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,968,483 million (as at 31 December 2018: RMB1,841,018 million) and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB2,989,536 million (as at 31 December 2018: RMB3,334,455 million). For the year ended 31 December 2019, there were financial assets held under resale agreements 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 was 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 26(1)(a)(iv)) and certain asset management plans and trust plans, etc.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

29 FIXED ASSETS

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2019	133,478	19,714	55,118	25,561	45,851	279,722
Additions	1,850	7,425	5,882	914	3,262	19,333
Transfer in/(out)	2,599	(8,938)	42	4,617	1,680	–
Other movements	(286)	(1,475)	(3,149)	(282)	(2,652)	(7,844)
As at 31 December 2019	137,641	16,726	57,893	30,810	48,141	291,211
Accumulated depreciation						
As at 1 January 2019	(38,948)	–	(37,362)	(3,408)	(30,006)	(109,724)
Charge for the year	(4,563)	–	(5,670)	(1,337)	(4,454)	(16,024)
Other movements	106	–	2,997	220	2,375	5,698
As at 31 December 2019	(43,405)	–	(40,035)	(4,525)	(32,085)	(120,050)
Allowances for impairment losses (Note 35)						
As at 1 January 2019	(406)	(1)	–	(14)	(3)	(424)
Charge for the year	–	–	–	(24)	(1)	(25)
Other movements	13	–	–	14	1	28
As at 31 December 2019	(393)	(1)	–	(24)	(3)	(421)
Net carrying value						
As at 1 January 2019	94,124	19,713	17,756	22,139	15,842	169,574
As at 31 December 2019	93,843	16,725	17,858	26,261	16,053	170,740

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2018	122,870	26,646	54,989	22,855	43,636	270,996
Additions	1,205	6,651	5,104	2,502	2,476	17,938
Transfer in/(out)	9,745	(12,386)	82	–	2,559	–
Other movements	(342)	(1,197)	(5,057)	204	(2,820)	(9,212)
As at 31 December 2018	133,478	19,714	55,118	25,561	45,851	279,722
Accumulated depreciation						
As at 1 January 2018	(34,156)	–	(36,351)	(2,250)	(28,141)	(100,898)
Charge for the year	(4,964)	–	(5,904)	(1,271)	(4,579)	(16,718)
Other movements	172	–	4,893	113	2,714	7,892
As at 31 December 2018	(38,948)	–	(37,362)	(3,408)	(30,006)	(109,724)
Allowances for impairment losses (Note 35)						
As at 1 January 2018	(415)	–	–	(1)	(3)	(419)
Charge for the year	–	(1)	–	(13)	–	(14)
Other movements	9	–	–	–	–	9
As at 31 December 2018	(406)	(1)	–	(14)	(3)	(424)
Net carrying value						
As at 1 January 2018	88,299	26,646	18,638	20,604	15,492	169,679
As at 31 December 2018	94,124	19,713	17,756	22,139	15,842	169,574

Notes:

(1) Other movements include disposals of, retirements of and exchange differences on fixed assets.

(2) As at 31 December 2019, the ownership documentation for the Group's bank premises with a net carrying value of RMB15,688 million (as at 31 December 2018: RMB18,645 million) was 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)

30 LAND USE RIGHTS

	2019	2018
Cost/Deemed cost		
As at 1 January	21,860	21,495
Additions	989	444
Disposals	(56)	(79)
As at 31 December	22,793	21,860
Amortisation		
As at 1 January	(7,349)	(6,810)
Charge for the year	(594)	(565)
Disposals	24	26
As at 31 December	(7,919)	(7,349)
Allowances for impairment losses (Note 35)		
As at 1 January	(138)	(140)
Disposals	2	2
As at 31 December	(136)	(138)
Net carrying value		
As at 1 January	14,373	14,545
As at 31 December	14,738	14,373

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 34(2).

31 INTANGIBLE ASSETS

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2019	9,914	1,272	11,186
Additions	1,829	317	2,146
Disposals	(45)	(166)	(211)
As at 31 December 2019	11,698	1,423	13,121
Amortisation			
As at 1 January 2019	(7,154)	(402)	(7,556)
Charge for the year	(943)	(146)	(1,089)
Disposals	26	7	33
As at 31 December 2019	(8,071)	(541)	(8,612)
Allowances for impairment losses (Note 35)			
As at 1 January 2019	–	(8)	(8)
Additions	–	(1)	(1)
Disposals	–	2	2
As at 31 December 2019	–	(7)	(7)
Net carrying value			
As at 1 January 2019	2,760	862	3,622
As at 31 December 2019	3,627	875	4,502

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

31 INTANGIBLE ASSETS (CONTINUED)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2018	8,424	1,211	9,635
Additions	1,519	214	1,733
Disposals	(29)	(153)	(182)
As at 31 December 2018	9,914	1,272	11,186
Amortisation			
As at 1 January 2018	(6,429)	(446)	(6,875)
Charge for the year	(754)	(57)	(811)
Disposals	29	101	130
As at 31 December 2018	(7,154)	(402)	(7,556)
Allowances for impairment losses (Note 35)			
As at 1 January 2018	–	(8)	(8)
Additions	–	–	–
Disposals	–	–	–
As at 31 December 2018	–	(8)	(8)
Net carrying value			
As at 1 January 2018	1,995	757	2,752
As at 31 December 2018	2,760	862	3,622

32 GOODWILL

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movement of the goodwill is as follows:

	2019	2018
As at 1 January	**2,766**	2,751
Effect of exchange difference	**43**	15
As at 31 December	**2,809**	2,766

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

No impairment losses on goodwill of the Group were recognised as at 31 December 2019 (as at 31 December 2018: nil).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

33 DEFERRED TAX

	31 December 2019	31 December 2018
Deferred tax assets	**72,314**	58,730
Deferred tax liabilities	**(457)**	(485)
Total	**71,857**	58,245

(1) Analysed by nature

	31 December 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(35,948)**	**(9,167)**	(25,347)	(6,464)
– Allowances for impairment losses	**331,279**	**82,330**	260,308	64,823
– Employee benefits	**17,513**	**4,348**	21,265	5,276
– Others	**(21,871)**	**(5,197)**	(20,363)	(4,905)
Total	**290,973**	**72,314**	235,863	58,730
Deferred tax liabilities				
– Fair value adjustments	**(1,717)**	**(336)**	(1,271)	(193)
– Others	**(885)**	**(121)**	(1,751)	(292)
Deferred tax assets	**(2,602)**	**(457)**	(3,022)	(485)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2019	**(6,657)**	**64,823**	**5,276**	**(5,197)**	**58,245**
Recognised in profit or loss	**678**	**17,507**	**(928)**	**(121)**	**17,136**
Recognised in other comprehensive income	**(3,524)**	**–**	**–**	**–**	**(3,524)**
As at 31 December 2019	**(9,503)**	**82,330**	**4,348**	**(5,318)**	**71,857**
As at 1 January 2018	5,332	46,906	5,814	(5,856)	52,196
Recognised in profit or loss	31	17,917	(538)	659	18,069
Recognised in other comprehensive income	(12,020)	–	–	–	(12,020)
As at 31 December 2018	(6,657)	64,823	5,276	(5,197)	58,245

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

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 OTHER ASSETS

	Note	31 December 2019	31 December 2018
Repossessed assets	(1)		
– Buildings		1,705	1,721
– Land use rights		156	624
– Others		719	765
		2,580	3,110
Clearing and settlement accounts		26,889	18,517
Right-of-use assets	(2)	24,460	N/A
Fee and commission receivables		19,963	11,305
Policyholder account assets and accounts receivable of insurance business		7,581	6,318
Leasehold improvements		2,992	3,196
Deferred expenses		1,336	3,232
Others		114,453	87,633
Gross balance		200,254	133,311
Allowances for impairment losses (Note 35)			
– Repossessed assets		(1,353)	(1,165)
– Others		(3,440)	(2,772)
Net balance		195,461	129,374

(1) For the year ended 31 December 2019, the original cost of repossessed assets disposed of by the Group amounted to RMB649 million (for the year ended 31 December 2018: RMB550 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2019	21,686	66	21,752
Additions	10,598	44	10,642
Other movements	(1,674)	(6)	(1,680)
As at 31 December 2019	30,610	104	30,714
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charge for the year	(6,584)	(33)	(6,617)
Other movements	363	–	363
As at 31 December 2019	(6,221)	(33)	(6,254)
Net carrying value			
As at 1 January 2019	21,686	66	21,752
As at 31 December 2019	24,389	71	24,460

The Group's right-of-use assets include the above assets and land use rights disclosed in note 30.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

		2019				
	Note	As at 1 January	(Reversal)/ charge for the year	Transfer (out)/in	Write-off	As at 31 December
Deposits with banks and non-bank financial institutions	21	230	(12)	–	–	218
Precious metals		72	(34)	–	–	38
Placements with banks and non-bank financial institutions	22	114	114	(3)	–	225
Financial assets held under resale agreements	24	44	19	–	–	63
Loans and advances to customers	25	417,623	148,266	(34,653)	(49,078)	482,158
Financial assets measured at amortised cost	26(2) (a)	6,835	5,789	78	–	12,702
Long-term equity investments	27	41	–	(41)	–	–
Fixed assets	29	424	25	–	(28)	421
Land use rights	30	138	–	–	(2)	136
Intangible assets	31	8	1	–	(2)	7
Other assets	34	3,937	2,588	–	(1,732)	4,793
Total		429,466	156,756	(34,619)	(50,842)	500,761

		2018				
	Note	As at 1 January	Charge for the year	Transfer (out)/in	Write-off	As at 31 December
Deposits with banks and non-bank financial institutions	21	129	107	–	(6)	230
Precious metals		41	31	–	–	72
Placements with banks and non-bank financial institutions	22	115	13	(14)	–	114
Financial assets held under resale agreements	24	15	29	–	–	44
Loans and advances to customers	25	343,802	142,595	(24,895)	(43,879)	417,623
Financial assets measured at amortised cost	26(2) (a)	4,655	1,072	1,108	–	6,835
Long-term equity investments	27	–	41	–	–	41
Fixed assets	29	419	14	–	(9)	424
Land use rights	30	140	–	–	(2)	138
Intangible assets	31	8	–	–	–	8
Other assets	34	4,022	1,509	–	(1,594)	3,937
Total		353,346	145,411	(23,801)	(45,490)	429,466

Transfer (out)/in includes exchange differences.

36 BORROWINGS FROM CENTRAL BANKS

	31 December 2019	31 December 2018
Mainland China	487,204	495,004
Overseas	56,447	50,441
Accrued interest	5,782	8,947
Total	549,433	554,392

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

37 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	167,383	161,393
Non-bank financial institutions	1,498,901	1,257,303
Accrued interest	6,414	8,780
Total	1,672,698	1,427,476

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	1,508,483	1,277,120
Overseas	157,801	141,576
Accrued interest	6,414	8,780
Total	1,672,698	1,427,476

38 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	476,574	379,785
Non-bank financial institutions	42,576	38,259
Accrued interest	2,403	2,177
Total	521,553	420,221

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	261,632	130,596
Overseas	257,518	287,448
Accrued interest	2,403	2,177
Total	521,553	420,221

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

39 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Principal guaranteed wealth management products	178,770	351,369
Financial liabilities related to precious metals	31,065	37,832
Structured financial instruments	71,762	42,133
Total	281,597	431,334

The Group's financial liabilities measured at FVPL are those designated as measured at FVPL. As at the end of the 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 year presented and cumulatively as at 31 December 2019 and 2018.

40 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

	31 December 2019	31 December 2018
Debt securities		
– Government bonds	103,380	20,473
– Debt securities issued by policy banks, banks and non-bank financial institutions	7,754	3,569
– Corporate bonds	40	29
Subtotal	111,174	24,071
Discounted bills	418	765
Others	2,920	5,774
Accrued interest	146	155
Total	114,658	30,765

41 DEPOSITS FROM CUSTOMERS

	31 December 2019	31 December 2018
Demand deposits		
– Corporate customers	6,001,053	5,922,676
– Personal customers	4,136,591	3,313,664
Subtotal	10,137,644	9,236,340
Time deposits (including call deposits)		
– Corporate customers	3,239,657	3,037,130
– Personal customers	4,781,485	4,657,959
Subtotal	8,021,142	7,695,089
Accrued interest	207,507	177,249
Total	18,366,293	17,108,678

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 DEPOSITS FROM CUSTOMERS (CONTINUED)

Deposits from customers include:

		31 December 2019	31 December 2018
(1)	Pledged deposits		
	– Deposits for acceptance	**57,367**	63,385
	– Deposits for guarantee	**52,351**	76,609
	– Deposits for letter of credit	**11,593**	19,260
	– Others	**180,387**	170,860
	Total	**301,698**	330,114
(2)	Outward remittance and remittance payables	**19,805**	15,341

42 ACCRUED STAFF COSTS

	Note	2019 As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		**23,773**	**70,382**	**(69,918)**	**24,237**
Other social insurance and welfare		**4,682**	**11,674**	**(12,224)**	**4,132**
Housing funds		**182**	**6,524**	**(6,351)**	**355**
Union running costs and employee education costs		**3,531**	**2,948**	**(1,496)**	**4,983**
Post-employment benefits	(1)				
– Defined contribution plans		**2,681**	**14,280**	**(12,628)**	**4,333**
– Defined benefit plans		**(158)**	**28**	**(233)**	**(363)**
Early retirement benefits		**1,520**	**40**	**(164)**	**1,396**
Compensation to employees for termination of employment relationship		**2**	**6**	**(6)**	**2**
Total		**36,213**	**105,882**	**(103,020)**	**39,075**

	Note	2018 As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		23,628	66,788	(66,643)	23,773
Other social insurance and welfare		3,973	11,187	(10,478)	4,682
Housing funds		163	6,390	(6,371)	182
Union running costs and employee education costs		2,738	2,820	(2,027)	3,531
Post-employment benefits	(1)				
– Defined contribution plans		893	14,850	(13,062)	2,681
– Defined benefit plans		(440)	326	(44)	(158)
Early retirement benefits		1,674	52	(206)	1,520
Compensation to employees for termination of employment relationship		3	2	(3)	2
Total		32,632	102,415	(98,834)	36,213

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

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) Defined contribution plans

	2019			
	As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Basic pension insurance	**761**	**8,994**	**(9,147)**	**608**
Unemployment insurance	**39**	**299**	**(296)**	**42**
Annuity contribution	**1,881**	**4,987**	**(3,185)**	**3,683**
Total	**2,681**	**14,280**	**(12,628)**	**4,333**

	2018			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	589	9,896	(9,724)	761
Unemployment insurance	37	298	(296)	39
Annuity contribution	267	4,656	(3,042)	1,881
Total	893	14,850	(13,062)	2,681

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd.

	Present value of defined benefit plan obligations		**Fair value of plan assets**		**Net liabilities/(assets) of defined benefit plans**	
	2019	2018	**2019**	2018	**2019**	2018
As at 1 January	**6,139**	6,197	**6,297**	6,637	**(158)**	(440)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**188**	221	**194**	235	**(6)**	(14)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses	**28**	326	**–**	–	**28**	326
– Returns on plan assets	**–**	–	**227**	30	**(227)**	(30)
Other changes						
– Benefits paid	**(579)**	(605)	**(579)**	(605)	**–**	–
As at 31 December	**5,776**	6,139	**6,139**	6,297	**(363)**	(158)

Interest cost was recognised in operating expenses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

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

	31 December 2019	31 December 2018
Discount rate	3.25%	3.25%
Health care cost increase rate	7.00%	7.00%
Average expected future lifetime of eligible employees	11.0 years	12.0 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table 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	(113)	117
Health care cost increase rate	44	(43)

(iii) As at 31 December 2019, the weighted average duration of supplementary retirement benefit obligations of the Group was 8.0 years (as at 31 December 2018: 8.2 years).

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

	31 December 2019	31 December 2018
Cash and cash equivalents	198	232
Equity instruments	595	261
Debt instruments	5,239	5,675
Others	107	129
Total	6,139	6,297

43 TAXES PAYABLE

	31 December 2019	31 December 2018
Income tax	75,388	66,670
Value added tax	8,783	8,986
Others	2,464	2,227
Total	86,635	77,883

44 PROVISIONS

	31 December 2019	31 December 2018
Expected credit losses on off-balance sheet business	35,479	31,224
Litigation provisions and others	7,464	6,704
Total	42,943	37,928

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 PROVISIONS (CONTINUED)

Movements of the provision – expected credit losses on off-balance sheet business

		2019			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		**22,344**	**5,971**	**2,909**	**31,224**
Transfers:					
Transfers in/(out) to Stage 1		675	(675)	–	–
Transfers in/(out) to Stage 2		(199)	206	(7)	–
Transfers in/(out) to Stage 3		(172)	(21)	193	–
Newly originated		18,072	–	–	18,072
Matured		(14,106)	(3,373)	(1,891)	(19,370)
Remeasurements	(1)	(1,841)	2,293	5,101	5,553
As at 31 December 2019		**24,773**	**4,401**	**6,305**	**35,479**

		2018			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018		19,523	4,228	1,984	25,735
Transfers:					
Transfers in/(out) to Stage 1		260	(260)	–	–
Transfers in/(out) to Stage 2		(147)	147	–	–
Transfers in/(out) to Stage 3		(3)	(215)	218	–
Newly originated		18,361	–	–	18,361
Matured		(11,770)	(2,009)	(215)	(13,994)
Remeasurements	(1)	(3,880)	4,080	922	1,122
As at 31 December 2018		22,344	5,971	2,909	31,224

(1) Remeasurements comprise the impact of changes in PD, LGD or EAD; changes in model assumptions and methodology; credit loss changes due to stage-transfer; and the impact of exchange rate changes.

45 DEBT SECURITIES ISSUED

	Note	31 December 2019	31 December 2018
Certificates of deposit issued	(1)	**709,383**	371,583
Bonds issued	(2)	**127,863**	111,447
Subordinated bonds issued	(3)	**81,694**	145,169
Eligible Tier 2 capital bonds issued	(4)	**153,703**	142,681
Accrued interest		**3,932**	4,905
Total		**1,076,575**	775,785

(1) Certificates of deposit issued were mainly issued by head office, overseas branches, CCB New Zealand, and Sino-German Bausparkasse.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2019	31 December 2018
28/05/2014	28/05/2019	1.375%	Switzerland	CHF	–	2,093
02/07/2014	02/07/2019	3.25%	Hong Kong	USD	–	4,123
05/09/2014	05/09/2019	3.75%	Taiwan	RMB	–	600
05/09/2014	05/09/2021	4.00%	Taiwan	RMB	600	600
18/11/2014	18/11/2019	3.75%	Taiwan	RMB	–	1,000
18/11/2014	18/11/2021	3.95%	Taiwan	RMB	1,000	1,000
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	600	600
20/01/2015	20/01/2020	3.125%	Hong Kong	USD	4,873	4,810
11/02/2015	11/02/2020	1.50%	Luxembourg	EUR	3,901	3,929
18/06/2015	18/06/2019	4.30%	Auckland	NZD	–	7
18/06/2015	18/06/2020	3-month New Zealand benchmark interest rate+1.2%	Auckland	NZD	117	115
28/07/2015	28/07/2020	3.25%	Hong Kong	USD	3,481	3,437
10/09/2015	10/09/2019	3.945%	Auckland	NZD	–	57
29/12/2015	27/01/2020	3.80%	Auckland	NZD	94	92
30/03/2016	30/03/2026	4.08%	Mainland China	RMB	3,500	3,500
16/05/2016	16/05/2019	3.10%	Auckland	NZD	–	46
31/05/2016	31/05/2019	2.38%	Hong Kong	USD	–	1,513
31/05/2016	31/05/2021	2.75%	Hong Kong	USD	2,088	2,075
18/08/2016	18/09/2020	2.95%	Auckland	NZD	482	476
18/10/2016	18/10/2020	3.05%	Auckland	NZD	7	7
21/10/2016	21/10/2021	2.25%	Hong Kong	USD	4,331	4,483
09/11/2016	09/11/2019	3.05%	Mainland China	RMB	–	3,200
09/11/2016	09/11/2021	3.05%	Mainland China	RMB	800	800
22/12/2016	22/12/2019	3.35%	Auckland	NZD	–	46
17/02/2017	17/02/2020	0.63%	Luxembourg	EUR	3,903	3,928
31/05/2017	29/05/2020	3M LIBOR+0.77%	Hong Kong	USD	8,353	8,246
13/06/2017	13/06/2022	2.75%	Hong Kong	USD	4,177	4,123
27/09/2017	27/09/2019	2.37%	Hong Kong	USD	–	515
25/10/2017	25/10/2022	3.15%	Hong Kong	USD	696	687
25/10/2017	27/10/2020	2.20%	Hong Kong	USD	84	82
26/10/2017	26/10/2020	2.08%	Singapore	SGD	2,586	2,522
09/11/2017	09/11/2022	3.93%	Auckland	NZD	702	693
04/12/2017	04/12/2020	2.29%	Hong Kong	USD	5,569	5,497
04/12/2017	04/12/2020	2.75%	Hong Kong	USD	3,481	3,436
04/12/2017	04/12/2022	3.00%	Hong Kong	USD	2,784	2,749
13/03/2018	13/03/2021	3.20%	Auckland	NZD	47	46
17/04/2018	17/04/2019	2.97%	Hong Kong	USD	–	69
17/04/2018	26/03/2021	3M LIBOR+0.75%	Hong Kong	USD	557	550
18/04/2018	18/04/2021	4.88%	Mainland China	RMB	6,000	6,000
19/04/2018	26/04/2019	3M LIBOR+0.45%	Hong Kong	USD	–	275
30/04/2018	30/04/2021	3M LIBOR+0.75%	Hong Kong	USD	139	137
04/05/2018	04/05/2021	3M LIBOR+0.80%	Hong Kong	USD	174	172
08/06/2018	08/06/2021	3M LIBOR+0.73%	Hong Kong	USD	6,265	6,184
08/06/2018	08/06/2023	3M LIBOR+0.83%	Hong Kong	USD	4,177	4,123
19/06/2018	19/06/2023	4.01%	Auckland	NZD	468	462
12/07/2018	12/07/2023	3M LIBOR+1.25%	Hong Kong	USD	2,785	2,749
20/07/2018	20/07/2021	4.48%	Mainland China	RMB	3,000	3,000
21/08/2018	19/06/2023	4.005%	Auckland	NZD	164	162
23/08/2018	23/08/2021	4.25%	Mainland China	RMB	2,500	2,500
21/09/2018	21/09/2020	2.643%	Singapore	SGD	1,552	1,513
24/09/2018	24/09/2021	3M LIBOR+0.75%	Hong Kong	USD	6,961	6,871
24/09/2018	24/09/2021	3M EURIBOR+0.60%	Luxembourg	EUR	3,903	3,924
20/12/2018	20/12/2021	3M LIBOR+0.75%	Auckland	USD	696	688
24/12/2018	24/12/2020	3M LIBOR+0.70%	Hong Kong	USD	1,114	1,099

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued (continued)

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2019	31 December 2018
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	**2,788**	–
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	**1,392**	–
26/06/2019	24/06/2022	0.21%	Japan	JPY	**1,281**	–
26/08/2019	26/08/2022	3.30%	Mainland China	RMB	**6,300**	–
26/08/2019	26/08/2024	3.40%	Mainland China	RMB	**3,000**	–
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	**2,088**	–
12/09/2019	12/08/2022	3M LIBOR+0.68%	Auckland	USD	**696**	–
22/10/2019	22/10/2022	0.05%	Luxembourg	EUR	**3,903**	–
24/10/2019	24/10/2024	3M LIBOR+0.77%	Hong Kong	USD	**4,873**	–
22/11/2019	22/11/2024	2.393%	Auckland	NZD	**398**	–
10/12/2019	10/11/2022	3-month New Zealand benchmark interest rate +0.88%	Auckland	NZD	**421**	–
20/12/2019	20/06/2022	3M LIBOR +0.63%	Luxembourg	USD	**2,087**	–
Total nominal value					**127,938**	111,611
Less: unamortised issuance costs					**(75)**	(164)
Carrying value					**127,863**	111,447

(3) Subordinated bonds issued

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

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2019	31 December 2018
24/02/2009	26/02/2024	4.00%	RMB	(a)	–	28,000
07/08/2009	11/08/2024	4.04%	RMB	(b)	–	10,000
03/11/2009	04/11/2019	Benchmark rate released by Brasil Central Bank	BRL	(c)	–	354
18/12/2009	22/12/2024	4.80%	RMB	(d)	–	20,000
27/04/2010	27/04/2020	8.50%	USD	(c)	**1,720**	1,728
03/11/2011	07/11/2026	5.70%	RMB	(e)	**40,000**	40,000
20/11/2012	22/11/2027	4.99%	RMB	(f)	**40,000**	40,000
20/08/2014	20/08/2024	4.25%	USD	(g)	–	5,154
Total nominal value					**81,720**	145,236
Less: Unamortised issuance cost					**(26)**	(67)
Carrying value					**81,694**	145,169

(a) The Group has chosen to exercise the option to redeem all the bonds on 26 February 2019.

(b) The Group has chosen to exercise the option to redeem all the bonds on 11 August 2019.

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

(d) The Group has chosen to exercise the option to redeem all the bonds on 22 December 2019.

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

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

(g) The Group has chosen to exercise the option to redeem all the bonds on 20 August 2019.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2019	31 December 2018
15/08/2014	18/08/2029	5.98%	RMB	(a)	**20,000**	20,000
12/11/2014	12/11/2024	4.90%	RMB	(b)	–	2,000
13/05/2015	13/05/2025	3.88%	USD	(c)	**13,923**	13,746
18/12/2015	21/12/2025	4.00%	RMB	(d)	**24,000**	24,000
25/09/2018	24/09/2028	4.86%	RMB	(e)	**43,000**	43,000
29/10/2018	28/10/2028	4.70%	RMB	(f)	**40,000**	40,000
27/02/2019	27/02/2029	4.25%	USD	(g)	**12,879**	–
Total nominal value					**153,802**	142,746
Less: Unamortised issuance cost					**(99)**	(65)
Carrying value as at year end					**153,703**	142,681

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the 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 a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has chosen to exercise the option to redeem all the bonds on 12 November 2019.

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

(e) The Group has an option to redeem the bonds on 25 September 2023, subject to approval from the 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 a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 29 October 2023, subject to approval from the 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 a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% 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 a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

46 OTHER LIABILITIES

	Note	31 December 2019	31 December 2018
Insurance related liabilities		**147,121**	116,463
Payment and collection clearance accounts		**41,265**	21,696
Clearing and settlement accounts		**34,275**	7,630
Lease liabilities	(1)	**22,123**	N/A
Deferred income		**20,408**	14,548
Capital expenditure payable		**9,717**	9,248
Cash pledged and rental income received in advance		**9,007**	9,486
Dormant accounts		**6,871**	6,973
Accrued expenses		**4,921**	3,728
Others		**119,727**	91,642
Total		**415,435**	281,414

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 OTHER LIABILITIES (CONTINUED)

(1) Lease liabilities

Maturity analysis – undiscounted contractual cash flows

	31 December 2019	31 December 2018
Within one year	6,559	N/A
Between one year and five years	15,339	N/A
More than five years	3,722	N/A
Total undiscounted cash flows	25,620	N/A
Lease liabilities	22,123	N/A

47 SHARE CAPITAL

	31 December 2019	31 December 2018
Listed in Hong Kong (H shares)	240,417	240,417
Listed in Mainland China (A shares)	9,594	9,594
Total	250,011	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

48 OTHER EQUITY INSTRUMENTS

(1) Preference shares

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

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million shares)	Total amount: Currency	Total amount: Original currency	Total amount: (RMB)	Maturity date	Redemption/ conversion conditions
2015 Offshore Preference Shares	16 December 2015	Equity instruments	4.65%	$20 per share	152.5	USD	3,050	19,711	No maturity date	None
2017 Domestic Preference Shares	21 December 2017	Equity instruments	4.75%	RMB100 per share	600	RMB	60,000	60,000	No maturity date	None
Less: Issuance fee								(75)		
Carrying amount								79,636		

(b) *The key terms*

(i) *Offshore Preference Shares*

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%. The dividend is measured and paid in dollars. After such dividend being paid 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 for offshore preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend for the offshore preference shares, and such cancellation shall not be deemed a default. However, until the Bank fully pays the dividends for the current dividend period, the Bank shall not make any dividend distribution to ordinary shareholders.

Redemption

Subject to receiving the prior approval of CBIRC and satisfaction of the redemption conditions precedent, all or only some 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 the issue price plus dividends payable but not yet distributed in the current period.

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Preference shares (continued)

(b) The key terms (continued)

(i) Offshore Preference Shares (continued)

Compulsory conversion of preference shares

When an Additional Tier 1 Capital Instrument Trigger Event occurs, that is when Core Tier 1 Capital Adequacy Ratio of the Bank falls to 5.125% (or below), the Bank shall (without the need for the consent of offshore preference shareholders) convert all or only some 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 the contract; when a Tier 2 Capital Instrument Trigger Event occurs, the Bank shall (without the need for the consent of offshore preference shareholders) convert all of the offshore preference shares in issue into such number of H shares according to contract. Tier 2 Capital Instrument Trigger Event is defined as the earlier of: (i) the CBIRC 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 CBIRC for approval and decision.

(ii) Domestic Preference Shares

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

Redemption

The Bank may, subject to CBIRC approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the CBIRC having decided that without a conversion or write-off of the Bank's capital, 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. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Preference shares (continued)

(b) The key terms (continued)

(ii) Domestic Preference Shares (continued)

Compulsory conversion of preference shares (continued)

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above 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 ratios.

(c) Changes in preference shares outstanding

	1 January 2019		Increase/(Decrease)		31 December 2019	
Financial instrument outstanding	**Amount (million shares)**	**Carrying value**	**Amount (million shares)**	**Carrying value**	**Amount (million shares)**	**Carrying value**
2015 Offshore Preference Shares	**152.5**	**19,659**	–	–	**152.5**	**19,659**
2017 Domestic Preference Shares	**600**	**59,977**	–	–	**600**	**59,977**
Total	**752.5**	**79,636**	–	–	**752.5**	**79,636**

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the year

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million pieces)	Currency	Total Amount	Maturity date	Redemption/ write-down conditions
Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issuance fee							(9)		
Carrying amount							39,991		

(b) The key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(b) The key terms (continued)

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (i)the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii)or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the CBIRC.

Write-down/write-off clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i)the CBIRC having decided that the Bank would become non-viable without a write-off; (ii)any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classifies the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, 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 ratios.

(c) Changes in perpetual bonds outstanding

	1 January 2019		Increase/(Decrease)		31 December 2019	
Financial instrument outstanding	**Amount (million pieces)**	**Carrying value**	**Amount (million pieces)**	**Carrying value**	**Amount (million pieces)**	**Carrying value**
Undated Additional Tier 1 Capital Bonds	–	–	**400**	**39,991**	**400**	**39,991**
Total	–	–	**400**	**39,991**	**400**	**39,991**

(3) Interests attributable to the holders of equity instruments

Items	**31 December 2019**	31 December 2018
1. Total equity attributable to equity holders of the Bank	**2,216,257**	1,976,463
(1) Equity attributable to ordinary equity holders of the Bank	**2,096,630**	1,896,827
(2) Equity attributable to other equity holders of the Bank	**119,627**	79,636
Of which: net profit	**3,962**	3,936
dividends received	**3,962**	3,936
2. Total equity attributable to non-controlling interests	**18,870**	15,131
(1) Equity attributable to non-controlling interests of ordinary shares	**15,417**	11,678
(2) Equity attributable to non-controlling interests of other equity instruments	**3,453**	3,453

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 CAPITAL RESERVE

	31 December 2019	31 December 2018
Share premium	**134,537**	134,537

50 OTHER COMPREHENSIVE INCOME

		Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
					2019				
		1 January 2019	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2019	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1)	Other comprehensive income that will not be reclassified to profit or loss								
	Remeasurements of post-employment benefit obligations	(406)	199	(207)	199	–	–	199	–
	Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	599	444	1,043	592	–	(148)	444	–
	Others	521	59	580	59	–	–	59	–
(2)	Other comprehensive income that may be reclassified subsequently to profit or loss								
	Fair value changes of debt instruments measured at fair value through other comprehensive income	17,165	8,809	25,974	11,893	(234)	(2,829)	8,809	21
	Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	2,277	1,624	3,901	2,171	–	(547)	1,624	–
	Net gains/(losses) on cash flow hedges	53	(292)	(239)	(292)	–	–	(292)	–
	Exchange difference on translating foreign operations	(1,758)	2,692	934	2,682	–	–	2,692	(10)
	Total	18,451	13,535	31,986	17,304	(234)	(3,524)	13,535	11

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

50 OTHER COMPREHENSIVE INCOME (CONTINUED)

		Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
					2018				
		1 January 2018	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2018	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1)	Other comprehensive income that will not be reclassified to profit or loss								
	Remeasurements of post-employment benefit obligations	(110)	(296)	(406)	(296)	–	–	(296)	–
	Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	479	120	599	160	–	(40)	120	–
	Others	478	43	521	43	–	–	43	–
(2)	Other comprehensive income that may be reclassified subsequently to profit or loss								
	Fair value changes of debt instruments measured at fair value through other comprehensive income	(18,420)	35,585	17,165	47,816	(199)	(11,879)	35,585	153
	Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	1,976	301	2,277	404	–	(101)	301	2
	Net gains/(losses) on cash flow hedges	320	(267)	53	(267)	–	–	(267)	–
	Exchange difference on translating foreign operations	(4,322)	2,564	(1,758)	2,573	–	–	2,564	9
	Total	(19,599)	38,050	18,451	50,433	(199)	(12,020)	38,050	164

51 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 Annual General Meetings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 GENERAL RESERVE

The general reserve of the Group is set up based upon the requirements of:

	Note	31 December 2019	31 December 2018
MOF	(1)	**305,825**	272,001
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in Mainland China	(3)	**5,753**	4,908
Other overseas regulatory bodies		**687**	692
Total		**314,389**	279,725

(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 the 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.

53 PROFIT DISTRIBUTION

In the Annual General Meeting held on 21 June 2019, the shareholders approved the profit distribution for the year ended 31 December 2018. The Bank appropriated cash dividend for the year ended 31 December 2018 in an aggregate amount of RMB76,503 million.

In the Board of Directors' Meeting, held on 30 October 2019, the directors approved the payment of dividends to offshore preference shareholders and domestic preference shareholders. The dividends for the offshore preference shares distributed were US$157,583,333.33 (including taxes), calculated using the initial dividend rate of 4.65% (after taxes) as set in the terms and conditions, including US$141,825,000 actually paid to offshore preference shareholders after the deduction of US$15,758,333.33 of withholding income tax and the dividends equaled RMB1,112 million. The dividends for domestic preference shares distributed were RMB2,850 million, calculated using the nominal dividend rate of 4.75% (including taxes) as set in the terms and conditions.

On 27 March 2020, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2019:

(1) Appropriate statutory surplus reserve amounted to RMB25,947 million, based on 10% of the net profit of the Bank amounted to RMB259,466 million for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB24,618 million). It has been recorded in "Surplus reserve" as at the balance sheet date.

(2) Appropriate general reserve amounted to RMB33,824 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2018: RMB17,897 million).

(3) Declare cash dividend RMB0.320 per share before tax and in aggregation amount of RMB80,004 million to all shareholders (for the year ended 31 December 2018: RMB0.306 per share and RMB76,503 million in aggregation). Proposed dividends as at the balance sheet date are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

54 NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

	31 December 2019	31 December 2018
Cash	60,791	65,215
Surplus deposit reserves with central banks	398,676	389,425
Demand deposits with banks and non-bank financial institutions	91,819	60,531
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	281,348	211,186
Placements with banks and non-bank financial institutions with original maturity with or within three months	219,706	134,345
Total	1,052,340	860,702

55 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2019, the carrying value of debt securities lent to counterparties was RMB5,291 million (as at 31 December 2018: nil).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its 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 holding 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 31 December 2019, loans with an original carrying amount of RMB608,956 million (as at 31 December 2018: RMB447,278 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2019, the carrying amount of assets that the Group continued to recognise was RMB66,306 million (as at 31 December 2018: RMB49,017 million). As at 31 December 2019, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB66,507 million (as at 31 December 2018: RMB47,515 million).

As at 31 December 2019, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB292 million (as at 31 December 2018: RMB187 million), and its maximum loss exposure approximates to the carrying amount.

56 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.

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments

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

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)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Twelve months ended 31 December 2019								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	58,955	56,235	41,545	64,405	56,390	10,442	210,156	12,552	510,680
Internal net interest income/(expense)	19,231	16,158	36,168	26,827	25,367	13,445	(136,338)	(858)	–
Net interest income	**78,186**	**72,393**	**77,713**	**91,232**	**81,757**	**23,887**	**73,818**	**11,694**	**510,680**
Net fee and commission income	15,962	23,057	18,340	16,666	11,305	4,180	45,079	2,695	137,284
Net trading gain	97	202	180	188	111	6	8,319	17	9,120
Dividend income	77	5	138	30	11	–	74	849	1,184
Net gain/(loss) arising from investment securities	4,022	(255)	(26)	331	(416)	326	4,294	817	9,093
Net gain/(loss) on derecognition of financial assets measured at amortised cost	2	–	205	(1)	–	–	2,785	368	3,359
Other operating (expense)/income, net	(1,177)	545	1,199	423	1,179	301	209	4,602	7,281
Operating income	**97,169**	**95,947**	**97,749**	**108,869**	**93,947**	**28,700**	**134,578**	**21,042**	**678,001**
Operating expenses	(28,961)	(24,439)	(29,414)	(34,827)	(30,911)	(12,046)	(14,972)	(12,562)	(188,132)
Credit impairment losses	(15,250)	(17,040)	(34,529)	(34,405)	(28,665)	(8,122)	(22,166)	(2,823)	(163,000)
Other impairment losses	(31)	(29)	(250)	(28)	49	(27)	(169)	(36)	(521)
Share of profits of associates and joint ventures	–	–	8	225	–	–	–	16	249
Profit before tax	**52,927**	**54,439**	**33,564**	**39,834**	**34,420**	**8,505**	**97,271**	**5,637**	**326,597**
Capital expenditure	2,345	1,665	2,970	3,375	2,670	1,026	3,065	4,767	21,883
Depreciation and amortisation	3,516	3,066	3,802	4,489	3,756	1,739	2,044	1,515	23,927
	31 December 2019								
Segment assets	4,749,944	3,767,856	5,570,438	4,480,717	3,670,832	1,286,929	9,745,744	1,722,267	34,994,727
Long-term equity investments	1	–	3,764	6,971	–	–	–	617	11,353
	4,749,945	3,767,856	5,574,202	4,487,688	3,670,832	1,286,929	9,745,744	1,722,884	35,006,080
Deferred tax assets									72,314
Elimination									(9,642,133)
Total assets									25,436,261
Segment liabilities	4,738,703	3,754,627	5,473,747	4,488,214	3,678,278	1,290,772	7,817,032	1,601,437	32,842,810
Deferred tax liabilities									457
Elimination									(9,642,133)
Total liabilities									23,201,134
Off-balance sheet credit commitments	546,411	506,947	640,521	557,471	407,151	149,396	–	277,910	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Twelve months ended 31 December 2018								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	56,645	52,140	41,781	59,244	56,944	14,066	188,612	16,846	486,278
Internal net interest income/(expense)	19,917	15,545	32,295	26,350	24,542	10,289	(123,248)	(5,690)	–
Net interest income	76,562	67,685	74,076	85,594	81,486	24,355	65,364	11,156	486,278
Net fee and commission income	16,983	17,338	17,995	15,775	10,535	4,178	36,987	3,244	123,035
Net trading gain/(loss)	369	608	408	336	257	58	11,250	(672)	12,614
Dividend income	112	7	1	52	10	–	60	531	773
Net (loss)/gain arising from investment securities	(1,367)	(571)	(504)	29	(103)	(37)	4,157	1,840	3,444
Net gain/(loss) on derecognition of financial assets measured at amortised cost	13	–	–	1	–	–	(2,391)	136	(2,241)
Other operating (expense)/income, net	(410)	574	2,138	516	2,245	107	(17)	4,716	9,869
Operating income	92,262	85,641	94,114	102,303	94,430	28,661	115,410	20,951	633,772
Operating expenses	(27,709)	(22,399)	(26,989)	(30,949)	(29,138)	(11,302)	(18,254)	(8,024)	(174,764)
Credit impairment losses	(14,827)	(14,405)	(33,748)	(30,532)	(22,652)	(16,569)	(16,110)	(2,266)	(151,109)
Other impairment losses	28	41	(232)	(118)	(9)	(8)	526	(107)	121
Share of profits/(losses) of associates and joint ventures	–	–	1	427	–	–	–	(288)	140
Profit before tax	49,754	48,878	33,146	41,131	42,631	782	81,572	10,266	308,160
Capital expenditure	1,530	1,874	3,917	2,987	2,240	1,261	2,112	2,944	18,865
Depreciation and amortisation	2,594	1,819	2,583	3,536	2,837	1,495	2,522	488	17,874
	31 December 2018								
Segment assets	4,552,907	3,568,920	5,294,858	4,200,214	3,448,750	1,179,534	9,090,812	1,693,490	33,029,485
Long-term equity investments	1	–	6	6,966	–	–	–	1,029	8,002
	4,552,908	3,568,920	5,294,864	4,207,180	3,448,750	1,179,534	9,090,812	1,694,519	33,037,487
Deferred tax assets									58,730
Elimination									(9,873,524)
Total assets									23,222,693
Segment liabilities	4,545,367	3,572,390	5,280,416	4,208,014	3,453,631	1,189,598	7,280,378	1,574,344	31,104,138
Deferred tax liabilities									485
Elimination									(9,873,524)
Total liabilities									21,231,099
Off-balance sheet credit commitments	512,137	461,552	653,558	495,996	378,075	143,531	100	203,775	2,848,724

56 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 currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Twelve months ended 31 December 2019				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	183,972	121,597	183,827	21,284	510,680
Internal net interest income/(expense)	51,169	63,416	(107,464)	(7,121)	–
Net interest income	**235,141**	**185,013**	**76,363**	**14,163**	**510,680**
Net fee and commission income	32,376	82,698	14,628	7,582	137,284
Net trading (loss)/gain	(398)	(42)	3,712	5,848	9,120
Dividend income	–	–	2	1,182	1,184
Net (loss)/gain arising from investment securities	(2,835)	(2,921)	12,119	2,730	9,093
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	2,665	132	575	3,359
Other operating income, net	36	594	2,365	4,286	7,281
Operating income	**264,307**	**268,007**	**109,321**	**36,366**	**678,001**
Operating expenses	(68,178)	(91,230)	(12,045)	(16,679)	(188,132)
Credit impairment losses	(123,164)	(28,135)	(5,506)	(6,195)	(163,000)
Other impairment losses	(271)	–	(77)	(173)	(521)
Share of profits of associates and joint ventures	–	–	–	249	249
Profit before tax	**72,694**	**148,642**	**91,693**	**13,568**	**326,597**
Capital expenditure	5,888	8,890	945	6,160	21,883
Depreciation and amortisation	8,097	12,225	1,300	2,305	23,927
	31 December 2019				
Segment assets	8,132,225	6,658,229	9,070,449	1,739,892	25,600,795
Long-term equity investments	–	–	–	11,353	11,353
	8,132,225	**6,658,229**	**9,070,449**	**1,751,245**	**25,612,148**
Deferred tax assets					72,314
Elimination					(248,201)
Total assets					25,436,261
Segment liabilities	10,629,081	9,174,974	1,414,808	2,230,015	23,448,878
Deferred tax liabilities					457
Elimination					(248,201)
Total liabilities					23,201,134
Off-balance sheet credit commitments	1,789,423	1,018,474	–	277,910	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Twelve months ended 31 December 2018				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	171,838	123,046	170,952	20,442	486,278
Internal net interest income/(expense)	65,135	59,385	(116,334)	(8,186)	–
Net interest income	236,973	182,431	54,618	12,256	486,278
Net fee and commission income	28,713	72,303	12,251	9,768	123,035
Net trading (loss)/gain	(285)	(91)	4,652	8,338	12,614
Dividend income	–	–	–	773	773
Net (loss)/gain arising from investment securities	(3,929)	(4,373)	15,220	(3,474)	3,444
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(2,691)	184	116	150	(2,241)
Other operating income, net	13	619	8,511	726	9,869
Operating income	258,794	251,073	95,368	28,537	633,772
Operating expenses	(64,005)	(85,083)	(11,014)	(14,662)	(174,764)
Credit impairment losses	(120,448)	(26,256)	(269)	(4,136)	(151,109)
Other impairment losses	(173)	–	650	(356)	121
Share of profits of associates and joint ventures	–	–	–	140	140
Profit before tax	74,168	139,734	84,735	9,523	308,160
Capital expenditure	5,616	8,076	955	4,218	18,865
Depreciation and amortisation	6,535	9,399	1,111	829	17,874
	31 December 2018				
Segment assets	7,555,369	6,043,043	8,252,601	1,526,264	23,377,277
Long-term equity investments	–	–	–	8,002	8,002
	7,555,369	6,043,043	8,252,601	1,534,266	23,385,279
Deferred tax assets					58,730
Elimination					(221,316)
Total assets					23,222,693
Segment liabilities	10,098,929	8,256,278	1,058,771	2,037,952	21,451,930
Deferred tax liabilities					485
Elimination					(221,316)
Total liabilities					21,231,099
Off-balance sheet credit commitments	1,771,513	873,436	–	203,775	2,848,724

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 ENTRUSTED LENDING BUSINESS

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

	31 December 2019	31 December 2018
Entrusted loans	3,219,935	2,922,226
Entrusted funds	3,219,935	2,922,226

58 PLEDGED ASSETS

(1) Assets pledged as security

The Group's collaterals for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collaterals for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2019, the carrying values of the Group's and the Bank's financial assets pledged as collaterals amounted to around RMB923,623 million.

(2) Collateral accepted as security for assets

As part of the resale agreements, the Group has received securities that is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2019, the Group had received securities with a fair value of approximately RMB8,589 million on such terms (31 December 2018: Nil).

59 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 loan commitments and credit card overdraft 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 contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2019	31 December 2018
Loan commitments		
– with an original maturity within one year	94,491	150,257
– with an original maturity of one year or over	373,227	306,838
Credit card commitments	1,063,718	923,508
	1,531,436	1,380,603
Bank acceptances	207,578	230,756
Financing guarantees	61,876	51,422
Non-financing guarantees	1,125,462	1,006,748
Sight letters of credit	36,629	34,159
Usance letters of credit	119,211	130,195
Others	3,615	14,841
Total	3,085,807	2,848,724

(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 CBIRC and depends on the status of the counterparty and the maturity characteristics.

	31 December 2019	31 December 2018
Credit risk-weighted amount of contingent liabilities and commitments	1,050,190	985,503

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

59 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(3) Capital commitments

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

	31 December 2019	31 December 2018
Contracted for	**20,077**	11,792

(4) Underwriting obligations

As at 31 December 2019, the unexpired underwriting commitment of the Group were RMB60 million (as at 31 December 2018: nil).

(5) Government bond redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2019, were RMB86,794 million (as at 31 December 2018: RMB81,331 million).

(6) Outstanding litigations and disputes

As at 31 December 2019, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,593 million (as at 31 December 2018: RMB9,070 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 44). The Group considers that the provisions made are reasonable and adequate.

(7) Provision against commitments and contingent liabilities

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

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

The Group is currently making arrangements for implementing remediation in accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* which was jointly issued by the PBOC and three other ministries. The Group will duly implement relevant policies and regulatory requirements, assess and disclose relevant impact on a timely basis.

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. 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 registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2019, Huijin directly held 57.11% of 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 RMB81,720 million (as at 31 December 2018: RMB145,236 million). These are bearer bonds and tradable in the secondary market. 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.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(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

	2019		2018	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**1,887**	**0.21%**	1,980	0.24%
Interest expense	**209**	**0.06%**	95	0.03%
Net trading gain	**11**	**0.12%**	–	–

Balances outstanding as at the end of the reporting period

	31 December 2019		31 December 2018	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Loans and advances to customers	**22,000**	**0.15%**	28,000	0.21%
Financial investments				
Financial assets measured at fair value through profit or loss	**426**	**0.06%**	–	–
Financial assets measured at amortised cost	**13,090**	**0.35%**	8,097	0.25%
Financial assets measured at fair value through other comprehensive income	**17,278**	**0.96%**	11,563	0.68%
Deposits from banks and non-bank financial institutions	**25**	**0.00%**	1,627	0.11%
Deposits from customers	**1,379**	**0.01%**	3,675	0.02%
Credit commitments	**288**	**0.01%**	288	0.01%

(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:

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		2019		2018	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**20,659**	**2.34%**	22,526	2.78%
Interest expense		**4,099**	**1.10%**	4,748	1.46%
Fee and commission income		**196**	**0.13%**	171	0.12%
Fee and commission expense		**276**	**1.54%**	208	1.39%
Net trading gain		**857**	**9.40%**	–	–
Net gain arising from investment securities		**1,770**	**19.47%**	–	–
Operating expenses	(i)	**847**	**0.47%**	884	0.53%

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

Balances outstanding as at the end of the reporting period

	Note	31 December 2019 Balance	31 December 2019 Ratio to similar transactions	31 December 2018 Balance	31 December 2018 Ratio to similar transactions
Deposits with banks and non-bank financial institutions		47,017	11.20%	40,591	8.34%
Placements with banks and non-bank financial institutions		172,472	32.47%	96,352	27.55%
Positive fair value of derivatives		4,387	12.66%	4,811	9.51%
Financial assets held under resale agreements		34,246	6.14%	10,110	5.01%
Loans and advances to customers		86,960	0.60%	68,382	0.51%
Financial investments					
Financial assets measured at fair value through profit or loss		70,184	10.39%	17,067	2.33%
Financial assets measured at amortised cost		262,925	7.03%	294,975	9.01%
Financial assets measured at fair value through other comprehensive income		198,140	11.02%	229,510	13.41%
Other assets	(ii)	204	0.10%	211	0.16%
Deposits from banks and non-bank financial institutions	(iii)	94,204	5.63%	60,518	4.24%
Placements from banks and non-bank financial institutions		141,708	27.17%	117,661	28.00%
Financial liabilities measured at fair value through profit or loss		81	0.03%	–	–
Negative fair value of derivatives		4,666	13.81%	6,961	14.35%
Financial assets sold under repurchase agreements		5,172	4.51%	1,486	4.83%
Deposits from customers		46,787	0.25%	18,633	0.11%
Other liabilities		9,135	2.20%	4,467	1.59%
Credit commitments		27,156	0.88%	8,443	0.29%

(i) Operating expenses mainly represent fees for related services provided by parent companies and its affiliates.

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

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

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2019	2018
Interest income	101	399
Interest expense	13	322
Fee and commission income	366	197
Fee and commission expense	4	–
Net gain/(loss) arising from investment securities	(168)	–
Operating expenses	100	239

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) Transactions with associates and joint ventures of the Group (continued)

Balances outstanding as at the end of the reporting period

	31 December 2019	31 December 2018
Loans and advances to customers	3,474	8,634
Other assets	20	16
Financial liabilities measured at fair value through profit or loss	67	–
Negative fair value of derivatives	–	35
Deposits from customers	2,895	1,669
Other liabilities	743	419
Credit commitments	260	10

(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 are conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

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

Amounts

	2019	2018
Interest income	1,578	1,002
Interest expense	1,138	739
Fee and commission income	2,197	1,769
Fee and commission expense	1,155	575
Dividend income	323	311
Other operating expense, net	(209)	(192)
Operating expenses	4,807	990

Balances outstanding as at the end of the reporting period

	31 December 2019	31 December 2018
Deposits with banks and non-bank financial institutions	785	3,640
Placements with banks and non-bank financial institutions	109,493	77,992
Positive fair value of derivatives	137	327
Financial assets held under resale agreements	–	2,130
Loans and advances to customers	3,490	10,918
Financial investments		
Financial assets measured at fair value through profit or loss	697	–
Financial assets measured at amortised cost	1,062	2,127
Financial assets measured at fair value through other comprehensive income	13,210	10,336
Other assets	39,227	39,105

	31 December 2019	31 December 2018
Deposits from banks and non-bank financial institutions	22,675	6,688
Placements from banks and non-bank financial institutions	27,685	38,999
Financial liabilities measured at fair value through profit or loss	71	45
Negative fair value of derivatives	383	344
Financial assets sold under repurchase agreements	700	1,334
Deposits from customers	12,652	7,233
Debt securities issued	–	824
Other liabilities	2,328	281

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

As at 31 December 2019, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB23,552 million (as at 31 December 2018: RMB38,733 million).

As at 31 December 2019, the transactions between subsidiaries of the Group were mainly debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB1,702 million and RMB1,691 million respectively (as at 31 December 2018, the transactions between subsidiaries of the Group were deposits with banks and non-bank financial institutions and deposits from banks and non-bank financial institutions, and the balances of the above transactions were RMB2,509 million and RMB2,509 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 in 2019 and 2018.

As at 31 December 2019, the Group's supplementary retirement benefit plan assets of RMB3,670 million (as at 31 December 2018: RMB3,760 million) were managed by CCB Principal and management fees payable to CCB Principal were RMB19.52 million (as at 31 December 2018: RMB15.63 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 year ended 31 December 2019 and 2018, there were no material transactions and balances with key management personnel.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

The compensation of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

	2019			
	Remuneration paid RMB' 000	Contributions to defined contribution retirement schemes RMB' 000	Other benefits in kind (Note (i)) RMB' 000	Total (Note (ii)) RMB' 000
Executive Vice President				
Huang Yi	521	50	115	686
Ji Zhihong	304	27	64	395
Chief Financial Officer				
Xu Yiming	788	46	159	993
Chief Risk Officer				
Jin Yanmin	460	27	91	578
Secretary to the Board				
Hu Changmiao	460	27	89	576
Former Executive Vice President				
Zhang Lilin	333	33	72	438
Liao Lin	463	46	138	647
Former Secretary to the Board				
Huang Zhiling	329	23	62	414
	3,658	**279**	**790**	**4,727**

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2018			
	Accrued cost (Allowances) RMB'000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB'000	Other monetary income RMB'000	Total RMB'000
Executive Vice President				
Huang Yi	713	162	-	875
Zhang Lilin	713	145	-	858
Executive Vice President and Chief Risk Officer				
Liao Lin	1,608	204	-	1,812
Chief Financial Officer				
Xu Yiming	2,246	204	-	2,450
Secretary to the Board				
Huang Zhiling	1,872	169	-	2,041
Former Executive Vice President				
Yu Jingbo	297	60	-	357
Former Secretary to the Board				
Chen Caihong	374	18	-	392
	7,823	962	-	8,785

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2019. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2018 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2018 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2018 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

61 RISK MANAGEMENT

The Group has exposure to the following risks:

- 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 carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The risk management committee under the Board is responsible for making risk management strategies, monitoring their implementation, and evaluating the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and communicates risk appetite through relevant policies. The board of supervisors oversees the building of the comprehensive risk management system, as well as the performance of the Board and the senior management in fulfilling their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategies adopted by the Board and organising the implementation of the comprehensive risk management activities across the Group.

Chief Risk Officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive risk management, and the market risk management department, its subordinate department, is in charge of the management of market risks. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of the banking book. Internal control & compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is in charge of reputational risk management. Strategy and policy coordination department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank places high priority on the risk management of subsidiaries, monitors their adherence to the risk appetite and conducts the overall risk assessment of subsidiaries on a regular basis. It established a centralised reporting mechanism for the risk management of subsidiaries, pushing subsidiaries to continuously improve their corporate governance. The subsidiaries implemented the risk management requirements of the parent bank through their corporate governance mechanisms, and established and improved their comprehensive risk management systems to enhance their compliance and risk management capabilities.

(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. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Special Assets Resolution Center is responsible for the special assets resolutions. 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 Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic 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.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit risk management (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have 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 risk 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, 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.

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.

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)(i) and (1)(j) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECLs)

(A) *Segmentation of financial instruments*

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: For financial assets with objective evidence of impairment at the end of the reporting period, lifetime expected credit losses are recognised.

(B) *Significant increase in credit risk (SICR)*

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on a quarterly basis. The Group sufficiently considers all reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, asset price, market interest rate, repayment behaviours, etc. The Group compares the risk of defaulted financial instruments as at the reporting date with that as at the date of initial recognition of an individual financial instrument or a group of financial instruments that shares the similar credit risk characteristics. The key factors are as follows: (1) The significant increase in probability of default (PD), for example, in principle, the internal credit rating of corporate loans and advances is 15 or below, and the internal credit rating of debt securities has dropped by 2 or more notches. (2) Other factors which cause significant increase in credit risk. Usually, it should be regarded as a significant increase in credit risk if the overdue days exceed 30 days.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECLs) (continued)

(C) Definition of default and credit-impaired assets

The Group considers a financial instrument as default, when it is credit-impaired. Generally, overdue for more than 90 days on contractual payment terms is considered default.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

– Significant financial difficulty of the borrower or issuer;

– Breach of contract terms, such as a default or delinquency in interest or principal payments;

– The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– Disappearance of an active market for financial assets because of financial difficulties;

– Purchase or originate a financial asset by a large margin discount which reflects the fact of credit-impairment's occurrence;

– Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

– Other objective evidence indicating there is an impairment of the financial asset.

The Group's definition of default has been consistently applied to the modelling process of PD, LGD and EAD during the ECL calculation.

(D) Measuring ECL – explanation of parameters, assumptions and estimation techniques

The ECL is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the three scenarios of positive, neutral and negative, defined as follows:

PD represents after consideration of forward-looking information, the likelihood of a borrower defaulting on its financial obligation in the future. Please refer to the disclosure above in this note for the definition of default.

LGD represents after consideration of forward-looking information, the Group's expectation on the ratio of extent of loss resulting from the default exposure.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL calculation is the effective interest rate.

Please refer to further disclosure in this note for forward-looking information which is incorporated in the calculation of expected credit losses.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how the collateral values change, are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECLs) (continued)

(E) Forward-looking information incorporated in the ECL

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Group has performed historical data analysis and identified the key economic variables related to expected credit losses and made forward-looking adjustments, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB and so on. Taking GDP as an example, the predicted value in neutral scenario accords with the development goals issued by the Central People's Government, the predicted value in positive and negative scenarios will fluctuate up and down on the basis of the predicted value in neutral scenario. The forecasts of macroeconomic variables in the variable pool are provided periodically by the Group. The Group constructs empirical models to obtain the relationship between historical macroeconomic variables and PD and LGD, and the PD and LGD in a given future horizon are projected based on the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings in positive, neutral and negative. For the years ended 31 December 2019 and 2018, the positive, neutral and negative scenarios are of comparable weighting. Following this assessment, the Group measures ECLs as a weighted average probability of ECLs in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECLs for Stage 2 and 3 financial instruments.

(F) Grouping of financial instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The Group uses credit rating, product types and client types, etc. for grouping to calculate the losses measured on a collective basis.

(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 any impairment allowance.

	31 December 2019	31 December 2018
Deposits with central banks	**2,560,219**	2,567,648
Deposits with banks and non-bank financial institutions	**419,661**	486,949
Placements with banks and non-bank financial institutions	**531,146**	349,727
Positive fair value of derivatives	**34,641**	50,601
Financial assets held under resale agreements	**557,809**	201,845
Loans and advances to customers	**14,540,667**	13,365,430
Financial investments		
Financial assets measured at fair value through profit or loss	**496,653**	630,241
Financial assets measured at amortised cost	**3,740,296**	3,272,514
Financial assets measured at fair value through other comprehensive income	**1,791,553**	1,707,884
Other financial assets	**164,565**	123,629
Total	**24,837,210**	22,756,468
Off-balance sheet credit commitments	**3,085,807**	2,848,724
Maximum credit risk exposure	**27,923,017**	25,605,192

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Loans and advances to customers analysed by credit quality

Within overdue but not credit impaired loans and advances and credit impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	31 December 2019		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,305	14,249	66,611
Portion not covered	2,218	9,330	118,504
Total	3,523	23,579	185,115

	31 December 2018		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,737	15,239	22,581
Portion not covered	1,482	10,757	150,459
Total	3,219	25,996	173,040

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.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	31 December 2019			31 December 2018		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	1,532,989	10.20%	520,042	1,435,520	10.42%	497,172
– Manufacturing	1,266,240	8.43%	319,672	1,260,179	9.14%	338,453
– Leasing and commercial services	1,137,429	7.57%	419,247	1,048,235	7.61%	367,530
– Production and supply of electric power, heat, gas and water	837,974	5.58%	198,857	840,381	6.10%	201,091
– Real estate	658,957	4.39%	345,101	630,192	4.57%	312,305
– Wholesale and retail trade	521,670	3.47%	245,607	426,948	3.10%	188,993
– Water, environment and public utility management	438,817	2.92%	215,848	409,137	2.97%	203,576
– Construction	337,375	2.25%	86,217	311,157	2.26%	75,368
– Mining	232,837	1.55%	18,925	254,241	1.84%	21,878
– Agriculture, forestry, farming, fishing	72,200	0.48%	16,092	67,256	0.49%	21,355
– Education	66,651	0.44%	14,397	66,476	0.48%	15,071
– Public management, social securities and social organisation	59,969	0.40%	4,770	70,578	0.51%	9,406
– Others	779,625	5.19%	186,851	658,166	4.77%	163,219
Total corporate loans and advances	7,942,733	52.87%	2,591,626	7,478,466	54.26%	2,415,417
Personal loans and advances	6,552,480	43.62%	5,515,937	5,957,545	43.22%	5,004,794
Discounted bills	492,693	3.28%	–	310,244	2.25%	–
Accrued interest	34,919	0.23%	–	36,798	0.27%	–
Total loans and advances to customers	15,022,825	100.00%	8,107,563	13,783,053	100.00%	7,420,211

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of the total gross loans and advances to customers are as follows:

	31 December 2019				2019	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation, storage and postal services	28,663	(28,436)	(11,075)	(20,105)	(25,268)	440

	31 December 2018				2018	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation,storage and postal services	16,500	(17,555)	(8,509)	(10,339)	(13,930)	545

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	31 December 2019			31 December 2018		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Central	**2,684,077**	**17.87%**	**1,681,971**	2,418,013	17.54%	1,505,629
Yangtze River Delta	**2,584,684**	**17.21%**	**1,593,754**	2,386,931	17.31%	1,491,555
Bohai Rim	**2,527,254**	**16.82%**	**1,226,117**	2,292,606	16.63%	1,109,429
Western	**2,480,840**	**16.51%**	**1,430,658**	2,277,666	16.53%	1,299,688
Pearl River Delta	**2,320,984**	**15.45%**	**1,626,994**	2,085,684	15.13%	1,454,487
Northeastern	**738,388**	**4.92%**	**361,023**	712,310	5.17%	357,228
Head office	**747,741**	**4.98%**	**–**	685,733	4.98%	–
Overseas	**903,938**	**6.01%**	**187,046**	887,312	6.44%	202,195
Accrued interest	**34,919**	**0.23%**	**–**	36,798	0.27%	–
Gross loans and advances to customers	**15,022,825**	**100.00%**	**8,107,563**	13,783,053	100.00%	7,420,211

Details of Stage 3 loans and expected credit losses in respect of geographical sectors are as follows:

	31 December 2019			
	Stage 3 Gross	**Allowances for expected credit losses**		
	loan balance	**Stage 1**	**Stage 2**	**Stage 3**
Bohai Rim	**43,954**	**(40,048)**	**(19,612)**	**(29,160)**
Western	**40,008**	**(45,034)**	**(14,822)**	**(30,225)**
Central	**46,289**	**(45,490)**	**(15,072)**	**(31,019)**
Yangtze River Delta	**25,796**	**(43,980)**	**(18,604)**	**(17,829)**
Pearl River Delta	**24,914**	**(38,381)**	**(11,878)**	**(16,651)**
Northeastern	**20,384**	**(12,623)**	**(8,916)**	**(15,074)**
Head office	**8,185**	**(11,010)**	**(2,216)**	**(7,227)**
Overseas	**2,943**	**(3,461)**	**(1,760)**	**(2,066)**
Total	**212,473**	**(240,027)**	**(92,880)**	**(149,251)**

	31 December 2018			
	Stage 3 Gross	Allowances for expected credit losses		
	loans balance	Stage 1	Stage 2	Stage 3
Bohai Rim	42,331	(28,558)	(19,930)	(29,548)
Western	36,092	(31,323)	(15,091)	(24,688)
Central	34,087	(33,900)	(14,904)	(25,313)
Yangtze River Delta	26,234	(34,526)	(18,960)	(18,543)
Pearl River Delta	24,077	(29,859)	(10,630)	(14,627)
Northeastern	25,850	(9,996)	(11,195)	(19,095)
Head office	8,123	(11,317)	(2,112)	(6,395)
Overseas	4,087	(4,136)	(802)	(2,175)
Total	200,881	(183,615)	(93,624)	(140,384)

The definitions of geographical segments are set out in Note 56(1). The above allowances for ECL do not include allowances for ECL of loans and advances measured at FVOCI.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	31 December 2019	31 December 2018
Unsecured loans	**4,959,932**	4,301,972
Guaranteed loans	**1,920,411**	2,024,072
Loans secured by property and other immovable assets	**6,875,286**	6,218,435
Other pledged loans	**1,232,277**	1,201,776
Accrued interest	**34,919**	36,798
Gross loans and advances to customers	**15,022,825**	13,783,053

(f) Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The gross carrying amount of the Group's restructured loans and advances to customers were not significant for the years ended 31 December 2019 and 2018.

(g) Credit exposure

Loans and advances to customers

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	**14,294,751**	**26,214**	–	**14,320,965**
Medium risk	–	**439,186**	–	**439,186**
High risk	–	–	**212,473**	**212,473**
Gross loans and advances	**14,294,751**	**465,400**	**212,473**	**14,972,624**
Allowances for impairment losses on loans and advances measured at amortised cost	**(240,027)**	**(92,880)**	**(149,251)**	**(482,158)**
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	**(958)**	**(94)**	**(570)**	**(1,622)**

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	13,112,857	12,230	–	13,125,087
Medium risk	3,521	383,909	–	387,430
High risk	–	–	200,881	200,881
Gross loans and advances	13,116,378	396,139	200,881	13,713,398
Allowances for impairment losses on loans and advances measured at amortised cost	(183,615)	(93,624)	(140,384)	(417,623)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Off-balance sheet business

	31 December 2019			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**3,019,124**	**–**	**–**	**3,019,124**
Medium risk	**–**	**56,814**	**–**	**56,814**
High risk	**–**	**–**	**9,869**	**9,869**
Total carrying amount	**3,019,124**	**56,814**	**9,869**	**3,085,807**
Allowance for impairment losses	**(24,773)**	**(4,401)**	**(6,305)**	**(35,479)**

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	2,759,992	–	–	2,759,992
Medium risk	–	84,082	–	84,082
High risk	–	–	4,650	4,650
Total carrying amount	2,759,992	84,082	4,650	2,848,724
Allowance for impairment losses	(22,344)	(5,971)	(2,909)	(31,224)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

Financial investments

	31 December 2019			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**5,435,395**	**–**	**–**	**5,435,395**
Medium risk	**22,310**	**634**	**–**	**22,944**
High risk	**–**	**637**	**7,774**	**8,411**
Total carrying amount excluding accrued interest	**5,457,705**	**1,271**	**7,774**	**5,466,750**
Allowance for impairment losses on financial investments measured at amortised cost	**(8,932)**	**(134)**	**(3,636)**	**(12,702)**
Allowance for impairment losses on financial investments measured at fair value through other comprehensive income	**(3,580)**	**–**	**–**	**(3,580)**

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Financial investments (continued)

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	4,915,168	–	–	4,915,168
Medium risk	65,689	222	–	65,911
High risk	–	3,564	2,590	6,154
Total carrying amount	4,980,857	3,786	2,590	4,987,233
Allowance for impairment losses	(7,261)	(509)	(1,155)	(8,925)

The Group classifies financial investment risk characteristics based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, there are no reasons to suspect that the financial investment is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to be defaulted; "High risk" means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

Amounts due from banks and non-bank financial institutions

Amounts due from banks and non-bank financial institutions include 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.

	31 December 2019			
	Stage 1 12 months ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Low risk	**1,505,449**	–	–	**1,505,449**
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	**1,505,449**	–	–	**1,505,449**
Allowance for impairment losses	**(506)**	–	–	**(506)**

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	1,038,909	–	–	1,038,909
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount	1,038,909	–	–	1,038,909
Allowance for impairment losses	(388)	–	–	(388)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "High risk" means that there are obvious problems may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	31 December 2019	31 December 2018
Credit impaired	–	1
Allowances for impairment losses	–	(1)
Subtotal	–	–
Neither overdue nor impaired		
– grades A to AAA	**1,254,603**	958,266
– grades B to BBB	**20,384**	14,103
– unrated	**230,462**	61,345
Accrued interest	**3,673**	5,195
Total	**1,509,122**	1,038,909
Allowances for impairment losses	**(506)**	(388)
Subtotal	**1,508,616**	1,038,521
Total	**1,508,616**	1,038,521

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. 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)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment 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:

	31 December 2019					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	350	–	–	–	–	350
– Enterprises	6,010	–	–	–	1,901	7,911
Total	6,360	–	–	–	1,901	8,261
Allowances for impairment losses						(3,636)
Subtotal						4,625
Neither overdue nor impaired						
– Government	1,480,381	2,743,166	6,183	17,255	16,633	4,263,618
– Central banks	24,117	3,643	11,496	1,555	–	40,811
– Policy banks	746,166	5,301	2,217	26,873	–	780,557
– Banks and non-bank financial institutions	220,609	183,944	13,147	37,359	9,833	464,892
– Enterprises	96,967	299,767	55,165	26,402	4,764	483,065
Total	2,568,240	3,235,821	88,208	109,444	31,230	6,032,943
Allowances for impairment losses						(9,066)
Subtotal						6,023,877
Total						6,028,502

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	31 December 2018					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	344	–	–	–	–	344
– Enterprises	2,246	–	–	–	–	2,246
Total	2,590	–	–	–	–	2,590
Allowances for impairment losses						(1,155)
Subtotal						1,435
Neither overdue nor impaired						
– Government	1,512,484	2,186,322	13,049	20,556	25,719	3,758,130
– Central banks	16,362	4,549	16,735	853	400	38,899
– Policy banks	764,358	3,160	2,901	21,313	–	791,732
– Banks and non-bank financial institutions	291,519	135,189	10,795	40,327	7,729	485,559
– Enterprises	238,441	262,728	14,652	19,278	5,465	540,564
Total	2,823,164	2,591,948	58,132	102,327	39,313	5,614,884
Allowances for impairment losses						(5,680)
Subtotal						5,609,204
Total						5,610,639

(j) Credit risk arising from the Group's derivative exposures

The majority of the Group's derivative 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.

(k) 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.

(l) Sensitivity analysis

The allowance for impairment losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, and other factors considered when applying expert credit judgement. Changes in these inputs, assumptions, models, and judgements would have an impact on the recognition of significant increase in credit risk and the measurement of ECLs.

(i) Sensitivity analysis of segmentation

The allowance for credit losses of performing financial assets consists of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECLs which are twelve-month ECLs and lifetime ECLs, respectively. A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2. The following table presents the impact of ECLs from the second year to the end of the lifetime for financial assets in Stage 2.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(l) Sensitivity analysis (continued)

(i) Sensitivity analysis of segmentation (continued)

	31 December 2019		
	12 months credit loss of all performing financial assets	**Impact of lifetime**	**Current ECL**
Performing loans	**320,003**	**12,904**	**332,907**
Performing financial investments	**12,515**	**131**	**12,646**

	31 December 2018		
	12 months credit loss of all performing financial assets	Impact of lifetime	Current ECL
Performing loans	267,782	9,457	277,239
Performing financial investments	7,266	504	7,770

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of benchmark core economic factors such as GDP. As at 31 December 2019, when the core economic factors in the neutral scenario are up or down by 10%, the ECLs of financial assets will not change by more than 5% (As at 31 December 2018: not change by more than 5%).

(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 businesses. 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 and Financial Market Trading Center manage 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 exposures mainly comprise 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 exposures 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 derivative portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors 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 years is as follows:

		2019			
	Note	**As at 31 December**	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**253**	**302**	**341**	**227**
Of which:					
– Interest rate risk		**59**	**85**	**117**	**57**
– Foreign exchange risk	(i)	**262**	**298**	**361**	**234**
– Commodity risk		**4**	**12**	**31**	**–**

		2018			
		As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		327	179	336	92
Of which:					
– Interest rate risk		85	59	104	32
– Foreign exchange risk	(i)	323	176	332	77
– Commodity risk		–	6	39	–

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

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

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB35,183 million (as at 31 December 2018: RMB32,453 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 RMB77,716 million (as at 31 December 2018: RMB69,138 million).

The above interest rate sensitivity is for illustration purposes 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)

61 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 periods, 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.

		31 December 2019						
	Note	Average interest rate (i)	Non-interest-bearing	Within 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		1.48%	140,579	2,480,431	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions		2.53%	–	786,464	156,770	7,566	7	950,807
Financial assets held under resale agreements		2.46%	–	557,809	–	–	–	557,809
Loans and advances to customers	(ii)	4.49%	32,032	9,064,628	5,236,907	133,635	73,465	14,540,667
Investments	(iii)	3.62%	198,917	446,844	741,615	2,706,502	2,130,716	6,224,594
Others			541,374	–	–	–	–	541,374
Total assets		3.88%	912,902	13,336,176	6,135,292	2,847,703	2,204,188	25,436,261
Liabilities								
Borrowings from central banks		3.27%	–	98,793	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions		2.42%	–	1,732,057	433,752	20,269	8,173	2,194,251
Financial liabilities measured at fair value through profit or loss		2.96%	16,750	174,019	90,828	–	–	281,597
Financial assets sold under repurchase agreements		2.89%	–	111,111	1,480	2,067	–	114,658
Deposits from customers		1.57%	104,332	12,540,537	2,438,017	3,274,102	9,305	18,366,293
Debt securities issued		3.46%	–	375,884	435,756	263,561	1,374	1,076,575
Others			618,327	–	–	–	–	618,327
Total liabilities		1.76%	739,409	15,032,401	3,849,859	3,560,613	18,852	23,201,134
Asset-liability gap		2.12%	173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

	Note	31 December 2018						
		Average interest rate (i)	Non-interest-bearing	Within 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		1.53%	119,043	2,513,820	–	–	–	2,632,863
Deposits and placements with banks and non-bank financial institutions		3.34%	5,050	664,234	159,581	7,811	–	836,676
Financial assets held under resale agreements		2.85%	126	201,719	–	–	–	201,845
Loans and advances to customers	(ii)	4.34%	36,798	8,324,410	4,827,130	118,889	58,203	13,365,430
Investments	(iii)	3.75%	193,041	644,118	815,599	2,428,596	1,641,557	5,722,911
Others			462,968	–	–	–	–	462,968
Total assets		3.82%	817,026	12,348,301	5,802,310	2,555,296	1,699,760	23,222,693
Liabilities								
Borrowings from central banks		3.21%	8,947	205,692	338,978	775	–	554,392
Deposits and placements from banks and non-bank financial institutions		2.72%	10,970	1,325,178	424,822	80,644	6,083	1,847,697
Financial liabilities measured at fair value through profit or loss		3.42%	22,977	233,450	165,395	9,512	–	431,334
Financial assets sold under repurchase agreements		2.87%	154	24,045	1,268	4,611	687	30,765
Deposits from customers		1.39%	233,879	11,289,878	3,365,791	2,210,178	8,952	17,108,678
Debt securities issued		3.62%	4,905	289,858	197,857	259,087	24,078	775,785
Others			482,448	–	–	–	–	482,448
Total liabilities		1.64%	764,280	13,368,101	4,494,111	2,564,807	39,800	21,231,099
Asset-liability gap		2.18%	52,746	(1,019,800)	1,308,199	(9,511)	1,659,960	1,991,594

(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 RMB22,430 million as at 31 December 2019 (as at 31 December 2018: RMB59,455 million).

(iii) Investments include financial assets measured at financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

(d) Currency risk

The Group's foreign exchange exposures mainly comprise 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 exposures by minimising 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.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

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

		31 December 2019			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,387,072	98,576	135,362	2,621,010
Deposits and placements with banks and non-bank financial institutions	(i)	1,100,346	291,044	117,226	1,508,616
Loans and advances to customers		13,569,939	544,790	425,938	14,540,667
Investments	(ii)	5,937,817	187,177	99,600	6,224,594
Others		447,504	60,323	33,547	541,374
Total assets		23,442,678	1,181,910	811,673	25,436,261
Liabilities					
Borrowings from central banks		494,047	27,704	27,682	549,433
Deposits and placements from banks and non-bank financial institutions	(iii)	1,713,236	436,808	158,865	2,308,909
Financial liabilities measured at fair value through profit or loss		263,310	16,339	1,948	281,597
Deposits from customers		17,550,909	504,298	311,086	18,366,293
Debt securities issued		640,246	307,218	129,111	1,076,575
Others		594,429	13,183	10,715	618,327
Total liabilities		21,256,177	1,305,550	639,407	23,201,134
Long position		2,186,501	(123,640)	172,266	2,235,127
Net notional amount of derivatives		(241,245)	272,552	(26,584)	4,723
Credit commitments		2,578,126	340,934	166,747	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2018			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,412,254	116,273	104,336	2,632,863
Deposits and placements with banks and non-bank financial institutions	(i)	800,852	198,616	39,053	1,038,521
Loans and advances to customers		12,390,275	545,594	429,561	13,365,430
Investments	(ii)	5,452,573	174,263	96,075	5,722,911
Others		395,762	48,020	19,186	462,968
Total assets		21,451,716	1,082,766	688,211	23,222,693
Liabilities					
Borrowings from central banks		503,669	33,184	17,539	554,392
Deposits and placements from banks and non-bank financial institutions	(iii)	1,433,725	309,123	135,614	1,878,462
Financial liabilities measured at fair value through profit or loss		408,623	20,972	1,739	431,334
Deposits from customers		16,347,860	442,304	318,514	17,108,678
Debt securities issued		438,158	230,548	107,079	775,785
Others		463,483	14,590	4,375	482,448
Total liabilities		19,595,518	1,050,721	584,860	21,231,099
Long position		1,856,198	32,045	103,351	1,991,594
Net notional amount of derivatives		(244,071)	270,379	(14,750)	11,558
Credit commitments		2,538,090	188,121	122,513	2,848,724

(i) Including financial assets held under resale agreements.

(ii) Please refer to Note 61(2)(c)(iii) for the scope of investments.

(iii) Including financial assets sold under repurchase agreements.

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management, authorises its special committees to discharge relevant duties, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform specific duties in liquidity risk management. The subsidiaries assume the primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as a significant drop in liquidation of current assets, a massive outflow of wholesale and retail deposits, falling availability of wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and a sudden breakdown of the Bank's payment and settlement system. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches to liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 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:

	31 December 2019							
	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	2,160,625	459,467	–	918	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions	–	107,976	494,082	178,400	158,868	11,474	7	950,807
Financial assets held under resale agreements	–	–	556,268	1,541	–	–	–	557,809
Loans and advances to customers	65,019	736,746	465,482	671,619	2,960,503	3,450,610	6,190,688	14,540,667
Investments								
– Financial assets measured at fair value through profit or loss	171,984	43,619	48,539	57,976	160,471	98,657	94,115	675,361
– Financial assets measured at amortised cost	–	–	41,285	83,481	395,356	1,703,305	1,516,869	3,740,296
– Financial assets measured at fair value through other comprehensive income	6,031	–	43,664	75,244	199,948	949,217	523,480	1,797,584
– Long-term equity investments	11,353	–	–	–	–	–	–	11,353
Others	292,931	84,349	10,194	35,032	33,431	18,635	66,802	541,374
Total assets	2,707,943	1,432,157	1,659,514	1,104,211	3,908,577	6,231,898	8,391,961	25,436,261
Liabilities								
Borrowings from central banks	–	–	77,689	21,104	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions	–	1,152,774	335,362	205,743	441,916	45,373	13,083	2,194,251
Financial liabilities measured at fair value through profit or loss	–	16,750	110,908	63,111	90,828	–	–	281,597
Financial assets sold under repurchase agreements	–	–	106,571	4,540	1,480	2,067	–	114,658
Deposits from customers	–	10,607,372	839,045	1,026,419	2,467,053	3,414,049	12,355	18,366,293
Debt securities issued								
– Certificates of deposit issued	–	–	93,813	210,838	387,447	18,072	–	710,170
– Bonds issued	–	–	5,130	8,070	26,217	88,021	1,374	128,812
– Subordinated bonds issued	–	–	–	–	2,310	79,975	–	82,285
– Eligible Tier 2 capital bonds issued	–	–	–	1,174	38,343	115,791	–	155,308
Others	7,921	224,194	53,369	46,777	186,296	21,952	77,818	618,327
Total liabilities	7,921	12,001,090	1,621,887	1,587,776	4,091,916	3,785,914	104,630	23,201,134
Net gaps	2,700,022	(10,568,933)	37,627	(483,565)	(183,339)	2,445,984	8,287,331	2,235,127
Notional amount of derivatives								
– Interest rate contracts	–	–	45,899	68,259	212,359	191,131	18,097	535,745
– Exchange rate contracts	–	–	876,973	724,591	2,014,465	108,229	2,748	3,727,006
– Other contracts	–	–	51,898	19,239	14,012	635	–	85,784
Total	–	–	974,770	812,089	2,240,836	299,995	20,845	4,348,535

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2018							
	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	2,177,053	454,640	–	1,170	–	–	–	2,632,863
Deposits and placements with banks and non-bank financial institutions	–	82,941	492,206	93,405	160,187	7,937	–	836,676
Financial assets held under resale agreements	–	–	201,103	742	–	–	–	201,845
Loans and advances to customers	70,252	717,226	475,109	567,815	2,799,488	3,203,135	5,532,405	13,365,430
Investments								
– Financial assets measured at fair value through profit or loss	85,036	31,322	76,537	104,992	227,632	144,658	61,040	731,217
– Financial assets measured at amortised cost	–	–	82,489	57,223	274,510	1,704,067	1,154,225	3,272,514
– Financial assets measured at fair value through other comprehensive income	3,294	–	18,383	48,472	246,776	888,772	505,481	1,711,178
– Long-term equity investments	8,002	–	–	–	–	–	–	8,002
Others	252,935	50,974	14,966	27,156	52,093	16,831	48,013	462,968
Total assets	2,596,572	1,337,103	1,360,793	900,975	3,760,686	5,965,400	7,301,164	23,222,693
Liabilities								
Borrowings from central banks	–	–	99,813	109,258	344,546	775	–	554,392
Deposits and placements from banks and non-bank financial institutions	–	929,855	246,048	152,645	427,102	83,943	8,104	1,847,697
Financial liabilities measured at fair value through profit or loss	–	18,839	148,784	87,018	167,065	9,628	–	431,334
Financial assets sold under repurchase agreements	–	–	23,189	918	1,274	4,694	690	30,765
Deposits from customers	–	10,372,640	873,288	926,854	2,545,389	2,368,005	22,502	17,108,678
Debt securities issued								
– Certificates of deposit issued	–	–	66,392	133,875	155,634	16,458	–	372,359
– Bonds issued	–	–	–	16	13,669	94,526	4,095	112,306
– Subordinated bonds issued	–	–	–	28,952	35,742	82,278	–	146,972
– Eligible Tier 2 capital bonds issued	–	–	–	–	2,011	121,709	20,428	144,148
Others	485	162,924	47,670	47,416	174,763	1,389	47,801	482,448
Total liabilities	485	11,484,258	1,505,184	1,486,952	3,867,195	2,783,405	103,620	21,231,099
Net gaps	2,596,087	(10,147,155)	(144,391)	(585,977)	(106,509)	3,181,995	7,197,544	1,991,594
Notional amount of derivatives								
– Interest rate contracts	–	–	64,199	47,984	96,775	82,458	10,906	302,322
– Exchange rate contracts	–	–	1,203,631	872,879	2,738,985	127,182	4,763	4,947,440
– Other contracts	–	–	33,130	31,688	22,014	2,493	–	89,325
Total	–	–	1,300,960	952,551	2,857,774	212,133	15,669	5,339,087

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 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.

	31 December 2019							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	549,433	560,382	–	77,946	21,243	460,579	614	–
Deposits and placements from banks and non-bank financial institutions	2,194,251	2,210,456	1,152,774	335,747	207,065	450,499	49,939	14,432
Financial liabilities measured at fair value through profit or loss	281,597	295,086	16,750	117,134	68,828	92,374	–	–
Financial assets sold under repurchase agreements	114,658	114,988	–	106,595	4,558	1,612	2,223	–
Deposits from customers	18,366,293	18,892,932	10,608,196	854,625	1,057,288	2,573,077	3,785,830	13,916
Debt securities issued								
– Certificates of deposit issued	710,170	712,285	–	94,028	211,272	388,251	18,734	–
– Bonds issued	128,812	136,205	–	5,254	8,313	28,335	92,686	1,617
– Subordinated bonds issued	82,285	92,315	–	–	–	6,068	86,247	–
– Eligible Tier 2 capital bonds issued	155,308	179,255	–	–	1,917	42,938	134,400	–
Other non-derivative financial liabilities	371,367	374,864	73,448	40,290	31,445	144,112	15,339	70,230
Total	22,954,174	23,568,768	11,851,168	1,631,619	1,611,929	4,187,845	4,186,012	100,195
Off-balance sheet loan commitments and credit card commitments (Note)		1,531,436	1,071,444	17,382	18,278	116,854	133,533	173,945
Guarantees, acceptances and other credit commitments (Note)		1,554,371	–	266,135	199,086	624,246	433,275	31,629

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	31 December 2018							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	554,392	562,405	–	100,667	110,809	350,154	775	–
Deposits and placements from banks and non-bank financial institutions	1,847,697	1,878,423	930,363	246,832	155,573	441,916	93,123	10,616
Financial liabilities measured at fair value through profit or loss	431,334	438,124	18,839	151,389	87,702	169,994	10,200	–
Financial assets sold under repurchase agreements	30,765	32,323	–	23,209	926	1,405	5,782	1,001
Deposits from customers	17,108,678	17,367,636	10,373,070	883,249	941,884	2,615,420	2,529,230	24,783
Debt securities issued								
– Certificates of deposit issued	372,359	378,674	–	66,811	135,146	159,820	16,897	–
– Bonds issued	112,306	121,149	–	258	433	16,153	100,205	4,100
– Subordinated bonds issued	146,972	163,059	–	–	29,230	41,479	92,350	–
– Eligible Tier 2 capital bonds issued	144,148	172,588	–	–	–	8,756	142,636	21,196
Other non-derivative financial liabilities	317,810	317,810	84,604	34,266	28,583	122,706	–	47,651
Total	21,066,461	21,432,191	11,406,876	1,506,681	1,490,286	3,927,803	2,991,198	109,347
Off-balance sheet loan commitments and credit card commitments (Note)		1,380,603	1,126,654	93,138	27,583	24,320	79,865	29,043
Guarantees, acceptances and other credit commitments (Note)		1,468,121	–	226,985	176,721	442,485	591,866	30,064

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 amounts to be paid.

61 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In 2019, the Group continuously promoted the application of management tools and system optimisation, strengthened the prevention and control of operational risk in key areas, and took multiple measures to reduce operational risk events and losses.

- Revised operational risk management policies, and enhanced the operational risk assessment of new products.
- Continuously promoted the application of management tools, such as operational loss data, self-assessment, and key risk indicators.
- Developed the system function for recording losses from non-compliance, and focused on the recording, analysis, monitoring and reporting of regulatory penalties.
- Revised the policies for incompatible positions and re-examined the manuals.
- Made arrangements for job rotations and mandatory leave for key positions. Periodically reviewed the status of implementation.
- Enhanced the code of conduct for employees, advocated integrity, accountability and diligence to strengthen operational risk prevention capabilities.
- Carried out a new round of business analysis, revised business continuity management policies and launched business continuity system.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2019, 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 2018.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Positive fair value of derivatives	–	34,583	58	34,641
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	15,282	–	15,282
– Loans and advances to customers measured at fair value through other comprehensive income	–	492,693	–	492,693
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	2,059	227,887	–	229,946
– Equity instruments and funds	940	–	–	940
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	774	33	8,449	9,256
– Other debt instruments	–	131,814	50,555	182,369
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	1,519	4,642	6,161
– Debt securities	–	68,811	110	68,921
– Funds and others	30,695	45,027	102,046	177,768
Financial assets measured at fair value through other comprehensive income				
– Debt securities	182,323	1,609,230	–	1,791,553
– Equity instruments designated as measured at fair value through other comprehensive income	2,446	–	3,585	6,031
Total	219,237	2,626,879	169,445	3,015,561
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	279,749	1,848	281,597
Negative fair value of derivatives	–	33,724	58	33,782
Total	–	313,473	1,906	315,379

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 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 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	50,566	35	50,601
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	32,857	–	32,857
– Loans and advances to customers measured at fair value through other comprehensive income	–	308,368	–	308,368
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,711	217,046	–	218,757
– Equity instruments and funds	1,706	–	–	1,706
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	595	–	14,314	14,909
– Other debt instruments	–	265,938	84,640	350,578
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	13,004	1,253	14,257
– Debt securities	–	31,553	187	31,740
– Funds and others	28,300	27,009	43,961	99,270
Financial assets measured at fair value through other comprehensive income				
– Debt securities	187,632	1,520,252	–	1,707,884
– Equity instruments designated as measured at fair value through other comprehensive income	1,819	73	1,402	3,294
Total	221,763	2,466,666	145,792	2,834,221
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	429,706	1,628	431,334
Negative fair value of derivatives	–	48,490	35	48,525
Total	–	478,196	1,663	479,859

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed wealth management products, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial asset at fair value through profit or loss classified as level 3 includes the underlying assets of principal guaranteed wealth management products, unlisted equity investments and private fund investments. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate, Price-to-Book ratio, etc.

For the year ended 31 December 2019 and 2018, there were no significant transfers within the fair value hierarchy of the Group.

(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:

	2019										
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2019	35	14,314	84,640	1,253	187	43,961	1,402	145,792	(1,628)	(35)	(1,663)
Total gains or losses:											
In profit or loss	23	(1,821)	(119)	53	(27)	261	–	(1,630)	(44)	(23)	(67)
In other comprehensive income	–	–	–	–	–	–	144	144	–	–	–
Purchases	–	60	313	3,929	67	65,393	2,042	71,804	(359)	–	(359)
Sales and settlements	–	(4,104)	(34,279)	(593)	(117)	(7,569)	(3)	(46,665)	183	–	183
As at 31 December 2019	58	8,449	50,555	4,642	110	102,046	3,585	169,445	(1,848)	(58)	(1,906)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

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

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

	2018										
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2018	99	10,164	125,395	267	1,098	19,462	623	157,108	(472)	(98)	(570)
Total gains or losses:											
In profit or loss	(17)	(135)	235	(85)	(194)	(1,106)	–	(1,302)	146	17	163
In other comprehensive income	–	–	–	–	–	–	18	18	–	–	–
Purchases	–	7,263	487,445	1,073	–	34,688	761	531,230	(1,414)	–	(1,414)
Sales and settlements	(47)	(2,978)	(528,435)	(2)	(717)	(9,083)	–	(541,262)	112	46	158
As at 31 December 2018	35	14,314	84,640	1,253	187	43,961	1,402	145,792	(1,628)	(35)	(1,663)

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 and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2019			2018		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains	**17**	**(1,714)**	**(1,697)**	(741)	(398)	(1,139)

(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 and financial assets measured at amortised cost.

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 to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2019 and 2018 which are not presented in the statement of financial position at their fair values.

	31 December 2019					31 December 2018				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**3,740,296**	**3,815,857**	**51,585**	**3,619,569**	**144,703**	3,272,514	3,272,774	47,794	3,156,789	68,191
Total	**3,740,296**	**3,815,857**	**51,585**	**3,619,569**	**144,703**	3,272,514	3,272,774	47,794	3,156,789	68,191

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 31 December 2019 was RMB246,083 million (as at 31 December 2018: RMB293,466 million) and the carrying value was RMB237,593 million (as at 31 December 2018: RMB291,104 million), and the carrying values of other financial liabilities approximated to 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 them as the Level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 31 December 2019, the amounts 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. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholders' behaviour and decision.

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, 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 and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit 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 the CBRC's "Capital Rules for Commercial Banks (Provisional)" 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 the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global Systemically Important Banks should also be met. 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 into account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, the 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 model approach for market risk and standardised approach for operational risk exposure.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	31 December 2019	31 December 2018
Common Equity Tier 1 ratio	(a)(b)(c)	**13.88%**	13.83%
Tier 1 ratio	(a)(b)(c)	**14.68%**	14.42%
Total capital ratio	(a)(b)(c)	**17.52%**	17.19%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,511**	134,511
– Surplus reserve		**249,178**	223,231
– General reserve		**314,152**	279,627
– Retained earnings		**1,116,273**	989,113
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**3,535**	2,744
– Others	(d)	**32,573**	19,836
Regulatory adjustments for Common Equity Tier 1 capital			
– Goodwill	(e)	**2,615**	2,572
– Other intangible assets (excluding land use rights)	(e)	**3,971**	3,156
– Cash flow hedge reserve		**(239)**	53
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,910**	3,902
Additional Tier 1 capital			
– Directly issued qualifying additional Tier 1 instruments including related premium		**119,627**	79,636
– Non-controlling interest given recognition in Additional Tier 1 capital		**89**	84
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**201,653**	206,615
– Provisions in Tier 2	(f)	**226,102**	172,788
– Non-controlling interest given recognition in Tier 2 capital		**141**	133
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,089,976**	1,889,390
Tier 1 capital after regulatory adjustments	(g)	**2,209,692**	1,969,110
Total capital after regulatory adjustments	(g)	**2,637,588**	2,348,646
Risk-weighted assets	(h)	**15,053,291**	13,659,497

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) From the first half year 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) As at 31 December 2019 and 2018, others include other comprehensive income (including foreign exchange reserve).

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	31 December 2019	31 December 2018
Assets:		
Cash and deposits with central banks	**2,609,597**	2,619,762
Deposits with banks and non-bank financial institutions	**368,495**	463,059
Precious metals	**46,169**	33,928
Placements with banks and non-bank financial institutions	**586,245**	354,876
Positive fair value of derivatives	**32,091**	47,470
Financial assets held under resale agreements	**551,985**	183,161
Loans and advances to customers	**14,052,500**	12,869,443
Financial investments		
Financial assets measured at fair value through profit or loss	**388,350**	529,223
Financial assets measured at amortised cost	**3,646,480**	3,206,630
Financial assets measured at fair value through other comprehensive income	**1,710,424**	1,614,375
Long-term equity investments	**69,290**	50,270
Investments in consolidated structured entities	**111,113**	161,638
Fixed assets	**138,898**	140,865
Land use rights	**13,400**	13,443
Intangible assets	**3,504**	2,690
Deferred tax assets	**68,597**	55,217
Other assets	**202,191**	147,305
Total assets	**24,599,329**	22,493,355

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	31 December 2019	31 December 2018
Liabilities:		
Borrowings from central banks	**549,339**	554,392
Deposits from banks and non-bank financial institutions	**1,658,501**	1,410,847
Placements from banks and non-bank financial institutions	**417,963**	323,535
Financial liabilities measured at fair value through profit or loss	**279,700**	429,595
Negative fair value of derivatives	**32,710**	47,024
Financial assets sold under repurchase agreements	**93,194**	8,407
Deposits from customers	**18,024,561**	16,795,736
Accrued staff costs	**34,584**	32,860
Taxes payable	**82,164**	74,110
Provisions	**40,334**	36,130
Debt securities issued	**1,001,304**	702,038
Deferred tax liabilities	**42**	6
Other liabilities	**217,263**	141,985
Total liabilities	**22,431,659**	20,556,665

	31 December 2019	31 December 2018
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference Shares	**79,636**	79,636
Perpetual Bonds	**39,991**	–
Capital reserve	**135,109**	135,109
Other comprehensive income	**33,527**	21,539
Surplus reserve	**249,178**	223,231
General reserve	**306,686**	272,867
Retained earnings	**1,073,532**	954,297
Total equity	**2,167,670**	1,936,690
Total liabilities and equity	**24,599,329**	22,493,355

Approved and authorised for issue by the Board of Directors on 27 March 2020.

Liu Guiping	**Kenneth Patrick Chung**	**Carl Walter**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2019	250,011	79,636	–	135,109	21,539	223,231	272,867	954,297	1,936,690
Movements during the year	–	–	39,991	–	11,988	25,947	33,819	119,235	230,980
(1) Total comprehensive income for the year	–	–	–	–	11,988	–	–	259,466	271,454
(2) Changes in share capital									
i Capital injection by other equity instruments holders	–	–	39,991	–	–	–	–	–	39,991
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	25,947	–	(25,947)	–
ii Appropriation to general reserve	–	–	–	–	–	–	33,819	(33,819)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	(76,503)
iv Dividends to preference shareholders	–	–	–	–	–	–	–	(3,962)	(3,962)
As at 31 December 2019	250,011	79,636	39,991	135,109	33,527	249,178	306,686	1,073,532	2,167,670

	Share capital	Other equity instruments-Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2018	250,011	79,636	135,109	(14,120)	198,613	254,864	827,423	1,731,536
Movements during the year	–	–	–	35,659	24,618	18,003	126,874	205,154
(1) Total comprehensive income for the year	–	–	–	35,659	–	–	246,184	281,843
(2) Profit distribution								
i Appropriation to surplus reserve	–	–	–	–	24,618	–	(24,618)	–
Ii Appropriation to general reserve	–	–	–	–	–	18,003	(18,003)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	(72,753)	(72,753)
iv Dividends to preference shareholders	–	–	–	–	–	–	(3,936)	(3,936)
As at 31 December 2018	250,011	79,636	135,109	21,539	223,231	272,867	954,297	1,936,690

63 EVENTS AFTER THE REPORTING PERIOD

Impact assessment of the Coronavirus Disease

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, mainland China, other countries and regions have adopted prevention and control measures against the pandemic. The Group has duly implemented various policies issued by the Central Government, as well as requirements of the Notice on Further Enhancing Financial Support for the Prevention and Control of the Novel Coronavirus Pneumonia Outbreak, which was jointly published by the PBOC, the MOF, the CBIRC, the CSRC and the State Administration of Foreign Exchange, and strengthened financial support for the prevention and control of the pandemic. The COVID-19 has affected the operation of businesses in certain areas and industries to varying degrees. This in turn may affect the quality or the yields of the Group's credit assets and other financial assets, the extent of which will depend on factors including evolvement of the pandemic, macro policies, resumption of work and activities in enterprises. The ECL at 31 December 2019 had been estimated based on a range of forecast economic conditions as at that date. The impact of this pandemic on macroeconomic forecasts and other key indicators will be reflected in the Group's estimation of ECL in 2020. The Group has closely monitored the evolvement of COVID-19, and has started assessment of its impact on the Group's future financial position and performance. As at the date of this report, the assessment is still in progress.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

64 COMPARATIVE FIGURES

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

65 ULTIMATE PARENT

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

66 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 relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2019 and have not been adopted in the financial statements.

Standards		Effective for annual periods beginning on or after
(1)	Amendments to IAS 1 and IAS 8	1 January 2020
(2)	Amendments to IFRS 3	1 January 2020
(3)	Amendments to IFRS 9,IAS 39 and IFRS 7	1 January 2020
(4)	IFRS 17 "Insurance Contracts"	1 January 2021
(5)	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date has been deferred indefinitely

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IAS 1 and IAS 8 "Definition of Material"

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

(2) Amendments to IFRS 3 "Definition of A Business"

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

(3) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(4) IFRS 17 "Insurance Contracts"

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured during each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The Group is currently assessing the impact of IFRS 17 upon initial application.

(5) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments apply prospectively.

2 Financial Statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019	Change(%)
Interest income	**989,509**	909,885	8.75
Interest expense	**(413,600)**	(372,819)	10.94
Net interest income	**575,909**	537,066	7.23
Fee and commission income	**131,512**	126,667	3.82
Fee and commission expense	**(16,930)**	(15,769)	7.36
Net fee and commission income	**114,582**	110,898	3.32
Net trading gain	**4,313**	9,120	(52.71)
Dividend income	**3,182**	1,184	168.75
Net gain arising from investment securities	**5,765**	9,093	(36.60)
Net gain on derecognition of financial assets measured at amortised cost	**4,649**	3,359	38.40
Other operating income, net:			
- Other operating income	**47,874**	36,127	32.52
- Other operating expense	**(42,050)**	(28,846)	45.77
Other operating income, net	**5,824**	7,281	(20.01)
Operating income	**714,224**	678,001	5.34
Operating expenses	**(188,574)**	(188,132)	0.23
	525,650	489,869	7.30
Credit impairment losses	**(193,491)**	(163,000)	18.71
Other impairment losses	**3,562**	(521)	(783.69)
Share of profits of associates and joint ventures	**895**	249	259.44
Profit before tax	**336,616**	326,597	3.07
Income tax expense	**(63,037)**	(57,375)	9.87
Net profit	**273,579**	269,222	1.62

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019	Change(%)
Other comprehensive income:			
(1)Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	**479**	199	140.70
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	**(279)**	444	N/A
Others	**24**	59	(59.32)
Subtotal	**224**	702	(68.09)
(2)Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income	**(9,108)**	9,005	N/A
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	**(762)**	1,624	N/A
Reclassification adjustments included in profit or loss due to disposals	**(491)**	(175)	180.57
Net loss on cash flow hedges	**(61)**	(292)	(79.11)
Exchange difference on translating foreign operations	**(6,720)**	2,682	N/A
Subtotal	**(17,142)**	12,844	N/A
Other comprehensive income for the year, net of tax	**(16,918)**	13,546	N/A

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019	Change(%)
Total comprehensive income for the year	**256,661**	282,768	(9.23)
Net profit attributable to:			
Equity shareholders of the Bank	**271,050**	266,733	1.62
Non-controlling interests	**2,529**	2,489	1.61
	273,579	269,222	1.62
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**254,112**	280,268	(9.33)
Non-controlling interests	**2,549**	2,500	1.96
	256,661	282,768	(9.23)
Basic and diluted earnings per share (in RMB Yuan)	**1.06**	1.05	0.95

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	31 December 2020	31 December 2019	Change(%)
Assets:			
Cash and deposits with central banks	**2,816,164**	2,621,010	7.45
Deposits with banks and non-bank financial institutions	**453,233**	419,661	8.00
Precious metals	**101,671**	46,169	120.21
Placements with banks and non-bank financial institutions	**368,404**	531,146	(30.64)
Positive fair value of derivatives	**69,029**	34,641	99.27
Financial assets held under resale agreements	**602,239**	557,809	7.97
Loans and advances to customers	**16,231,369**	14,542,001	11.62
Financial investments			
Financial assets measured at fair value through profit or loss	**577,952**	675,361	(14.42)
Financial assets measured at amortised cost	**4,505,243**	3,740,296	20.45
Financial assets measured at fair value through other comprehensive income	**1,867,458**	1,797,584	3.89
Long-term equity investments	**13,702**	11,353	20.69
Fixed assets	**172,505**	170,740	1.03
Land use rights	**14,118**	14,738	(4.21)
Intangible assets	**5,279**	4,502	17.26
Goodwill	**2,210**	2,809	(21.32)
Deferred tax assets	**92,950**	72,314	28.54
Other assets	**238,728**	194,127	22.98
Total assets	**28,132,254**	25,436,261	10.60

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	31 December 2020	31 December 2019	Change(%)
Liabilities:			
Borrowings from central banks	**781,170**	549,433	42.18
Deposits from banks and non-bank financial institutions	**1,943,634**	1,672,698	16.20
Placements from banks and non-bank financial institutions	**349,638**	521,553	(32.96)
Financial liabilities measured at fair value through profit or loss	**254,079**	281,597	(9.77)
Negative fair value of derivatives	**81,956**	33,782	142.60
Financial assets sold under repurchase agreements	**56,725**	114,658	(50.53)
Deposits from customers	**20,614,976**	18,366,293	12.24
Accrued staff costs	**35,460**	39,075	(9.25)
Taxes payable	**84,161**	86,635	(2.86)
Provisions	**54,114**	42,943	26.01
Debt securities issued	**940,197**	1,076,575	(12.67)
Deferred tax liabilities	**1,551**	457	239.39
Other liabilities	**545,240**	415,435	31.25
Total liabilities	**25,742,901**	23,201,134	10.96

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	31 December 2020	31 December 2019	Change(%)
Equity:			
Share capital	**250,011**	250,011	-
Other equity instruments			
Preference shares	**59,977**	79,636	(24.69)
Perpetual bonds	**39,991**	39,991	-
Capital reserve	**134,263**	134,537	(0.20)
Other comprehensive income	**15,048**	31,986	(52.95)
Surplus reserve	**275,995**	249,178	10.76
General reserve	**350,228**	314,389	11.40
Retained earnings	**1,239,295**	1,116,529	11.00
Total equity attributable to equity shareholders of the Bank	**2,364,808**	2,216,257	6.70
Non-controlling interests	**24,545**	18,870	30.07
Total equity	**2,389,353**	2,235,127	6.90
Total liabilities and equity	**28,132,254**	25,436,261	10.60

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2020	**250,011**	**79,636**	**39,991**	**134,537**	**31,986**	**249,178**	**314,389**	**1,116,529**	**18,870**	**2,235,127**
Movements during the year	**-**	**(19,659)**	**-**	**(274)**	**(16,938)**	**26,817**	**35,839**	**122,766**	**5,675**	**154,226**
(1) Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(16,938)**	**-**	**-**	**271,050**	**2,549**	**256,661**
(2) Changes in share capital										
i Capital injection by other shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,607**	**3,607**
ii Capital deduction by other equity instruments holders	**-**	**(19,659)**	**-**	**(274)**	**-**	**-**	**-**	**-**	**-**	**(19,933)**
iii Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15)**	**(15)**
iv Change in shareholdings in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**	**46**
(3) Profit distribution										
i Appropriation to surplus reserve	**-**	**-**	**-**	**-**	**-**	**26,817**	**-**	**(26,817)**	**-**	**-**
ii Appropriation to general reserve	**-**	**-**	**-**	**-**	**-**	**-**	**35,839**	**(35,839)**	**-**	**-**
iii Dividends to ordinary shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(80,004)**	**-**	**(80,004)**
iv Dividends to other equity instruments holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,624)**	**-**	**(5,624)**
v Dividends to non-controlling interests holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(512)**	**(512)**
As at 31 December 2020	**250,01**	**59,977**	**39,991**	**134,263**	**15,048**	**275,995**	**350,228**	**1,239,295**	**24,545**	**2,389,353**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2019	250,011	79,636	-	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594
Movements during the year	-	-	39,991	-	13,535	25,947	34,664	125,657	3,739	243,533
(1) Total comprehensive income for the year	-	-	-	-	13,535	-	-	266,733	2,500	282,768
(2) Changes in share capital										
i Capital injection by other shareholders	-	-	-	-	-	-	-	-	1,980	1,980
ii Capital injection by other equity instruments holders	-	-	39,991	-	-	-	-	-	-	39,991
iii Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	-	(196)	(196)
(3) Profit distribution										
i Appropriation to surplus reserve	-	-	-	-	-	25,947	-	(25,947)	-	-
ii Appropriation to general reserve	-	-	-	-	-	-	34,664	(34,664)	-	-
iii Dividends to ordinary shareholders	-	-	-	-	-	-	-	(76,503)	-	(76,503)
iv Dividends to other equity instruments holders	-	-	-	-	-	-	-	(3,962)	-	(3,962)
v Dividends to non-controlling interests holders	-	-	-	-	-	-	-	-	(545)	(545)
As at 31 December 2019	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019
Cash flows from operating activities		
Profit before tax	**336,616**	326,597
Adjustments for:		
-Credit impairment losses	**193,491**	163,000
-Other impairment losses	**(3,562)**	521
-Depreciation and amortisation	**26,182**	23,927
-Interest income from impaired financial assets	**(3,924)**	(3,092)
-Revaluation loss/(gain) on financial instruments at fair value through profit or loss	**640**	(2,456)
-Share of profits of associates and joint ventures	**(895)**	(249)
-Dividend income	**(3,182)**	(1,184)
-Unrealised foreign exchange loss	**14,133**	2,548
-Interest expense on bonds issued	**16,669**	16,418
-Interest income from investment securities and net income from disposal	**(215,482)**	(198,282)
-Net loss/(gain) on disposal of fixed assets and other long-term assets	**319**	(42)
	361,005	327,706

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019
Cash flows from operating activities (continued)		
Changes in operating assets:		
Net (increase)/decrease in deposits with central banks and with banks and non-bank financial institutions	**(392,876)**	183,478
Net decrease/(increase) in placements with banks and non-bank financial institutions	**144,967**	(94,096)
Net increase in loans and advances to customers	**(1,917,020)**	(1,297,965)
Net increase in financial assets held under resale agreements	**(45,096)**	(355,758)
Net decrease/(increase) in financial assets held for trading purposes	**58,482**	(10,791)
Net increase in other operating assets	**(77,590)**	(75,045)
	(2,229,133)	(1,650,177)
Changes in operating liabilities:		
Net increase/(decrease) in borrowings from central banks	**230,568**	(2,132)
Net (decrease)/increase in placements from banks and non-bank financial institutions	**(152,997)**	96,186
Net increase in deposits from customers and from banks and non-bank financial institutions	**2,519,121**	1,461,277
Net (decrease)/increase in financial assets sold under repurchase agreements	**(56,949)**	83,663
Net (decrease)/increase in certificates of deposit issued	**(156,782)**	338,170
Income tax paid	**(82,457)**	(65,793)
Net decrease in financial liabilities measured at fair value through profit or loss	**(26,382)**	(149,986)
Net increase in other operating liabilities	**174,691**	142,373
	2,448,813	1,903,758
Net cash from operating activities	**580,685**	581,287

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019
Cash flows from investing activities		
Proceeds from sales and redemption of financial investments	**2,160,828**	1,504,300
Interest and dividends received	**208,372**	192,870
Proceeds from disposal of fixed assets and other long-term assets	**1,630**	2,366
Purchase of investment securities	**(2,982,229)**	(1,963,872)
Purchase of fixed assets and other long-term assets	**(25,743)**	(23,234)
Acquisition of subsidiaries, associates and joint ventures	**(4,995)**	(4,978)
Cash payment for other investing activities	**(21)**	-
Net cash used in investing activities	**(642,158)**	(292,548)
Cash flows from financing activities		
Issue of bonds	**118,103**	42,106
Cash received from issuance of other equity instruments	**-**	39,991
Cash received from subsidiaries' capital injection by non-controlling interests holders	**676**	1,980
Dividends paid	**(86,140)**	(81,010)
Repayment of borrowings	**(79,240)**	(79,052)
Interest paid on bonds issued	**(15,888)**	(18,051)
Cash payment for redemption of other equity instruments	**(19,933)**	-
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity	**(44)**	(196)
Cash payment for other financing activities	**(7,494)**	(7,609)
Net cash used in financing activities	**(89,960)**	(101,841)

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019
Effect of exchange rate changes on cash and cash equivalents	**(21,976)**	4,740
Net (decrease)/increase in cash and cash equivalents	**(173,409)**	191,638
Cash and cash equivalents as at 1 January	**1,052,340**	860,702
Cash and cash equivalents as at 31 December	**878,931**	1,052,340
Cash flows from operating activities include:		
Interest received, excluding interest income from investment securities	**770,747**	720,099
Interest paid, excluding interest expense on bonds issued	**(325,900)**	(337,478)

Notes:

(1) The financial statements of the Group for the year ended 31 December 2020 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Except for the new or revised IFRS and Interpretations effective for the year ended 31 December 2020 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2019.

(3) Unless otherwise stated, the financial figures are expressed in millions of RMB.

(4) For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

(5) Net gain arising from investment securities

	2020	2019
Net gain related to financial assets designated as measured at fair value through profit or loss	**5,121**	8,699
Net loss related to financial liabilities designated as measured at fair value through profit or loss	**(10,300)**	(9,399)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	**9,825**	8,687
Net gain related to financial assets measured at fair value through other comprehensive income	**168**	711
Net revaluation gain reclassified from other comprehensive income on disposal	**655**	234
Others	**296**	161
Total	**5,765**	9,093

(6) Operating expenses

	2020	2019
Staff costs		
- Salaries, bonuses, allowances and subsidies	**71,356**	69,862
- Defined contribution plans	**12,261**	14,275
- Housing funds	**6,809**	6,521
- Union running costs and employee education costs	**2,624**	2,948
- Early retirement expenses	**17**	19
- Compensation to employees for termination of employment relationship	**5**	6
- Others	**11,281**	12,153
	104,353	105,784
Premises and equipment expenses		
- Depreciation charges	**23,381**	21,304
- Rent and property management expenses	**4,299**	4,952
- Maintenance	**3,424**	3,394
- Utilities	**1,657**	1,851
- Others	**2,168**	2,174
	34,929	33,675
Taxes and surcharges	**7,325**	6,777
Amortisation expenses	**2,801**	2,623
Other general and administrative expenses	**39,166**	39,273
Total	**188,574**	188,132

(7) Income tax expense

① Income tax expense

	2020	2019
Current tax	**78,345**	74,013
- Mainland China	**75,721**	71,045
- Hong Kong	**1,252**	1,340
- Other countries and regions	**1,372**	1,628
Adjustments for prior years	**906**	498
Deferred tax	**(16,214)**	(17,136)
Total	**63,037**	57,375

The provisions for 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 reporting 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

	Note	**2020**	2019
Profit before tax		**336,616**	326,597
Income tax calculated at the 25% statutory tax rate		**84,154**	81,649
Effects of different applicable rates of tax prevailing in other countries/regions		**(116)**	(234)
Non-deductible expenses	(i)	**21,454**	11,891
Non-taxable income	(ii)	**(43,361)**	(36,429)
Adjustments on income tax for prior years which affect profit or loss		**906**	498
Income tax expense		**63,037**	57,375

(i) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

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

(8) Earnings per share

Basic earnings per share for the years ended 31 December 2020 and 2019 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2020 and 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

	2020	2019
Net profit attributable to equity shareholders of the Bank	**271,050**	266,733
Less: profit for the year attributable to other equity instruments holders of the Bank	**(5,624)**	(3,962)
Net profit attributable to ordinary shareholders of the Bank	**265,426**	262,771
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**1.06**	1.05
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**1.06**	1.05

(9) Derivatives and hedge accounting

① Analysed by type of contract

		31 December 2020			31 December 2019		
	Note	**Notional amounts**	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts		**650,225**	**1,802**	**4,168**	535,745	1,187	2,088
Exchange rate contracts		**3,461,021**	**63,881**	**73,376**	3,727,006	31,681	29,726
Other contracts	(a)	**126,071**	**3,346**	**4,412**	85,784	1,773	1,968
Total		**4,237,317**	**69,029**	**81,956**	4,348,535	34,641	33,782

② Analysed by counterparty credit risk-weighted assets

	Note	**31 December 2020**	31 December 2019
Counterparty credit default risk-weighted assets			
- Interest rate contracts		**4,073**	2,670
- Exchange rate contracts		**38,946**	37,124
- Other contracts	(a)	**10,015**	1,500
Subtotal		**53,034**	41,294
Risk-weighted assets for credit valuation adjustment		**14,739**	14,194
Total		**67,773**	55,488

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets included risk-weighted assets for credit valuation adjustments with the considerations of counterparty status and maturity characteristic, and included back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(9) Derivatives and hedge accounting (continued)

③ Hedge accounting

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

	31 December 2020			31 December 2019		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**29,692**	**62**	**(1,131)**	39,801	83	(344)
Cross currency swaps	**30**	**-**	**(3)**	35	-	-
Cash flow hedges						
Foreign exchange swaps	**7,082**	**273**	**(82)**	39,146	640	(193)
Cross currency swaps	**654**	**-**	**(95)**	-	-	-
Interest rate swaps	**8,028**	**-**	**(160)**	13,608	25	(78)
Total	**45,486**	**335**	**(1,471)**	92,590	748	(615)

(a) Fair value hedges

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, and loans and advances to customers arising from changes in interest rates and exchange rates.

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

	2020	2019
Net (losses)/gains on		
- hedging instruments	**(837)**	(664)
- hedged items	**824**	661

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the year ended 31 December 2020 and 2019.

(b) Cash flow hedges

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

(9) Derivatives and hedge accounting (continued)

③ Hedge accounting (continued)

(b) Cash flow hedges (continued)

For the year ended 31 December 2020, the Group's net loss from the cash flow hedges of RMB61 million was recognised in other comprehensive income (for the year ended 31 December 2019: net loss from cash flow hedges of RMB292 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

(10) Deposits from customers

	31 December 2020	31 December 2019
Demand deposits		
- Corporate customers	**6,354,893**	6,001,053
- Personal customers	**4,716,452**	4,136,591
Subtotal	**11,071,345**	10,137,644
Time deposits (including call deposits)		
- Corporate customers	**3,596,898**	3,239,657
- Personal customers	**5,670,385**	4,781,485
Subtotal	**9,267,283**	8,021,142
Accrued interest	**276,348**	207,507
Total	**20,614,976**	18,366,293

Deposits from customers include:

	31 December 2020	31 December 2019
① Pledged deposits		
- Deposits for acceptance	**63,427**	57,367
- Deposits for guarantee	**42,540**	52,351
- Deposits for letter of credit	**17,760**	11,593
- Others	**190,387**	180,387
Total	**314,114**	301,698
② Outward remittance and remittance payables	**17,542**	19,805

(11) Commitments and contingent liabilities

① Credit commitments

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

The contractual amounts of loan commitments and credit card overdraft 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 contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2020	31 December 2019
Loan commitments		
- with an original maturity within one year	**94,762**	94,491
- with an original maturity of one year or over	**488,350**	373,227
Credit card commitments	**1,068,582**	1,063,718
	1,651,694	1,531,436
Bank acceptances	**278,231**	207,578
Financing guarantees	**46,656**	61,876
Non-financing guarantees	**1,236,368**	1,125,462
Sight letters of credit	**43,329**	36,629
Usance letters of credit	**141,600**	119,211
Others	**15,652**	3,615
Total	**3,413,530**	3,085,807

(11) Commitments and contingent liabilities (continued)

② Credit risk-weighted amount

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

	31 December 2020	31 December 2019
Credit risk-weighted amount of contingent liabilities and commitments	**1,108,129**	1,050,190

③ Capital commitments

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

	31 December 2020	31 December 2019
Contracted for	**15,004**	20,077

④ Underwriting obligations

As at 31 December 2020, there was no unexpired underwriting commitment of the Group (as at 31 December 2019: RMB60 million).

⑤ Government bond 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 Ministry of Finance ("MOF") and the People's Bank of China ("PBOC"). The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2020, were RMB74,435 million (as at 31 December 2019: RMB86,794 million).

(11) Commitments and contingent liabilities (continued)

⑥ Outstanding litigations and disputes

As at 31 December 2020, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,424 million (as at 31 December 2019: RMB9,593 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

⑦ Provision against commitments and contingent liabilities

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

⑧ Impact of the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions

In accordance with the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly issued by the PBOC and three other ministries as well as the PBOC's announcement to extend the transition period to 2021, the PBOC encourages financial institutions to dispose of legacy assets orderly using a range of methods such as replacing them with new products, market-based transfers, contract changes, and asset undertaking. The Group is pressing ahead with the rectification of legacy wealth management business and has assessed and recognised the impact of rectification on provisions and credit impairment losses in the financial statements. The Group will duly implement relevant policies and regulatory requirements, and continue to assess and disclose the relevant impact.

(12) Operating segments

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

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

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

① Geographical segments

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

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

(12) Operating segments (continued)

① Geographical segments (continued)

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

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiary 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 and the subsidiary 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 subsidiary 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 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 of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(12) Operating segments (continued)

① Geographical segments (continued)

	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
	Twelve months ended 31 December 2020								
External net interest income	64,500	60,987	36,662	76,140	62,290	7,353	257,261	10,716	575,909
Internal net interest income/(expense)	27,451	23,726	46,961	28,551	29,472	18,001	(177,338)	3,176	-
Net interest income	91,951	84,713	83,623	104,691	91,762	25,354	79,923	13,892	575,909
Net fee and commission income	16,620	24,764	18,337	15,896	11,799	4,050	20,056	3,060	114,582
Net trading gain/(loss)	96	204	174	324	104	16	4,126	(731)	4,313
Dividend income	88	7	1,927	650	10	-	89	411	3,182
Net gain/(loss) arising from investment securities	4,273	(778)	(787)	(586)	(40)	(617)	3,200	1,100	5,765
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	10	29	-	-	-	4,612	11	4,649
Other operating (expense)/income, net	(3,576)	377	1,569	64	1,585	7	3,503	2,295	5,824
Operating income	109,439	109,297	104,872	121,039	105,220	28,810	115,509	20,038	714,224
Operating expenses	(28,835)	(24,624)	(29,637)	(34,160)	(30,153)	(11,692)	(15,452)	(14,021)	(188,574)
Credit impairment losses	(22,994)	(31,459)	(25,623)	(45,476)	(19,352)	(12,688)	(29,696)	(6,203)	(193,491)
Other impairment losses	6	(54)	(205)	-	(6)	(65)	4,343	(457)	3,562
Share of (losses)/profits of associates and joint ventures	(3)	-	260	579	-	-	-	59	895
Profit before tax	57,613	53,160	49,667	41,982	55,709	4,365	74,704	(584)	336,616
Capital expenditure	3,280	1,401	2,638	2,559	1,899	1,031	5,321	7,363	25,492
Depreciation and amortisation	3,662	3,230	4,453	4,921	4,025	1,806	2,215	1,870	26,182
	31 December 2020								
Segment assets	4,873,490	3,942,366	6,667,011	4,416,305	3,985,433	1,451,185	10,577,145	1,433,729	37,346,664
Long-term equity investments	604	-	4,850	7,196	-	-	-	1,052	13,702
	4,874,094	3,942,366	6,671,861	4,423,501	3,985,433	1,451,185	10,577,145	1,434,781	37,360,366
Deferred tax assets									92,950
Elimination									(9,321,062)
Total assets									28,132,254
Segment liabilities	4,836,646	3,915,742	6,596,879	4,397,877	3,963,977	1,453,094	8,585,097	1,313,100	35,062,412
Deferred tax liabilities									1,551
Elimination									(9,321,062)
Total liabilities									25,742,901
Off-balance sheet credit commitments	608,353	588,398	693,095	648,284	446,579	162,120	-	266,701	3,413,530

(12) Operating segments (continued)

① Geographical segments (continued)

	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
	Twelve months ended 31 December 2019								
External net interest income	58,955	56,235	41,545	64,405	56,390	10,442	236,542	12,552	537,066
Internal net interest income/(expense)	19,231	16,158	36,168	26,827	25,367	13,445	(136,338)	(858)	-
Net interest income	78,186	72,393	77,713	91,232	81,757	23,887	100,204	11,694	537,066
Net fee and commission income	15,962	23,057	18,340	16,666	11,305	4,180	18,693	2,695	110,898
Net trading gain	97	202	180	188	111	6	8,319	17	9,120
Dividend income	77	5	138	30	11	-	74	849	1,184
Net gain/(loss) arising from investment securities	4,022	(255)	(26)	331	(416)	326	4,294	817	9,093
Net gain/(loss) on derecognition of financial assets measured at amortised cost	2	-	205	(1)	-	-	2,785	368	3,359
Other operating (expense)/income, net	(1,177)	545	1,199	423	1,179	301	209	4,602	7,281
Operating income	97,169	95,947	97,749	108,869	93,947	28,700	134,578	21,042	678,001
Operating expenses	(28,961)	(24,439)	(29,414)	(34,827)	(30,911)	(12,046)	(14,972)	(12,562)	(188,132)
Credit impairment losses	(15,250)	(17,040)	(34,529)	(34,405)	(28,665)	(8,122)	(22,166)	(2,823)	(163,000)
Other impairment losses	(31)	(29)	(250)	(28)	49	(27)	(169)	(36)	(521)
Share of profits of associates and joint ventures	-	-	8	225	-	-	-	16	249
Profit before tax	52,927	54,439	33,564	39,834	34,420	8,505	97,271	5,637	326,597
Capital expenditure	2,345	1,665	2,970	3,375	2,670	1,026	3,065	4,767	21,883
Depreciation and amortisation	3,516	3,066	3,802	4,489	3,756	1,739	2,044	1,515	23,927
	31 December 2019								
Segment assets	4,749,944	3,767,856	5,570,438	4,480,717	3,670,832	1,286,929	9,745,744	1,722,267	34,994,727
Long-term equity investments	1	-	3,764	6,971	-	-	-	617	11,353
	4,749,945	3,767,856	5,574,202	4,487,688	3,670,832	1,286,929	9,745,744	1,722,884	35,006,080
Deferred tax assets									72,314
Elimination									(9,642,133)
Total assets									25,436,261
Segment liabilities	4,738,703	3,754,627	5,473,747	4,488,214	3,678,278	1,290,772	7,817,032	1,601,437	32,842,810
Deferred tax liabilities									457
Elimination									(9,642,133)
Total liabilities									23,201,134
Off-balance sheet credit commitments	546,411	506,947	640,521	557,471	407,151	149,396	-	277,910	3,085,807

(12) Operating segments (continued)

② Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries..

(12) Operating segments (continued)

② Business segments (continued)

	Twelve months ended 31 December 2020				
	Corporate banking	**Personal banking**	**Treasury business**	**Others**	**Total**
External net interest income	187,158	174,543	190,605	23,603	575,909
Internal net interest income/(expenses)	69,181	92,384	(152,742)	(8,823)	-
Net interest income	256,339	266,927	37,863	14,780	575,909
Net fee and commission income	35,390	57,586	15,804	5,802	114,582
Net trading (loss)/gain	(1,656)	(37)	4,313	1,693	4,313
Dividend income	-	-	1	3,181	3,182
Net (loss)/gain arising from investment securities	(5,746)	(2,512)	5,729	8,294	5,765
Net gain on derecognition of financial assets measured at amortised cost	-	4,338	274	37	4,649
Other operating income, net	66	834	2,308	2,616	5,824
Operating income	284,393	327,136	66,292	36,403	714,224
Operating expenses	(71,198)	(90,202)	(10,485)	(16,689)	(188,574)
Credit impairment losses	(146,460)	(30,887)	(4,219)	(11,925)	(193,491)
Other impairment losses	(120)	-	4,327	(645)	3,562
Share of profits of associates and joint ventures	-	-	-	895	895
Profit before tax	66,615	206,047	55,915	8,039	336,616
Capital expenditure	6,179	8,725	762	9,826	25,492
Depreciation and amortisation	9,294	13,124	1,146	2,618	26,182
	31 December 2020				
Segment assets	9,235,872	7,409,563	10,077,510	1,472,784	28,195,729
Long-term equity investments	-	-	-	13,702	13,702
	9,235,872	7,409,563	10,077,510	1,486,486	28,209,431
Deferred tax assets					92,950
Elimination					(170,127)
Total assets					28,132,254
Segment liabilities	11,502,039	10,639,882	1,693,095	2,076,461	25,911,477
Deferred tax liabilities					1,551
Elimination					(170,127)
Total liabilities					25,742,901
Off-balance sheet credit commitments	2,115,619	1,031,210	-	266,701	3,413,530

(12) Operating segments (continued)

② Business segments (continued)

	Twelve months ended 31 December 2019				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	183,972	147,983	183,827	21,284	537,066
Internal net interest income/(expenses)	51,169	63,416	(107,464)	(7,121)	-
Net interest income	235,141	211,399	76,363	14,163	537,066
Net fee and commission income	32,376	56,312	14,628	7,582	110,898
Net trading (loss)/gain	(398)	(42)	3,712	5,848	9,120
Dividend income	-	-	2	1,182	1,184
Net (loss)/gain arising from investment securities	(2,835)	(2,921)	12,119	2,730	9,093
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	2,665	132	575	3,359
Other operating income, net	36	594	2,365	4,286	7,281
Operating income	264,307	268,007	109,321	36,366	678,001
Operating expenses	(68,178)	(91,230)	(12,045)	(16,679)	(188,132)
Credit impairment losses	(123,164)	(28,135)	(5,506)	(6,195)	(163,000)
Other impairment losses	(271)	-	(77)	(173)	(521)
Share of profits of associates and joint ventures	-	-	-	249	249
Profit before tax	72,694	148,642	91,693	13,568	326,597
Capital expenditure	5,888	8,890	945	6,160	21,883
Depreciation and amortisation	8,097	12,225	1,300	2,305	23,927
	31 December 2019				
Segment assets	8,132,225	6,658,229	9,070,449	1,739,892	25,600,795
Long-term equity investments	-	-	-	11,353	11,353
	8,132,225	6,658,229	9,070,449	1,751,245	25,612,148
Deferred tax assets					72,314
Elimination					(248,201)
Total assets					25,436,261
Segment liabilities	10,629,081	9,174,974	1,414,808	2,230,015	23,448,878
Deferred tax liabilities					457
Elimination					(248,201)
Total liabilities					23,201,134
Off-balance sheet credit commitments	1,789,423	1,018,474	-	277,910	3,085,807

THE ISSUER

China Construction Bank Corporation
Hong Kong Branch
中國建設銀行股份有限公司香港分行
28/F, CCB Tower
3 Connaught Road Central
Hong Kong

China Construction Bank Corporation
中國建設銀行有限公司
No. 25 Finance Street, Xicheng District
Beijing 100033
the People's Republic of China

FISCAL AGENT

China Construction Bank (Asia) Corporation Limited
20/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia)
Corporation Limited
20/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMU LODGING AND PAYING AGENT

China Construction Bank (Asia)
Corporation Limited
20/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

LEGAL ADVISERS

To the Issuer as to English law

Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong

To the Arrangers and Dealers as to English law

Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

To the Issuer as to PRC law

Global Law Office
15/F, Tower 1, China Central Place
No. 81 Jianguo Road
Beijing 100025
the People's Republic of China

To the Arrangers and Dealers as to PRC law

Beijing Dentons Law Offices, LLP
14/F, 15/F (Unit 07-12), CTF Finance Centre
No. 6 Zhujiang East Road
Zhujiang New Town, Guangzhou
the People's Republic of China

INDEPENDENT AUDITORS OF THE BANK

For the year ended 31 December 2018

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

From 1 January 2019 onwards

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

THE ISSUER

China Construction Bank Corporation, Luxembourg Branch
1, Boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg

FISCAL AGENT, REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
28/F, CCB Tower,
3 Connaught Road Central, Central
Hong Kong

LEGAL ADVISERS

To the Issuer as to English law and Hong Kong law

Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong

To the Issuer as to Luxembourg law

Linklaters LLP
35, Avenue J.F Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

To the Joint Lead Managers as to English law

Allen & Overy
9th Floor
Three Exchange Square
Central
Hong Kong

To the Issuer as to PRC law

Global Law Office
15/F, Tower 1, China Central Place
No. 81 Jianguo Road
Beijing 100025
the People's Republic of China

To the Joint Lead Managers as to PRC law

Beijing Dentons Law Offices, LLP
14/F, 15/F (Unit 07-12), CTF Finance Centre
No. 6 Zhujiang East Road
Zhujiang New Town, Guangzhou
the People's Republic of China

INDEPENDENT AUDITOR OF THE BANK

For the years ended 31 December 2017 and 2018

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

From 1 January 2019 onwards

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