

China Construction Bank
2013 Tailored U.S. Resolution Plan
Public Section



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Introduction

This is the public section of the tailored resolution plan for the U.S. operations of China Construction Bank Corporation and its subsidiaries (“CCB”). Both the public and confidential sections of the tailored U.S. resolution plan (the “Tailored U.S. Resolution Plan” or the “Plan”) of CCB are being prepared and filed to fulfill the requirements of Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and its implementing regulations (the “Final Rule”)¹ promulgated by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC”).

Section 165(d) of the Dodd-Frank Act and the Final Rule require any foreign bank or company that is a bank holding company or treated as a bank holding company under Section 8(a) of the International Banking Act of 1978 (the “IBA”) and that has \$50 billion or more in total consolidated assets (such company, a “covered company”) to submit to the Federal Reserve and the FDIC its plan for rapid and orderly resolution of its U.S. operations in the event of material financial distress or failure.

CCB is a foreign bank that is treated as a bank holding company pursuant to Section 8(a) of the IBA with total global consolidated assets of more than \$50 billion as of December 31, 2012. CCB is, therefore, a covered company and is required to submit periodically a resolution plan for its U.S. operations under Section 165(d) of the Dodd-Frank Act and the Final Rule.

The Final Rule permits certain eligible covered companies to file a “tailored” resolution plan. CCB has been approved by the Federal Reserve and the FDIC to file a tailored resolution plan for its 2013 submission on or before December 31, 2013.

Overview of China Construction Bank Corporation

CCB is one of the largest banks in the world—measured by market capitalization—with over 75 overseas branches in New York, Tokyo, Seoul, and Frankfurt. It offers a broad range of financial services to millions of personal customers and corporate clients. For its personal customers, CCB offers personal loans, deposit taking and wealth management, and card business, as well as remittance and agency services. For corporate clientele, CCB offers corporate loans, trade financing, deposit taking and wealth management, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services, guarantee services, etc. As a universal bank, CCB—the ultimate parent company of all subsidiaries, including CCBNY—is headquartered in Beijing, China. Its equity securities are listed on the Hong Kong Stock Exchange in Hong Kong.

CCB operates in the United States primarily through CCBNY, licensed by the New York State Department of Financial Services (“NYDFS”). The business activities of CCBNY include basic banking, loans, trade finance and corporate banking, U.S. dollar clearing, treasury and foreign exchange trading, and wholesale deposit-taking. CCBNY specializes in retail banking, private wealth management, commercial and business banking, commercial real estate and mortgage banking for customers doing business primarily in the United States. The treasury is responsible for foreign exchange activities and funding CCBNY. CCB also owns China Construction Bank International Overseas (USA) (“CCBIOUSA”) through

¹ 12 C.F.R. §243 (2012) and 12 C.F.R. § 381 (2012).

several subsidiary holding companies. CCBIUSA is a very small registered broker-dealer.² Pursuant to Federal Reserve Board Regulation K, CCBIUSA only conducts “permissible nonbanking activities” in the U.S. that are incidental to the international business of CCB. CCBIUSA only conducts business with U.S. and international institutional investors.

1. Material Entities

Under the Final Rule, a “Material Entity” means a subsidiary or foreign office of the covered company that is significant to the activities of a Critical Operation or Core Business Line.

CCBNY is the only material entity for the purposes of this Plan. CCBNY engages in basic banking, loans, Trade Finance and Corporate Banking, U.S. Dollar Clearing, Treasury and foreign exchange trading, and wholesale deposit-taking. CCBNY funds its US operations through a diversified deposit base, by issuing short-term and long-term debt, borrowing under unsecured financing facilities, and, as necessary, through capital contributions from parent entities.

2. Core Business Lines

The Final Rule defines “Core Business Lines” as “those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.”

The core business lines and the sub-lines of business comprising CCBNY are the following:

Trade Finance and Corporate Banking (“TFCB”)

CCBNY engages in underwriting commercial loans and participates in syndication lending, including establishing letter of credit facilities, letter of credit issuance, negotiation, advising, payment, and other trade-related activities.

Treasury

CCBNY funds its U.S. operations through a diversified deposit base, by issuing short-term and long-term debt, borrowing under unsecured financing facilities, and—as necessary— through capital contributions from CCB.

US Dollar Clearing (“USD Clearing”)

CCBNY provides USD Clearing services for CCB and CCB customers.

² For the purposes of the Plan, CCBIUSA is a de minimis subsidiary of CCB, due to its negligible activity and assets when compared with CCBNY.

3. Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

3.1 Balance Sheet Information

Figure 1 depicts CCBNY's balance sheet for the year ending December 31, 2012.

Figure 1: CCBNY's Consolidated Balance Sheet for the Year Ended 2012

<i>As of December 31, 2012</i>		
<i>(\$USD in thousands)</i>		
CCBNY Balance Sheet		
Assets	\$ Amount	% of Total Assets
Cash and due from banks		
Due from FRB-NY	9,250,644	82.8%
Due from customers	896	0.0%
Due from CCB branches	112,115	1.0%
Total cash and due from banks	9,363,655	83.8%
Securities available for sale	195,171	1.7%
Loans and advances		
Due from third parties	1,189,560	10.6%
Due from CCB branches	396,221	3.5%
Less: Unearned discount	(5,186)	0.0%
Total loans and advances	1,580,595	14.2%
Allowance for loan losses	(1,276)	0.0%
Other assets		
Furniture, fixtures, equipment, and leasehold	1,755	0.0%
Accrued interest receivable	9,762	0.1%
Other assets	19,958	0.2%
Total other assets	31,475	0.3%
Total assets	11,169,620	100.0%
<i>Memo: Gross due from affiliates</i>	<i>508,336</i>	<i>4.6%</i>
<i>Source: CCBNY Audited Balance Sheet as of December 31, 2012</i>		

As of December 31, 2012

(\$USD in thousands)

CCBNY Balance Sheet

Liabilities & Equity	\$ Amount	% of Total Assets
Demand deposits		
Third party	136,988	1.2%
CCB Head Office	8,556,862	76.6%
CCB branches	119,273	1.1%
CCB subsidiaries	11,080	0.1%
Total demand deposits	8,824,203	79.0%
Time deposits		
Third party	238,666	2.1%
CCB Head Office	150,000	1.3%
Total time deposits	388,666	3.5%
Other third party funding		
Yankee CDs	1,695,000	15.2%
Borrowings	175,000	1.6%
Total other third party funding	1,870,000	16.7%
Total funding	11,082,869	99.2%
Other liabilities		
Accrued interest payable	5,296	0.0%
Due to Head Office	2,250	0.0%
Other liabilities	21,385	0.2%
Total other liabilities	28,931	0.3%
Total liabilities	11,111,800	99.5%
Head Office equity		
Contributed capital	30,000	0.3%
Accumulated other comprehensive income	171	0.0%
Retained earnings	27,649	0.2%
Total head office equity	57,820	0.5%
Total liabilities and equity	11,169,620	100.0%
<i>Memo: Gross due to affiliates</i>	<i>8,839,465</i>	<i>79.1%</i>
<i>Source: CCBNY Audited Balance Sheet as of December 31, 2012</i>		

3.2 Major Funding Sources

CCBNY's primary sources of funds include the following:

- Corporate deposits (DDAs and time deposits issued to corporate customers);
- Interbank funding (DDAs and borrowings from financial institutions);
- Yankee CDs, primarily issued to financial institutions;
- CCB surplus liquidity, primarily from Head Office;³ and
- Head Office funding in the form of time deposits.

3.3 Capital

As a New York State chartered branch, CCBNY is subject to minimum asset pledge requirements, otherwise known as minimum capital equivalency requirements. Pursuant to New York State banking regulations, CCBNY must keep on deposit an amount equal to the greater of 1% of its third-party liabilities, or \$2 million. At December 31, 2012, CCBNY was required to pledge at least \$28.5 million in eligible assets. CCBNY met this requirement by pledging negotiable CDs in the amount of \$30 million to the NYSDFS.

4. Derivatives Activities and Hedging Activities

CCBNY enters into foreign currency contracts and interest rate swaps for hedging purposes and these derivatives are recognized on the balance sheet at fair value.

5. Memberships in Material Payment, Clearing and Settlement Systems

CCBNY is a direct participant in Fedwire Funds Service ("Fedwire") and the Clearing House Interbank Payments System ("CHIPS"), which are both mapped to the USD Clearing business line.

Fedwire is a real-time gross settlement system owned and operated by the Federal Reserve Bank in which participants initiate payment orders that are individually processed and settled in central bank money in real time upon receipt. Once settled, Fedwire funds transfers are final and irrevocable. CCBNY accesses Fedwire via FedLine Advantage, which allows participants to create and submit Fedwire funds and securities transfer messages, as well as view messages via a web-based tool.

CHIPS is the largest private-sector U.S.-dollar funds-transfer system in the world. CHIPS operates on a global business day and utilizes a sophisticated liquidity savings mechanism to provide fast, final payments while maximizing liquidity efficiency for participating banks. CHIPS is operated by The Clearing House.

³ CCB affiliates place overnight USD funds at CCBNY, which CCBNY deposits at FRB-NY on an overnight basis.

On a very limited, non-material basis, CCBNY indirectly accesses the Depository Trust and Clearing Corporation through Bank of New York for security settlement services and uses JPMorgan Chase to clear CHIPS payments on CCB's behalf.

6. Description of Foreign Operations

CCBNY represents the U.S. operations of CCB. CCBNY itself has no foreign operations.

7. Identities of Material Supervisory Authorities

The People's Bank of China is China's central bank, which administers monetary policy and regulates financial institutions in China to ensure overall financial stability. It manages payment, clearing, and settlement systems of the banking sector and oversees foreign exchange policies. PBOC supervises CCB via on-site examinations, such as CCB's compliance with AML, and off-site monitoring.

The China Banking Regulatory Commission is authorized by the State Council of the People's Republic of China to regulate and supervise financial institutions. It has authority over China Construction Bank Corporation and its material entities. The overseas financial operations of CCB are under supervision of their local jurisdictions.

The New York State Department of Financial Services is responsible for regulating financial services and products, including those subject to the New York Insurance and Banking Laws.

8. Identities of Principal Officers

China Construction Bank Corporation Senior Management is composed of:

- Zhang Jianguo - President
- Zhu Hongbo - Executive vice president
- Hu Zheyi - Executive vice president
- Pang Xiusheng - Executive vice president; Chief financial officer
- Zhao Huan - Executive vice president
- Zhang Gengsheng - Executive vice president
- Yang Wensheng - Member of senior management
- Zeng Jianhua - Chief risk officer
- Huang Zhiling - Chief economist
- Yu Jingbo - Chief audit officer
- Chen Caihong - Secretary to the Board
- Xu Huibin - Controller of wholesale banking
- Wang Guiya - Controller of investment and wealth management
- Zheng Peiling - Company secretary
- Yuen Yiu Leung - Qualified Accountant

Note: The 6th Board of Directors meeting of CCB in 2013 has appointed Mr. Yang Wensheng as Executive vice president. The qualification of Mr. Yang Wensheng to hold office is subject to CBRC approval.

9. Description of Corporate Governance Structure and Processes Related to Resolution Planning

Recovery and resolution planning involves several levels of CCB's corporate structure. Ultimate responsibility for all corporate governance of CCB resides with the CCB Board of Directors ("CCB Board"), but it may delegate its authority and oversight responsibilities. Generally, the CCB Board delegates responsibilities to its specific committees, which in turn may delegate responsibility to individual employees at Head Office, or relevant committees or individuals at its subsidiaries or branches. Regarding resolution planning for all of the U.S. operations of CCB, the CCB Board has delegated its authority to approve the Plan to Executive Vice President in charge of international business. Hu Zheyi is uniquely positioned to approve of the Plan due to his position as Executive Vice President in charge of international business and his position on three key CCB Board committees.

CCBNY created the U.S. Recovery and Resolution Plan Committee ("Resolution Committee") in February 2013. It meets monthly to provide ongoing oversight of the development, implementation, and maintenance of the Plan. The Resolution Committee is composed of the General Manager, Deputy General Managers, Chief Financial Officer, and the heads of Trade Finance, Operations and Technology, Risk Management, and Treasury, plus the Managing Director of CCBIUSA. It is chaired by the CFO. Resolution Committee meetings are held in tandem with Management Committee meetings on a monthly basis and resolution planning discussions are the sole regular agenda item.

The Resolution Committee plays a part in the overall corporate governance of CCBNY. The Branch is governed by its General Manager, Jun Zhang. While the daily management of CCBNY is the responsibility of the GM, he is supported by several key committees, which review and evaluate the different areas relating to CCBNY's business, tasks, and responsibilities.

10. Description of Material Management Information Systems

CCBNY relies on key management information systems ("MIS") for financial, accounting, risk management, operations, and regulatory reporting. CCB maintains a core banking system that seamlessly integrates with all other systems; it allows information recorded in other systems to flow into it, and sends out data necessary to operate peripheral systems and populate relevant reporting templates. These reports are regularly created on a daily or monthly basis, but management retains the ability to produce them on a more frequent or ad-hoc basis, when the need arises.

The majority of the MIS are owned and controlled by CCB or CCBNY. In some cases, a third-party vendor licenses a MIS to CCB. For these MIS, CCB controls its own version of the software in order to fulfill its needs. All MIS are routinely tested for security and operational purposes. CCBNY created and maintains a Business Continuity Plan to ensure continuity in the event of a disruption to its operations or systems.

11. Summary of the Resolution Strategy

CCB's Plan calls for the orderly resolution of all operations within the United States (all of which are located in New York State). During resolution, CCBNY will continue to provide USD Clearing services and its unencumbered liquid assets, consisting of liquid syndicated and bilateral corporate loans, will be sold.

Although it is implausible that China would permit CCB to reach a state of financial distress that would prompt intervention by U.S. authorities, the Plan addresses the resolution of CCB's U.S. operations involving U.S. resolution proceedings, which may involve the Superintendent of the NYSDFS.

The Plan does not assume any extraordinary assistance during the resolution process, whether from New York State, the United States or any supervisory authority therein, CCB, or any of the countries that are host to CCB. The Plan assumes that CCBNY will not receive any funds due from CCB during resolution, nor will it pay any liabilities owed to CCB, but that CCB will continue to contribute \$200 million in corporate bonds to the FRB-NY Discount Window for the benefit of CCBNY and will not remove all excess liquidity from the Branch.