中国建设银行
China Construction Bank

Annual Report 2016

CORPORATE INTRODUCTION

China Construction Bank Corporation, headquartered in Beijing, is a large-scale joint stock commercial bank leading in China. Its predecessor China Construction Bank was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2016, the Bank's market capitalisation reached US$192,626 million, ranking fifth among all listed banks in the world. In terms of Tier 1 capital, the Group ranked second among the World's Top 1000 Banks by the UK magazine *The Banker* in 2016.

With 14,985 banking stores and 362,482 staff members, the Bank provides services to hundreds of millions of personal and corporate customers, and maintains close cooperation with leading enterprises in strategic industries in the Chinese economy and numerous high-end customers. The Bank has commercial banking branches and subsidiaries in 29 countries and regions with 251 overseas entities, and its subsidiaries cover various industries, including asset management, financial leasing, trust, life insurance, property & casualty insurance, investment bank, futures and pension.

By accelerating the process of transformation and development toward being an innovative integrated banking group with multi-functional and smart services as well as intensive management, the Bank commits to developing itself into a bank with top value creation capability. The Bank strives to achieve the balance between short-term and long-term benefits, between business goals and social responsibilities, so as to maximise the value for customers, shareholders, society and its associates.

VISION

Build a world class banking group with top value creation capability.

MISSIONS

Provide better service to our customers, create higher value to our shareholders, build up a broader career platform for our associates, and assume full responsibilities as a corporate citizen.

CORE VALUES

Integrity, Impartiality, Prudence, and Creation

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www.ccb.com

To uphold the customer-oriented and market-oriented principles. To continue to serve the real economy and promote reform and innovation. To keep strengthening its abilities in serving the country's construction, preventing financial risks and participating in international competition. To accelerate integration, multi-functionality, intensive management, innovation and smartness. To develop the Bank into a modern commercial banking group with the best ability in value creation.


HUMANITY
中国建设银行
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INTELLIGENCE


RESPONSIBILITY

FINANCIAL HIGHLIGHTS

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

(Expressed in millions of RMB unless otherwise stated)	2016	2015	Change (%)	2014	2013	2012
For the year						
Net interest income	**417,799**	457,752	(8.73)	437,398	389,544	353,202
Net fee and commission income	**118,509**	113,530	4.39	108,517	104,283	93,507
Other net non-interest income	**23,552**	15,405	52.89	10,825	17,313	15,824
Operating income	**559,860**	586,687	(4.57)	556,740	511,140	462,533
Operating expenses	**(171,515)**	(194,826)	(11.97)	(195,988)	(188,185)	(171,081)
Impairment losses	**(93,204)**	(93,639)	(0.46)	(61,911)	(43,209)	(40,041)
Profit before tax	**295,210**	298,497	(1.10)	299,086	279,806	251,439
Net profit	**232,389**	228,886	1.53	228,247	215,122	193,602
Net profit attributable to equity shareholders of the Bank	**231,460**	228,145	1.45	227,830	214,657	193,179
As at 31 December						
Gross loans and advances to customers	**11,757,032**	10,485,140	12.13	9,474,510	8,590,057	7,512,312
Allowances for impairment losses on loans	**(268,677)**	(250,617)	7.21	(251,613)	(228,696)	(202,433)
Total assets	**20,963,705**	18,349,489	14.25	16,744,093	15,363,210	13,972,828
Deposits from customers	**15,402,915**	13,668,533	12.69	12,899,153	12,223,037	11,343,079
Total liabilities	**19,374,051**	16,904,406	14.61	15,492,245	14,288,881	13,023,283
Total equity attributable to equity shareholders of the Bank	**1,576,500**	1,434,020	9.94	1,241,510	1,065,951	941,668
Share capital	**250,011**	250,011	–	250,011	250,011	250,011
Total capital after deduction[1]	**1,783,915**	1,650,173	8.10	1,516,310	1,316,724	N/A
Risk-weighted assets[1]	**11,937,774**	10,722,082	11.34	10,203,754	9,872,790	N/A
Per share (In RMB)						
Basic and diluted earnings per share	**0.92**	0.91	1.10	0.91	0.86	0.77
Final cash dividend proposed after the reporting period	**0.278**	0.274	1.46	0.301	0.30	0.268
Net assets per share	**6.28**	5.78	8.65	5.01	4.30	3.80

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

Financial ratios (%)	2016	2015	Change +/(-)	2014	2013	2012
Profitability indicators						
Return on average assets[1]	**1.18**	1.30	(0.12)	1.42	1.47	1.47
Return on average equity	**15.44**	17.27	(1.83)	19.74	21.23	21.98
Net interest spread	**2.06**	2.46	(0.40)	2.61	2.56	2.58
Net interest margin	**2.20**	2.63	(0.43)	2.80	2.74	2.75
Net fee and commission income to operating income	**21.17**	19.35	1.82	19.49	20.40	20.22
Cost-to-income ratio[2]	**27.51**	27.02	0.49	28.92	29.65	29.60
Capital adequacy indicators						
Common Equity Tier 1 ratio[3]	**12.98**	13.13	(0.15)	12.11	10.75	N/A
Tier 1 ratio[3]	**13.15**	13.32	(0.17)	12.11	10.75	N/A
Total capital ratio[3]	**14.94**	15.39	(0.45)	14.86	13.34	N/A
Total equity to total assets	**7.58**	7.88	(0.30)	7.48	6.99	6.80
Asset quality indicators						
Non-performing loan (NPL) ratio	**1.52**	1.58	(0.06)	1.19	0.99	0.99
Allowances to NPLs	**150.36**	150.99	(0.63)	222.33	268.22	271.29
Allowances to total loans	**2.29**	2.39	(0.10)	2.66	2.66	2.69

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

CHARTS OF THE BANK'S PRICES OF A-SHARE AND H-SHARE IN 2016

Chart of the Bank's A-share price

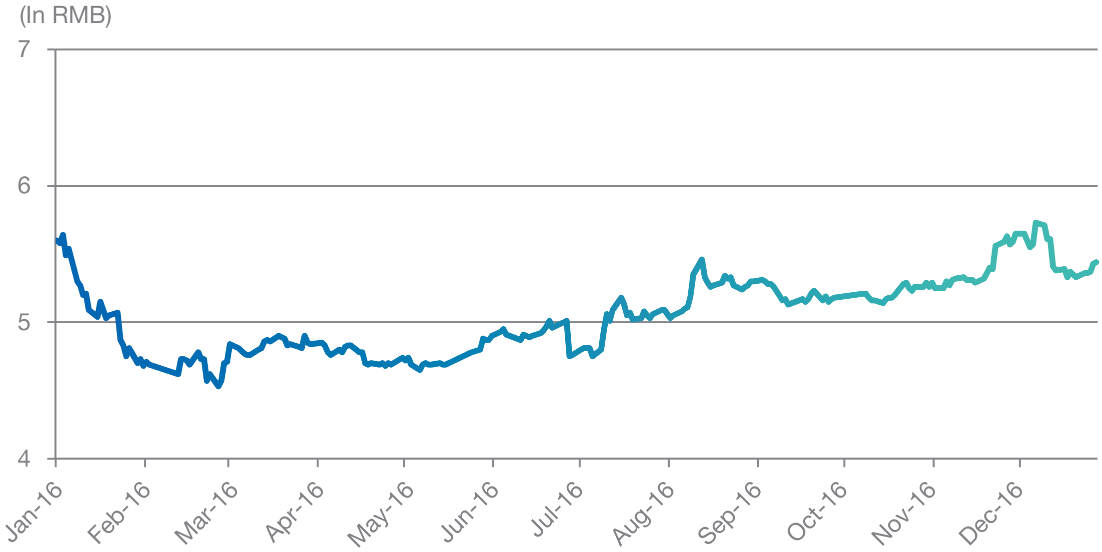
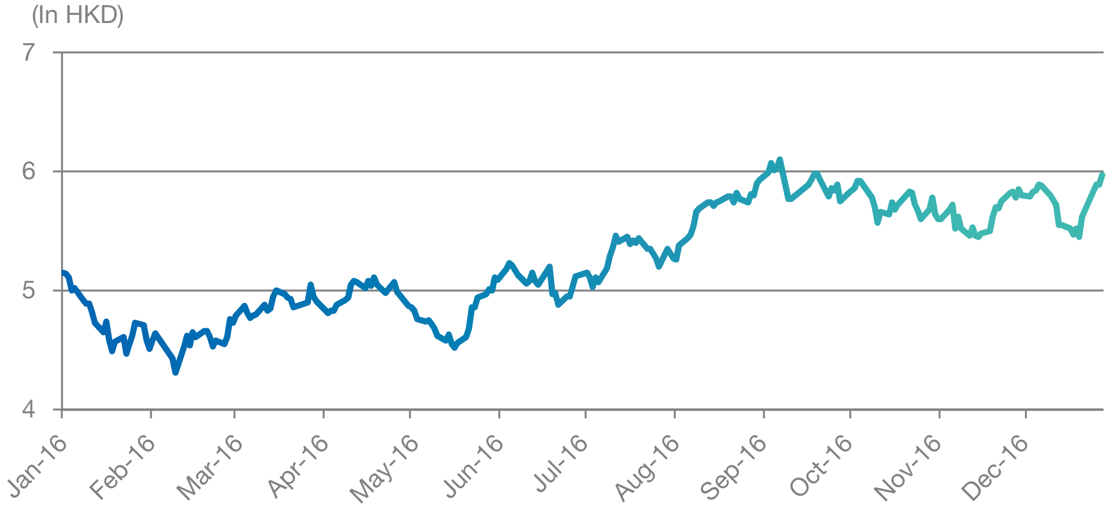


Chart of the Bank's H-share price



RANKINGS AND AWARDS

EUROMONEY

Best Bank in China 2016

GLOBAL FINANCE

Best Consumer Bank in China 2016

Best Bank for Liquidity Management in Asia-Pacific Region 2016

Best Treasury and Cash Management Providers in China 2016

Best Custodian Bank in China 2016

THE BANKER

Ranked 2nd in the "Top 1000 World Banks ranking for 2016"

FORTUNE

Ranked 22nd in the "Fortune Global 500" in 2016

INSTITUTIONAL INVESTOR

Diamond Award for RMB Internationalization Service

THE ASIAN BANKER

Best Large-Scale Retail Bank 2016

CHINA BUSINESS NETWORK

"Bank of the Year" in China Financial Value Ranking

CHINA YOUTH DEVELOPMENT FOUNDATION

Project Hope Outstanding Contribution Award

THE CHINESE BANKER

Best Commercial Bank

Most Popular State-owned Commercial Bank 2016

CORPORATE INFORMATION

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB")
Legal representative	Wang Hongzhang
Authorised representatives	Wang Zuji Ma Chan Chi
Secretary to the Board	Chen Caihong
Representative of securities affairs	Xu Manxia
Contact address	No. 25, Financial Street, Xicheng District, Beijing
Contact telephone	86-10-66215533
Facsimile	86-10-66218888
Email address	ir@ccb.com
Company secretary	Ma Chan Chi
Qualified accountant	Yuen Yiu Leung
Registered address, office address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn

"HKEXnews" website of Hong Kong Stock Exchange for publishing the annual report prepared in accordance with IFRS	www.hkexnews.hk	
Place where copies of this annual report are kept	Board of Directors Office of the Bank	
Listing stock exchanges, stock abbreviations and stock codes	A-share:	Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939
	H-share:	The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939
	Offshore preference share:	The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB 15USDPREF Stock code: 4606
Certified public accountants	PricewaterhouseCoopers Zhong Tian LLP Address: 11/F, PricewaterhouseCoopers Centre, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai Signing accountants: Ye Shaokuan and Wu Weijun PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong	
Legal advisor as to PRC laws	Haiwen & Partners Address: 20/F, Fortune Financial Centre, 5 Dongsanhuan Central Road, Chaoyang District, Beijing	
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong	
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 3/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai	
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	

CHAIRMAN'S STATEMENT

Wang Hongzhang
Chairman and executive director

Dear shareholders,

In 2016, the global economy recovered slowly, and economic development faced great uncertainty and endured an insufficient growth momentum. China witnessed a good beginning of "the 13th Five Year Plan", with its economy maintaining slow yet stable growth towards a positive trend of development. However, there were still some obvious problems existing in the economic operation of China. In the face of such an extraordinarily complex external environment, the Group persisted in serving the real economy, proactively supported the supply-side structural reform, pushed development through transformation, led innovation through reform, and ensured quality through risk control. As a result, various businesses of the Group recorded stable and sound performance.

At the end of 2016, the Group's total assets exceeded RMB20 trillion. After absorbing the impact of five consecutive reductions of interest rates in the previous year and keeping stable allowances to non-performing loans (NPLs), the Group recorded a net profit of RMB232,389 million, a year-on-year increase of 1.53%, realising the goals of stable operation and quarterly improvements on profit growth. Our key financial indicators continued to lead the main peers. The return on average assets and the return on average equity were 1.18% and 15.44% respectively. Total capital ratio and common equity tier one ratio of the Group were 14.94% and 12.98% respectively. Cost-to-income ratio was 27.51%, with earnings per share at RMB0.92. On account of the good operating results, the Board proposed a final cash dividend of RMB0.278 per share (including tax).

We persisted in serving the real economy by following national economic strategies. The Group closely followed up the implementation of key national strategies including "the Belt and Road", Yangtze River Economic Belt, coordinated development of Beijing-Tianjin-Hebei region and the internationalisation of RMB, proactively leveraged on the new growth momentum of local infrastructure construction, and seized business opportunities arising from strategic emerging industries, advanced manufacturing industries and the transformation and upgrade of traditional industries. The Group supported the development of real economy through various credit and non-credit financing channels including loans, wealth management, debt securities, leasing and trust, with the balance of infrastructure loans amounting to RMB2.90 trillion. In response to the supply-side structural reform, we continued to reduce credit to steel, cement, electrolytic aluminium and other industries with excess capacity, pioneered to provide market-oriented debt-to-equity swap service as governed by relevant laws, and granted more loans to small and micro enterprises as well as agriculture-related areas. We vigorously supported international capacity cooperation and "Going Global" strategy of enterprises, and carried forward RMB businesses in off-shore markets, with the accumulated amount of RMB clearing in CCB London Branch exceeding RMB12 trillion, making the UK the largest RMB clearing centre outside Asia.

We comprehensively pushed forward "five transformations", maintaining the pre-emptive market advantages. Through continuous reform in the system and mechanism, innovation in products and business models, and full use of the latest scientific and technological achievements, the Group explored a new path that suited its transformation and development. In the aspect of integrated operational layout, we have been pioneering the market. In 2016, we newly added a property and casualty insurance company and a cost consulting company, keeping the leading position in terms of the number of non-banking and pan-finance licenses among peers. The market ranking and competitiveness of our subsidiaries saw a prominent improvement. We completed our global institutional layout basically, which covered 29 countries and regions, and the growth rates of total assets and net profit of overseas commercial banks reaching 16.19% and 3.24% respectively. Strategic synergies between parent company and subsidiaries have been constantly deepened. We have increasingly refined our multi-functional services. We enhanced the ability of customised services based on platform establishment, and took lead in building financial ecosystem in key areas including social security, medical and healthcare, public transportation, culture and education, and communities. We have made stable and orderly adjustments in intensive management. We promoted the integration of operation centres regarding customer services, business handling, documentary business, and custody operation, and established business centres directly managed by the head office for assets management, financial institutional business and financial market business, thereby facilitating the optimisation of resources allocation and operational efficiency. The Group's intensive use of capital achieved outstanding results, with the growth rate of risk-weighted assets for on and off-balance sheet significantly lower than that of businesses. We have recorded numerous highlights in creating an innovative bank. In 2016, we launched over 1,900 innovative products, established new business models including global cash management and smart scenario applications, and innovated the customer segmentation and operational methodology. In addition, we launched "Long Pay" to build new advantages in payments and settlements for all scenarios. We have continued to release functions relating to smart banking. The main project of "New Generation" core banking system was well completed, providing a solid support for the Group's transformation and development and business innovation. The enterprise-level big data platform was built up initially, with smart marketing and multiple other applications implemented. Moreover, we released the smart function of "One-click Signing" for major businesses towards individual customers. We accumulatively placed 43,000 smart teller machines (STMs) handling over 217 million transactions.

We established a comprehensive network of risk prevention with quarterly improvement in asset quality. The Group constantly improved the enterprise-wide system of risk management over credit and non-credit businesses, the parent company and subsidiaries, and domestic and overseas operations, with penetration to the level of customers and underlying assets. We also ensured full coverage and management of all entities, staff members, businesses, processes and all risk types. We promoted the pilot system of compliance officer and the establishment of compliance system, and introduced big data and IT system control approaches, strengthening the comprehensive defensive line for compliance through our front, middle and back offices. We established a mechanism under which the management team joined in the risk management at an earlier stage to prevent, control and mitigate risks; we leveraged on big data and our models to enhance risk early-warning system; we closely tracked and prevented risks arising from fluctuations in exchange market, bond market, stock market and commodity market; we proactively adjusted credit structure, and tightly controlled risk exposures in response to the trend in industrial upgrades and the supply-side structural reform; we innovated market-oriented approaches of non-performing assets disposal to improve the recovery and revitalising rates. The asset quality of the Group became stable and achieved quarterly improvement. The Group's NPL ratio was 1.52%, a decrease of 0.06 percentage points from 2015.

We proactively fulfilled corporate social responsibilities. In 2016, we made charitable donations of RMB74.42 million to various areas including education, medical and healthcare, poverty alleviation, disaster rescue and environmental protection. The Group continued to donate to programmes including sponsorship for high school students, impoverished mothers of heroes and exemplary workers and "Healthy Mother Express", and support CCB Hope Primary Schools and regions seriously stricken by flood and earthquake. We conducted targeted poverty alleviation in a solid way. To practise the philosophy of green development, we increased green credit extension. We newly established the Consumer Rights Protection Department so as to integrate such protection into daily operation and management.

In 2016, we received over 100 awards from various well-known organisations both at home and abroad, including the "Best Bank in China" from *Euromoney*, the "Best Consumer Bank" and the "Best Bank for Liquidity Management in Asia-Pacific Region" in 2016 from *Global Finance*, the "Diamond Award for RMB Internationalization Service" from *Institutional Investor*, the "Best Large-Scale Retail Bank in China" from *The Asian Banker*, and the "Most Social Responsible Financial Institution Award" from China Banking Association. The Group ranked second in terms of tier-one capital in the UK magazine *The Banker's* "World's Top 1000 Banks" in 2016 and ranked 22nd in the "World's Top 500" of the US magazine *Fortune* in 2016.

Ms. Chen Yuanling, Mr. Xu Tie, Ms. Margaret Leung Ko May Yee and Mr. Guo Yanpeng resigned from their posts due to term arrangement and work change. At the 2015 annual general meeting, Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok and Mr. Murray Horn were re-elected as independent non-executive directors, and Ms. Anita Fung Yuen Mei and Mr. Carl Walter were newly elected as independent non-executive directors. On behalf of the Board, I would like to take this opportunity to express sincere gratitude to the resigned directors for their contributions to the Group, and extend our warm welcome to the new members.

The year of 2017 is not only crucial for implementing the State's "13th Five Year Plan" and pushing forward various reforms comprehensively, but also a vital time window for the Group's transformation as if in the middle of a chess game. The Group will focus on the real economy service and supply-side structural reform with right insight on the macro trend, constantly consolidate the foundation for further development and deliver transformation bonus so as to bring good returns to our shareholders and customers.

Wang Hongzhang
Chairman
29 March 2017

PRESIDENT'S REPORT

Wang Zuji
Vice chairman, executive director and president

Dear shareholders,

Following the turning wheel of seasons, the Group unswervingly implemented national strategies, and reinforced the efforts in serving the real economy in 2016. It persisted in steady operation, promoted transformation and development, consolidated business foundation and traditional advantages, and comprehensively enhanced risk management and control, achieving favourable operating results.

ADHERING TO THE PHILOSOPHY OF STABLE DEVELOPMENT WITH STEADY AND SOUND OPERATING RESULTS

Assets and liabilities reaped steady growth. At the end of 2016, the Group's total assets reached RMB20.96 trillion, a year-on-year increase of RMB2.61 trillion or 14.25%, in which gross loans and advances to customers were RMB11.76 trillion, up by RMB1.27 trillion or 12.13% over 2015. The Group's total liabilities reached RMB19.37 trillion, a year-on-year increase of RMB2.47 trillion or 14.61%, in which total deposits from customers were RMB15.40 trillion, up by RMB1.73 trillion or 12.69% over 2015.

Core financial indicators performed well. The Group proactively mitigated the impact of five consecutive reductions of interest rates and liberalisation of interest rates, achieving a net profit of RMB232,389 million, a year-on-year increase of 1.53%. Net fee and commission income was RMB118,509 million, the proportion of which to operating income increasing by 1.82 percentage points over that in 2015. The Group's return on average assets was 1.18%, return on average equity was 15.44%, net interest margin was 2.20%, cost-to-income ratio was 27.51% and total capital ratio was 14.94%, all leading among peers.

FOCUSING ON SERVING THE REAL ECONOMY WITH CONTINUOUSLY OPTIMISED ASSETS STRUCTURE

The Group facilitated the implementation of supply-side structural reform by closely keeping up with national development strategies. The Group persisted in serving the real economy as top priority in its business operation, and fully supported the implementation of major strategies including "the Belt and Road", the coordinated development of the Beijing-Tianjin-Hebei region, and the Yangtze River Economic Belt. Loans to infrastructure sectors totalled RMB2.90 trillion, a year-on-year increase of RMB188,371 million or 6.96% over 2015. The Group took the lead in providing market-oriented debt-to-equity swap service to central government-owned and local government-owned enterprises as well as private enterprises, and entered into market-oriented debt-to-equity swap agreements totalling RMB222 billion with customers, effectively reducing their debt to asset ratio. The Group continued with its efforts in fee exemption and reduction, as well as lowering corporate financing cost. It boosted inclusive finance with increased support to enterprises of "mass entrepreneurship and innovation". The loans to small and micro enterprises amounted to RMB1.44 trillion, meeting the regulatory requirement of "Three No Less Than", while agriculture-related loans were RMB1.69 trillion. Loans to the five industries with severe excess capacity, including iron and steel, cement, electrolytic aluminium, plate glass, as well as the shipbuilding sector, decreased by RMB4,986 million over 2015.

The Group enhanced assets structure adjustment and created new advantages in retail business. It vigorously developed assets business with low capital occupation and high capital returns and reduced inefficient use of capital. The balance of wealth management products (WMPs) reached RMB2.13 trillion, up by RMB507,466 million or 31.36% over 2015. Domestic financial institutional business assets were RMB1.03 trillion, a year-on-year increase of RMB320,739 million or 45.08%. Domestic personal loans were RMB4.34 trillion, a year-on-year increase of RMB871,539 million, accounting for 68.52% of the increase in the Group's total loans. In this amount, residential mortgages reached RMB3.59 trillion, up by RMB811,752 million or 29.26% over 2015, with both the balance and the increase ranking first among peers. The Group seized business opportunities arising from traditional consumer demand upgrade and new consumer behaviour, and focused on the establishment of financial ecosystem for personal customers by expanding the influence of products such as "Rapid Personal Loan Online", credit card revolving loans and consumer instalments, with the balance of credit loans and personal consumer loans totalling RMB517,040 million, a year-on-year increase of RMB71,339 million or 16.01%.

PROPELLING IMPLEMENTATION OF STRATEGIC TRANSFORMATION WITH RAPID DEVELOPMENT OF EMERGING BUSINESSES

The Group quickened its pace of transformation and development to improve its ability to provide integrated services. It established three centres under the direct operation of the head office, in assets management, financial institutional business and financial market trading, creating a more intensive operating system. It took full advantage of its leading position in the number of non-banking and pan-finance licenses to strengthen the synergistic collaboration between the parent company and subsidiaries, and the growth rate of integrated operational subsidiaries' net profit was 35.81%, reflecting new progress made in the Group's income diversification. The Group completed the establishment of global financial service network, realising the ability of providing cross-time zone, cross-region, multi-currency and 24/7 financial services. E-finance business focused on building financial ecosystems, carrying forward the transformation of service model from traditional banking to comprehensive electronic banking. The number of account transactions through electronic banking and self-service channels accounted for 97.82% of all, up by 2.24 percentage points over 2015. The platforms of "Joy Life" and e.ccb.com developed fast. The Group took the lead among peers to launch a brand new payment product "Long Pay" with technologies including NFC, QR Code and face recognition, covering all on-line and off-line scenarios.

The Group pushed forward the development of emerging businesses to explore new growth points of profitability. The trading and market-making ability in the financial market improved while precious metals and commodities business achieved a net income of RMB5,827 million, a year-on-year increase of RMB1,986 million or 51.71%. It accumulatively undertook a total of 590 batches of debt financing instruments for non-financial enterprises with an amount of RMB561,574 million, and the volume of underwriting and the number of underwriting batches ranked first in the market for the sixth consecutive year. It focused on promoting "CCB Investment Banking®" brand, and provided customers with comprehensive financing products and advisory services through "Financial Total Solutions (FITS®)". Assets under custody amounted to RMB9.25 trillion, a year-on-year increase of RMB2.08 trillion or 29.05% over 2015. The accumulative number of credit cards issued reached 94.07 million, an increase of 13.33 million over 2015, with the total spending amount through credit cards totalling RMB2.40 trillion and multiple indicators including the number of increased customers, increased credit cards and asset quality leading the industry.

STRENGTHENING COMPREHENSIVE RISK MANAGEMENT WHILE KEEPING STABLE ASSET QUALITY

The Group enhanced credit risk management and control and adhered to the bottom line of risk prevention. The Group conducted overall monitoring of comprehensive credit risk at the Group level, covering the Bank and its subsidiaries, on and off-balance businesses, credit business and credit-like business, as well as domestic and overseas businesses. It strengthened credit approval management within the Group, promoted the establishment of a differentiated system for comprehensive credit assessment and approval, and made dynamic adjustments on authorisation mechanism to improve the level of differentiation in authorisation. The Group substantially improved disposal structure through various channels, including cash recovery, loan restructuring, batch transfer and securitisation of non-performing assets, leading to more recovery from disposals. The assets quality continued to indicate improvement, and the overdue loans became less than non-performing loans, for the first time since the year of 2012, by RMB591 million. The special mention loans accounted for 2.87% of total loans, a decrease of 0.02 percentage points over 2015. At the end of 2016, the Group's NPLs were RMB178,690 million, and the increase of NPLs in 2016 was less than that in 2015 by RMB40,099 million. The NPLs ratio was 1.52%, a decrease of 0.06 percentage points over 2015, and the ratio of allowances to NPLs reached 150.36%, meeting the regulatory requirement.

The Group refined comprehensive risk management system and reinforced control on various risks. It enhanced centralised liquidity management, and maintained the liquidity coverage ratio at a reasonable level and liquidity risk at a controllable level. It promoted the establishment of risk control model and system for businesses under direct management by the head office, and improved the machine control level of trading business, consolidating the foundation of market risk management and control. The Group enhanced compliance management by introducing compliance officer system, so as to improve its capability of anti-money laundering, counter terrorist financing and financial sanction. It optimised self-assessment management tools for operational risk and applied such tools into more areas. It continued to improve reputational risk management system, effectively safeguarding corporate reputation and image. The Group also reinforced internal rating, monitoring and early-warning procedures for preventing country risk, explored the mechanism of country risk evaluation, so as to enhance capacity of country risk prevention and control. The Group refined the consolidated management system, enhanced the management of consolidated elements, so as to protect the Group from risks arising from cross-border and cross-industry operations.

CULTIVATING BUSINESS FOUNDATION WITH GROWING INNER DRIVE FOR DEVELOPMENT

The Group consolidated the customer development base and improved the efficiency of operation and management. The number of corporate and institutional customers exceeded four million, a year-on-year increase of 386.2 thousand or 10.51% over 2015. The number of personal customers with financial assets in the Bank exceeded 340 million, an increase of over 20 million for the fourth consecutive year, in which the number of private banking customers with financial assets above RMB10 million grew by 16.62%. The number of personal online banking users reached 237 million, while the number of mobile banking users and WeChat banking users who attached their accounts to the App amounted to 223 million and 36.23 million respectively. The Group preliminarily established the assets and liabilities operation and management framework in a broader sense, and focused on return on capital and value creation to improve the efficiency of resource allocation by refining internal management measures such as economic capital, economic value added, management accounting and risk pricing.

The Group accelerated the optimisation of outlets deployment and improved product innovation capabilities. It quickened the deployment in key regions and optimisation of its network distribution, and built different types of banking stores, i.e. flagship stores, comprehensive stores, and light stores. It promoted channel innovation with STMs, and continued to increase and optimise functions of self-service equipments. At the end of 2016, 99% of the Bank's outlets were comprehensive stores; the number of automatic teller machines in operation was 97,534, an increase of 6,034, and the number of self-service banks in operation was 27,872, an increase of 3,178. A batch of market leading products including "Rapid Loan Online" for small and micro enterprises, global cash management and smart scenario projects, went live and received good overall results. Over 1,900 product innovations were completed in 2016, providing strong support to business development and transformation.

The completion of main project of new generation core banking system consolidated the Group's core competitiveness in the internet era. While constructing a financial cloud platform featured with reliability, flexibility, and rapid business function deployment, the Group developed a multi-dimensional and high-level information system at enterprise level, covering whole value chain activities conducted by the head office and its branches, domestic and overseas businesses, as well as parent company and subsidiaries, which greatly supported its transformation and development by accomplishing over ten thousand optimised and innovative functions ranging from Long Pay, STMs, product factory, separation of business and accounting, all-channel collaboration, intensive operations, comprehensive credit approval, enterprise-wide risk management to integrated information applications.

OUTLOOK FOR 2017

The achievement in the past year is only a prologue for the coming future. Looking into 2017, the Group will closely follow the national strategy of "13th Five-year Plan", and continue to contribute to supply-side structural reform and support development of the real economy. Based on sound operation in full compliance with regulatory requirements, the Group will accelerate its pace of transformation, intensify synergy and collaboration within the Group, strictly control risks, and strive for improving operating efficiency and profitability.

Finally, on behalf of the management, I would like to take this opportunity to extend sincere gratitude to the Board and the Board of Supervisors for their tremendous support, as well as our customers for their trust and our staff members for their great dedication.

Wang Zuji
Vice chairman, executive director and president
29 March 2017

Guo You
Chairman of the board of supervisors

In 2016, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, constantly refined its methods of work, effectively improved the effectiveness of supervision, made active efforts and contributions to the standardised operation and corporate governance and the sustainable and sound development of the Bank, and played a good role in their duties and functions.

PARTICULARS OF MAJOR WORK

The board of supervisors convened meetings of the board of supervisors pursuant to laws and regulations. During the year, the board of supervisors convened eight general meetings of the board of supervisors, in which 22 resolutions on the agenda were reviewed and approved pursuant to laws and regulations, including but not limited to periodic financial reports of the Bank, assessment report on internal control, assessment reports of the performance for the year and nomination of supervisors; 16 agenda items related to corporate operation and development were studied and discussed. Four meetings of the performance and due diligence supervision committee and six meetings of the finance and internal control supervision committee were convened.

The board of supervisors solidly continued its work of performance supervision. Members of the board of supervisors attended 29 meetings of the Board and the committees under the Board and 23 important meetings of the senior management, such as overall working conference as non-voting attendees. The board of supervisors duly reviewed the meeting materials, further learned the actual situation of operation, continuously focused on the compliance with laws and regulations regarding the decision-making procedures and the voting results of the Board. Based on the supervision on ordinary course of the business, the board of supervisors timely learned about the implementation of resolutions of the general meeting of shareholders and the Board. The board of supervisors organised and carried out the annual performance assessment work, studied and proposed the assessment reports of the annual performance of the Board and its members, and senior management and its members, respectively, and presented the annual self-assessment of the performance of board of supervisors and its members, and reported the performance assessment to the shareholders' general meeting and regulators pursuant to relevant provisions.

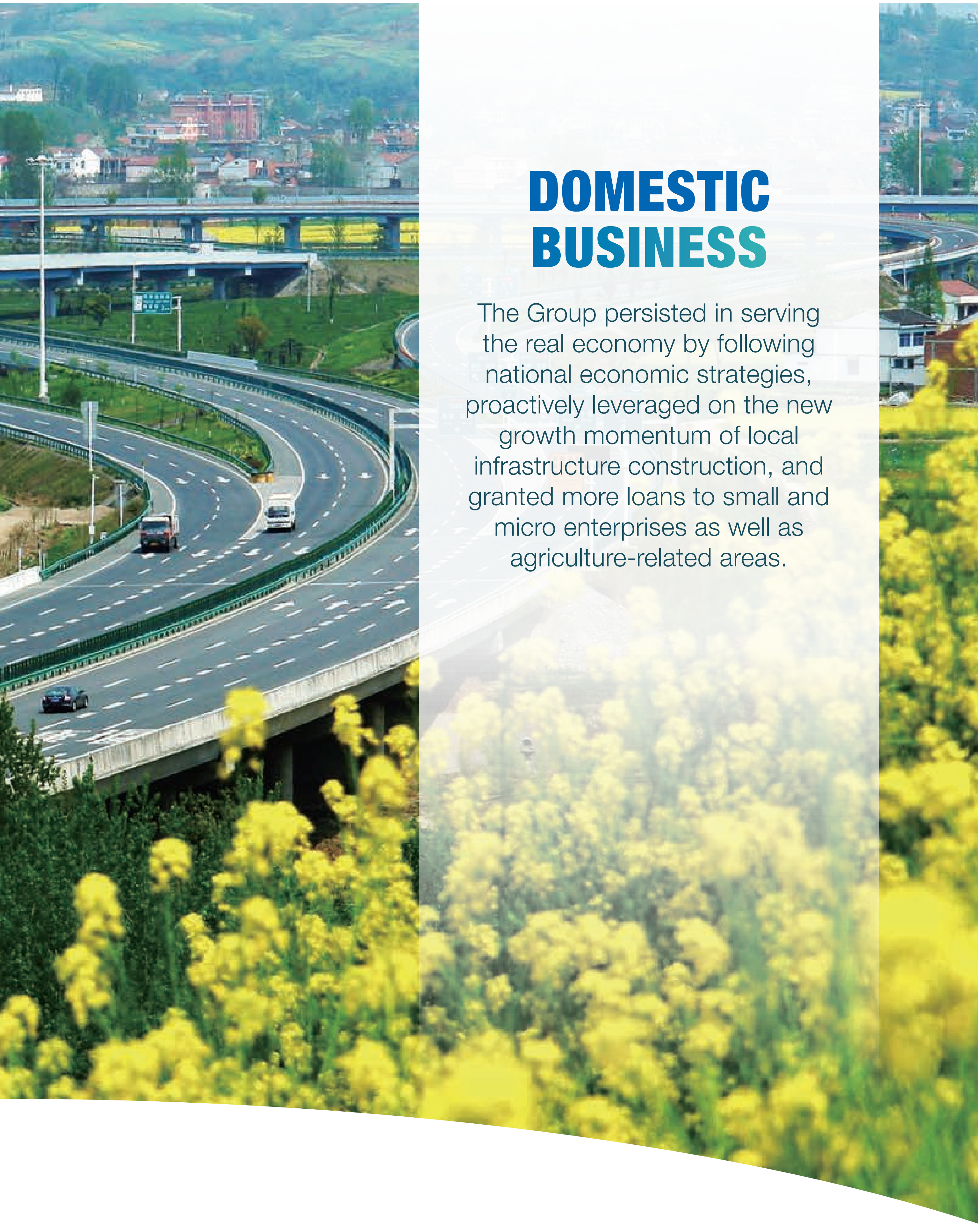
The board of supervisors continuously deepened proper finance supervision. By focusing on reviewing the Bank's periodic financial reports, the board of supervisors actively enhanced its communication with the Board, senior management, external auditors and relevant functional departments, quarterly heard work report, timely learned about the progress of preparation and review of financial reports and audit findings. The board of supervisors strengthened its efforts to supervise over material financial decisions and major financial areas, intensively learned about comprehensive operation plans and performance assessment, capital management, etc. The board of supervisors strengthened supervision over management of financial expenses and the arrangement and implementation of business plans. The board of supervisors also attended the meetings for appointment of external auditors of the Audit Committee and duly performed its supervision duties. The board of supervisors monitored related party transactions, use of proceeds, acquisition and disposal of material assets, ensuring that the articles of association and regulatory requirements have been complied.

The board of supervisors duly conducted the internal control supervision. The board of supervisors focused on strengthening supervision over the performance of internal control duties and responsibilities and the improvement of internal control system by the Board and senior management. The board of supervisors regularly heard reports on the management of internal control and compliance, key findings and rectification in internal audit, continuously focused on organisational structure of internal control and compliance and its operation mechanism, internal control of major business, compliance management of overseas institutions and prevention and control over non-compliance cases, etc. Concentrating on the key issues focused by domestic and overseas regulatory authorities, the board of supervisor conducted special investigations and analysis on anti-money laundering. The board of supervisors duly reviewed the Bank's internal control assessment reports pursuant to the regulatory requirements and gave independent opinions.

The board of supervisors continuously strengthened risk management supervision. The board of supervisors further strengthened supervision over the overall risk management at the Group level, heard special reports on the overall risk management and execution of risk appetite, etc., and pushed forward to establish and optimise the comprehensive risk management system. The board of supervisors followed up and paid attention to the quality changes of assets and risk exposures of key customers, industries and areas, and enhanced supervision over credit risk management. The board of supervisors conscientiously implemented the regulatory requirements, and monitored liquidity risk management, stress testing and implementation of risk regulatory indicators.

The board of supervisors paid attention to strengthening its self-improvement. The board of supervisors made reasonable arrangement for contents of agenda items, deepened research study and discussion, and continuously promoted the improvement of discussion quality and efficiency in meetings of the board of supervisors and special committees. The board of supervisors innovated its working methods and approaches, explored and refined transmission and implementation mechanism of supervisory opinions, highly enhanced supervision effectiveness. It organised and conducted special researches on three areas including transformation and development of asset management, collateral management, and pricing management of loans and deposits. The board of supervisors strengthened learnings, trainings and interbank communication to continuously enhance supervision ability. All supervisors diligently participated in the discussion and deliberation of resolutions in the meetings of the board of supervisors, proactively attended the meetings of the Board, the special committees under the Board and the senior management as non-voting attendees, participated in the related work organised by the board of supervisors, the committees and the Bank, and duly performed their supervision duties.

Guo You
Chairman of the board of supervisors
29 March 2017



DOMESTIC BUSINESS

The Group persisted in serving the real economy by following national economic strategies, proactively leveraged on the new growth momentum of local infrastructure construction, and granted more loans to small and micro enterprises as well as agriculture-related areas.

China Construction Bank Corporation supported the construction of Shiyan-Tianshui Highway

FINANCIAL REVIEW

In 2016, while the world economy continued to recover, many Black Swan events occurred in the fields of economy, politics and society, with rising populism, de-globalisation, trade and investment protectionism and increased geopolitical uncertainties. The US economy performed relatively well, though the policy trend of the new administration showed large uncertainty. The Eurozone economy was improved slightly, but still confronted with refugee problems and banking risks. Japanese economy recovered slowly with limited room for policy maneuver. British economy was stable on the whole after Britain exiting from the EU (Brexit), but the Brexit arrangements still faced large uncertainty. The emerging market economies have somewhat stabilised while the pressures of adjustment and transformation persist.

In 2016, China's economy saw mitigated downward pressure with overall stable performance and positive progress with respect to supply-side structural reform, and economic structure continued to improve. Consumption maintained steady and rapid growth, investment growth stabilised at a moderate level, and trade surplus narrowed. The contribution of the annual final consumption expenditure to GDP growth accounted for 64.6%, while the added value of the tertiary industry took up 51.6% of the GDP, an increase of 1.4 percentage points compared to the previous year. 2016 also witnessed steady increase in industrial production, improvement in corporate profitability, modest rise of consumption price and overall stable employment. China's GDP reached RMB74.41 trillion in 2016, up by 6.7% over the previous year, the annual consumer price index (CPI) rose by 2.0% compared to 2015, and the trade surplus was RMB3.3 trillion.

China's financial market remained sound and stable on the whole. Trading in money market was active, and market interest rates rose. The volume of bond issuance grew rapidly, with an upward shift of the yield curves. The volume of stock market transactions underwent a year-on-year decrease, while equity financing volume rose. The amount of insurance assets, foreign exchange and gold transactions maintained rapid growth.

As a procyclical industry, the banking industry is closely related to the macro-economy. In 2016, China's banking industry remained stable while the asset and liability scale increased steadily. At the end of 2016, the total assets of financial institutions of China's banking industry reached RMB232 trillion, up by 15.8% year on year. Total liabilities amounted to RMB215 trillion, up by 16.0% year on year. The weighted capital ratio of commercial banks was 13.28%. The quality of credit assets remained stable and the NPLs of commercial banks (on a solo basis) were RMB1,512.3 billion, with an NPL ratio of 1.74%.

The Group actively adapted to the changes of situation, strictly followed regulatory requirements, and achieved steady expansion of assets and liabilities, stabilisation of asset quality, stable growth of profit and relatively high level of capital adequacy ratio.

STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2016, the Group adhered to the development strategy of "integration, multifunctional service and intensive development", actively absorbed the impacts of the five consecutive interest rate cuts by the PBC and interest rate liberalisation, by promoting strategic transformation and exploiting profit potentials. The Group recorded net profit of RMB232,389 million and net profit attributable to equity shareholders of the Bank of RMB231,460 million, up by 1.53% and 1.45% respectively over 2015. The stable growth of the Group's profit was mainly due to the following factors: First, net interest income decreased by RMB39,953 million, or 8.73%, year on year, mainly due to the five consecutive interest rate cuts of the PBC in 2015, the repricing of the existing businesses, and the influence of price and tax separation caused by the business tax to value added tax (BT to VAT) reform. Second, the Group actively expanded its customer base, strengthened product innovation and continued to improve comprehensive service ability, with its net fee and commission income up by RMB4,979 million, or 4.39%, over 2015. Third, the Group gained from investment by selling certain available-for-sale financial assets at appropriate time, pushing up the other net non-interest income. Fourth, the Group continued to improve its cost management and optimised its expenses structure, and the operating expenses decreased by 11.97% as compared to 2015 as affected by the BT to VAT reform.

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

(In millions of RMB, except percentages)	2016	2015	Change (%)
Net interest income	417,799	457,752	(8.73)
Net non-interest income	142,061	128,935	10.18
– Net fee and commission income	118,509	113,530	4.39
Operating income	559,860	586,687	(4.57)
Operating expenses	(171,515)	(194,826)	(11.97)
Impairment losses	(93,204)	(93,639)	(0.46)
Share of profit of associates and joint ventures	69	275	(74.91)
Profit before tax	295,210	298,497	(1.10)
Income tax expense	(62,821)	(69,611)	(9.75)
Net profit	232,389	228,886	1.53

Net interest income

In 2016, the Group's net interest income amounted to RMB417,799 million, a decrease of RMB39,953 million, or 8.73%, over the previous year. The net interest income accounted for 74.63% of the operating income.

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

	2016			2015		
(In millions of RMB, except percentages)	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Gross loans and advances to customers	11,198,284	477,204	4.26	10,068,644	545,505	5.42
Debt securities investments	4,281,294	156,204	3.65	3,657,809	145,322	3.97
Deposits with central banks	2,615,994	39,512	1.51	2,569,805	39,310	1.53
Deposits and placements with banks and non-bank financial institutions	709,735	19,615	2.76	771,686	30,184	3.91
Financial assets held under resale agreements	157,860	4,102	2.60	310,939	10,238	3.29
Total interest-earning assets	18,963,167	696,637	3.67	17,378,883	770,559	4.43
Total allowances for impairment losses	(274,175)			(270,606)		
Non-interest-earning assets	998,631			926,556		
Total assets	19,687,623	696,637		18,034,833	770,559	
Liabilities						
Deposits from customers	14,666,217	212,474	1.45	13,350,333	245,601	1.84
Deposits and placements from banks and non-bank financial institutions	1,942,354	40,593	2.09	2,003,770	46,330	2.31
Debt securities issued	411,584	16,615	4.04	421,812	17,173	4.07
Financial assets sold under repurchase agreements	128,026	3,485	2.72	58,057	1,578	2.72
Other interest-bearing liabilities	205,300	5,671	2.76	66,303	2,125	3.20
Total interest-bearing liabilities	17,353,481	278,838	1.61	15,900,275	312,807	1.97
Non-interest-bearing liabilities	848,040			784,325		
Total liabilities	18,201,521	278,838		16,684,600	312,807	
Net interest income		417,799			457,752	
Net interest spread			2.06			2.46
Net interest margin			2.20			2.63

In 2016, influenced by the gradual effect of interest rate cuts of the PBC, low market interest rates and the impact of the price and tax separation following the BT to VAT reform, the Group's yield on interest-earning assets decreased at a higher rate than the cost of interest-bearing liabilities, and, as a result, the net interest spread and net interest margin decreased by 40 basis points and 43 basis points to 2.06% and 2.20% respectively, as compared to 2015. In view of the challenges arising from interest rate liberalisation, the Group will continue to strengthen pricing management basis, adhere to the pricing strategy that combines market-oriented and differentiated methodologies and improve the asset and liability structure.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense for 2016 versus 2015.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	56,848	(125,149)	(68,301)
Debt securities investments	23,282	(12,400)	10,882
Deposits with central banks	712	(510)	202
Deposits and placements with banks and non-bank financial institutions	(2,266)	(8,303)	(10,569)
Financial assets held under resale agreements	(4,303)	(1,833)	(6,136)
Change in interest income	74,273	(148,195)	(73,922)
Liabilities			
Deposits from customers	22,538	(55,665)	(33,127)
Deposits and placements from banks and non-bank financial institutions	(1,397)	(4,340)	(5,737)
Financial assets sold under repurchase agreements	1,907	–	1,907
Debt securities issued	(427)	(131)	(558)
Other interest-bearing liabilities	3,876	(330)	3,546
Change in interest expense	26,497	(60,466)	(33,969)
Change in net interest income	47,776	(87,729)	(39,953)

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

Net interest income decreased by RMB39,953 million over the previous year, in which a decrease of RMB87,729 million was due to the movement of interest rate, and an increase of RMB47,776 million was due to the movement of volume.

Interest income

In 2016, the Group's interest income decreased by RMB73,922 million or 9.59% from the previous year to RMB696,637 million. In this amount, the proportion of interest income from loans and advances to customers was 68.50%, while that of investments in debt securities was 22.42%.

Interest income from loans and advances to customers

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

	2016			2015		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	**5,835,605**	**264,376**	**4.53**	5,876,751	332,615	5.66
Short-term loans	**2,172,900**	**95,207**	**4.38**	2,241,680	117,831	5.26
Medium to long-term loans	**3,662,705**	**169,169**	**4.62**	3,635,071	214,784	5.91
Personal loans and advances	**3,893,844**	**169,141**	**4.34**	3,150,296	173,924	5.52
Discounted bills	**504,864**	**15,637**	**3.10**	257,830	10,377	4.02
Overseas operations and subsidiaries	**963,971**	**28,050**	**2.91**	783,767	28,589	3.65
Gross loans and advances to customers	**11,198,284**	**477,204**	**4.26**	10,068,644	545,505	5.42

Interest income from loans and advances to customers decreased by RMB68,301 million, or 12.52% over the previous year, to RMB477,204 million, mainly because of the repricing of existing loans and the price and tax separation following the BT to VAT reform. The yield of loans and advances to customers decreased by 1.16 percentage points to 4.26% from the previous year. The Group made greater efforts in providing retail loans, which increased the average balance of loans and advances to customers by 11.22% over the previous year and partly offset the impact of the decrease in the yield.

Interest income from debt securities investments

Interest income from debt securities investments grew by RMB10,882 million or 7.49% to RMB156,204 million over 2015. This was mainly because the average balance of debt securities investments increased by 17.05% over 2015.

Interest income from deposits with central banks

Interest income from deposits with central banks was RMB39,512 million, an increase of RMB202 million, or 0.51% over 2015. This was mainly because the average balance of deposits with central banks increased by 1.80% year-on-year.

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

Interest income from deposits and placements with banks and non-bank financial institutions decreased by RMB10,569 million, or 35.02% over 2015, to RMB19,615 million. This was mainly because the average yield of deposits and placements with banks and non-bank financial institutions decreased by 1.15 percentage points over 2015, due to the decline of market interest rates.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements decreased by RMB6,136 million, or 59.93% over 2015, to RMB4,102 million. This was primarily because the average balance of financial assets held under resale agreements decreased by 49.23% over 2015, and average yield decreased by 69 basis points over 2015 due to the decline of market interest rates.

Interest expense

In 2016, the Group's interest expense amounted to RMB278,838 million, a decrease of RMB33,969 million, or 10.86% over 2015. In this amount, interest expense on deposits from customers accounted for 76.20%, and interest expense on deposits and placements from banks and non-bank financial institutions made up 14.56%.

Interest expense on deposits from customers

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

	2016			2015		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	**7,517,512**	**100,649**	**1.34**	6,754,741	112,010	1.66
Demand deposits	**4,653,401**	**31,428**	**0.68**	3,945,436	28,734	0.73
Time deposits	**2,864,111**	**69,221**	**2.42**	2,809,305	83,276	2.96
Personal deposits	**6,712,026**	**105,283**	**1.57**	6,200,971	125,813	2.03
Demand deposits	**2,739,082**	**8,279**	**0.30**	2,343,688	7,925	0.34
Time deposits	**3,972,944**	**97,004**	**2.44**	3,857,283	117,888	3.06
Overseas operations and subsidiaries	**436,679**	**6,542**	**1.50**	394,621	7,778	1.97
Total deposits from customers	**14,666,217**	**212,474**	**1.45**	13,350,333	245,601	1.84

Interest expense on deposits from customers was RMB212,474 million, representing a decrease of RMB33,127 million, or 13.49%, over 2015. This was mainly because the average cost of deposits from customers decreased by 39 basis points to 1.45% over 2015, due to the five consecutive interest rate cuts by the PBC in 2015 and the repricing of the existing business.

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

Interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB40,593 million, a decrease of RMB5,737 million, or 12.38%, over 2015. This was largely because the cost rate of deposits from banks and non-bank financial institutions decreased over 2015.

Interest expense on debt securities issued

Interest expense on debt securities issued was RMB16,615 million, a decrease of RMB558 million or 3.25% from 2015, mainly because both the average balance and the cost rate dropped from the previous year.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB1,907 million or 120.85% to RMB3,485 million over 2015. This was primarily because the average balance of financial assets sold under repurchase agreements increased by 120.52% over 2015.

Net non-interest income

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

(In millions of RMB, except percentages)	2016	2015	Change (%)
Fee and commission income	127,863	121,404	5.32
Fee and commission expense	(9,354)	(7,874)	18.80
Net fee and commission income	118,509	113,530	4.39
Other net non-interest income	23,552	15,405	52.89
Total net non-interest income	142,061	128,935	10.18

In 2016, the Group's net non-interest income reached RMB142,061 million, an increase of RMB13,126 million, or 10.18% over 2015.

Net fee and commission income

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

(In millions of RMB, except percentages)	2016	2015	Change (%)
Fee and commission income	127,863	121,404	5.32
Bank card fees	37,649	34,960	7.69
Wealth management products service fees	20,537	14,457	42.06
Agency service fees	20,025	19,994	0.16
Settlement and clearing fees	12,612	13,166	(4.21)
Consultancy and advisory fees	11,368	13,656	(16.75)
Commission on trust and fiduciary activities	11,174	9,942	12.39
Electronic banking service fees	7,584	6,684	13.46
Guarantee fees	2,938	2,490	17.99
Credit commitment fees	1,830	3,138	(41.68)
Others	2,146	2,917	(26.43)
Fee and commission expense	(9,354)	(7,874)	18.80
Net fee and commission income	118,509	113,530	4.39

In 2016, the Group's net fee and commission income increased by 4.39% over 2015 to RMB118,509 million. The ratio of net fee and commission income to operating income increased by 1.82 percentage points to 21.17% over 2015.

Bank card fees grew by 7.69% to RMB37,649 million. In this amount, fees from credit cards grew by over 10% year-on-year to over RMB20,000 million due to the fast growth of instalment business. Due to the significant influence of card-stamping fees drop and other factors, the business volume of debit cards grew fast while its income declined over 2015.

Wealth management products service fees increased by 42.06% to RMB20,537 million. It was mainly because the Group continuously launched WMPs that effectively met the needs of markets and customers, and constantly upgraded its assets management capability, achieving rapid growth of wealth management product sales and relevant income.

Agency service fees increased by 0.16% to RMB20,025 million. In this amount, income from agency insurance service grew relatively fast with a 100% increase year-on-year, while agency fund sales dropped over 2015 due to the impact of capital market condition.

Settlement and clearing fees decreased by 4.21% to RMB12,612 million. In this amount, RMB settlement income decreased over 2015 as a result of the downshift of standard rates for certain settlement services.

Consultancy and advisory fees decreased by 16.75% to RMB11,368 million, mainly due to the year-on-year drop of relevant incomes following the continuous exemption and reduction of service fees for corporate customers and small and micro enterprises to support the development of real economy.

Commission on trust and fiduciary activities rose by 12.39% to RMB11,174 million. In this amount, commission on trust grew relatively fast with an increase rate of over 20%, and the traditionally advantageous businesses such as financial services for housing reform grew steadily.

Income from electronic banking service increased by 13.46% to RMB7,584 million. It was mainly because the constant promotion of electronic channel building and relevant product innovation fuelled the rapid increase of customer number and transaction scale and drove the income growth.

Going forward, the Group will continuously enhance its comprehensive capability of financial services, strengthen its market research and customer analysis, promote product innovation and optimise service process to further meet customers' needs for differentiated, comprehensive and one-stop services, and maintain the market competitiveness of its products to achieve steady growth of its fee and commission income.

Other net non-interest income

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

(In millions of RMB, except percentages)	2016	2015	Change (%)
Net trading gain	**3,975**	3,913	1.58
Dividend income	**2,558**	733	248.98
Net gain arising from investment securities	**11,098**	5,075	118.68
Other net operating income	**5,921**	5,684	4.17
Other net non-interest income	**23,552**	15,405	52.89

Other net non-interest income of the Group was RMB23,552 million, an increase of RMB8,147 million, or 52.89%, over 2015. In this amount, dividend income was RMB2,558 million, an increase of RMB1,825 million over 2015, mainly because of the increase in dividend income from CCB Life; the net gain arising from investment securities was RMB11,098 million, an increase of RMB6,023 million over 2015, mainly due to the sales of certain available-for-sale financial assets.

Operating expenses

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

(In millions of RMB, except percentages)	2016	2015
Staff costs	**92,847**	91,499
Premises and equipment expenses	**29,981**	33,046
Taxes and surcharges	**17,473**	36,303
Others	**31,214**	33,978
Operating expenses	**171,515**	194,826
Cost-to-income ratio (%)	**27.51**	27.02

In 2016, the Group enhanced cost management and optimised expenses structure. The operating expenses were RMB171,515 million, a decrease of RMB23,311 million or 11.97% over 2015. In this amount, staff costs were RMB92,847 million, an increase of RMB1,348 million or 1.47% over 2015. Premises and equipment expenses reached RMB29,981 million, a decrease of RMB3,065 million or 9.27% over 2015. Taxes and surcharges amounted to RMB17,473 million, a decrease of RMB18,830 million or 51.87% compared to 2015, mainly because VAT was recognised through liabilities instead of through profit or loss after the BT to VAT reform. Other operating expenses were RMB31,214 million, a decrease of RMB2,764 million or 8.13% over 2015. This was mainly because the Group further improved its refined management on expenses and strengthened control over key expenditure items, contributing to the decrease of both administrative and operating expenses.

Impairment losses

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

(In millions of RMB)	2016	2015
Loans and advances to customers	**89,588**	92,610
Investments	**690**	(1,080)
Available-for-sale financial assets	**306**	(374)
Held-to-maturity investments	**970**	(1,633)
Investment classified as receivables	**(586)**	927
Others	**2,926**	2,109
Total impairment losses	**93,204**	93,639

In 2016, the Group's impairment losses were RMB93,204 million, a slight decrease of RMB435 million, or 0.46% over 2015. In this amount, impairment losses on loans and advances to customers were RMB89,588 million, a decrease of RMB3,022 million over 2015, and impairment losses on investments were RMB690 million.

Income tax expense

In 2016, the Group's income tax expense amounted to RMB62,821 million, a decrease of RMB6,790 million over 2015. The effective income tax rate was 21.28%, lower than the 25% statutory rate, largely because interest income from the PRC government bonds held by the Group was non-taxable in accordance with the tax law.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets

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

	As at 31 December 2016		As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Gross loans and advances to customers	**11,757,032**		10,485,140		9,474,510	
Allowances for impairment losses on loans	**(268,677)**		(250,617)		(251,613)	
Net loans and advances to customers	**11,488,355**	**54.80**	10,234,523	55.78	9,222,897	55.08
Investments[1]	**5,068,584**	**24.18**	4,271,406	23.28	3,727,838	22.26
Cash and deposits with central banks	**2,849,261**	**13.59**	2,401,544	13.09	2,610,781	15.59
Deposits and placements with banks and non-bank financial institutions	**755,288**	**3.60**	663,745	3.62	514,986	3.08
Financial assets held under resale agreements	**103,174**	**0.49**	310,727	1.69	273,751	1.63
Interest receivable	**101,645**	**0.49**	96,612	0.52	91,495	0.55
Others[2]	**597,398**	**2.85**	370,932	2.02	302,345	1.81
Total assets	**20,963,705**	**100.00**	18,349,489	100.00	16,744,093	100.00

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

As at 31 December 2016, the Group's total assets stood at RMB20.96 trillion, an increase of RMB2,614,216 million or 14.25% over 2015. This was mainly due to the rapid increase of loans and advances to customers and investments. Net loans and advances to customers increased by RMB1,253,832 million or 12.25% over 2015 to support the real economy. The Group captured opportunities arising from price fluctuation in bond market and adjusted its investment portfolio structure. As a result, its total investments reached RMB5,068,584 million, an increase of RMB797,178 million or 18.66% over 2015. As the growth of deposits pushed up the deposit reserve, cash and deposits with central banks increased by RMB447,717 million or 18.64%. Deposits and placements with banks and non-bank financial institutions increased by RMB91,543 million or 13.79% due to the fast growth of interbank businesses. Accordingly, financial assets held under resale agreements decreased by RMB207,553 million or 66.80%. In the total assets, the proportion of loans and advances to customers dropped by 0.98 percentage points to 54.80%, while that of investments increased by 0.90 percentage points to 24.18%. Meanwhile, share of cash and deposits with central bank rose by 0.50 percentage points to 13.59%, deposits and placements with banks and non-bank financial institutions accounted for 3.60% and the proportion of financial assets held under resale agreements decreased by 1.20 percentage points to 0.49%.

Loans and advances to customers

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

	As at 31 December 2016		As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	**5,864,895**	**49.89**	5,777,513	55.11	5,760,406	60.80
Short-term loans	**1,786,442**	**15.20**	1,811,557	17.28	1,907,304	20.13
Medium to long-term loans	**4,078,453**	**34.69**	3,965,956	37.83	3,853,102	40.67
Personal loans and advances	**4,338,349**	**36.90**	3,466,810	33.06	2,884,146	30.44
Residential mortgages	**3,585,647**	**30.50**	2,773,895	26.45	2,253,815	23.79
Credit card loans	**442,001**	**3.76**	390,274	3.72	329,164	3.47
Personal consumer loans	**75,039**	**0.64**	55,427	0.53	58,040	0.61
Personal business loans	**46,395**	**0.39**	63,153	0.60	75,002	0.79
Other loans[1]	**189,267**	**1.61**	184,061	1.76	168,125	1.78
Discounted bills	**495,140**	**4.21**	433,153	4.13	168,923	1.78
Overseas operations and subsidiaries	**1,058,648**	**9.00**	807,664	7.70	661,035	6.98
Gross loans and advances to customers	**11,757,032**	**100.00**	10,485,140	100.00	9,474,510	100.00

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

As at 31 December 2016, the Group's gross loans and advances to customers stood at RMB11,757,032 million, an increase of RMB1,271,892 million or 12.13% over 2015.

Domestic corporate loans and advances of the Bank reached RMB5,864,895 million, an increase of RMB87,382 million, or 1.51% over 2015, mainly extended to infrastructures, small and micro enterprises and other sectors. In this amount, short-term loans dropped by RMB25,115 million, or 1.39%, while the medium to long-term loans increased by RMB112,497 million, or 2.84% year on year.

The Bank leveraged on market and policy opportunities to support the development of less-capital-occupied personal loans. Domestic personal loans and advances of the Bank was RMB4,338,349 million, an increase of RMB871,539 million or 25.14% over 2015. In this amount, residential mortgages experienced an increase of RMB811,752 million or 29.26% to RMB3,585,647 million; credit card loans increased by RMB51,727 million or 13.25% to RMB442,001 million over 2015; personal consumer loans rose by RMB19,612 million or 35.38% to RMB75,039 million; personal business loans decreased compared to 2015, mainly because the Bank adjusted loan product structure in order to control lending risks.

Discounted bills reached RMB495,140 million, an increase of RMB61,987 million or 14.31% over 2015, mainly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers at overseas operations and subsidiaries amounted to RMB1,058,648 million, an increase of RMB250,984 million or 31.08% over 2015, mainly because of the increase of collaborative cross-border business at overseas branches.

Distribution of loans by type of collateral

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

	As at 31 December 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	**3,471,042**	**29.52**	3,034,953	28.95
Guaranteed loans	**1,964,685**	**16.71**	1,833,933	17.49
Loans secured by tangible assets other than monetary assets	**5,095,325**	**43.34**	4,591,009	43.78
Loans secured by monetary assets	**1,225,980**	**10.43**	1,025,245	9.78
Gross loans and advances to customers	**11,757,032**	**100.00**	10,485,140	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	2016 Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances: which are collectively assessed	Allowances for impaired loans and advances: which are individually assessed	Total
As at 1 January	157,632	10,789	82,196	250,617
Charge for the year	–	9,948	91,809	101,757
Release during the year	(1,840)	–	(10,329)	(12,169)
Unwinding of discount	–	–	(3,675)	(3,675)
Additions through acquisitions	8	10	18	36
Transfers out	149	(2,808)	(35,487)	(38,146)
Write-offs	–	(5,687)	(27,960)	(33,647)
Recoveries	–	1,023	2,881	3,904
As at 31 December	155,949	13,275	99,453	268,677

The Group adhered to its prudent principle in making full provisions for impairment losses on loans and advances to customers, by fully considering the impact of changes in external environment such as macro-economy and government regulatory policies on loans and advances to customers. As at 31 December 2016, the allowances for impairment losses on loans and advances to customers were RMB268,677 million, an increase of RMB18,060 million over 2015. The ratio of allowances to NPLs was 150.36%, a decrease of 0.63 percentage points from 2015. The ratio of allowances to total loans was 2.29%, a decrease of 0.10 percentage points from 2015.

Please refer to Note "Loans and advances to customers" to the financial statements for detailed methods of allowances for impaired loans.

Investments

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

(In millions of RMB, except percentages)	As at 31 December 2016 Amount	As at 31 December 2016 % of total	As at 31 December 2015 Amount	As at 31 December 2015 % of total
Debt securities investments	4,445,214	87.70	3,986,820	93.34
Equity instruments and funds	303,398	5.99	35,722	0.83
Other debt instruments	319,972	6.31	248,864	5.83
Total investments	5,068,584	100.00	4,271,406	100.00

In 2016, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively responded to regulatory and market changes, reasonably balanced risks and returns, and continuously optimised the structure of investment portfolio. As at 31 December 2016, the Group's investments totalled RMB5,068,584 million, an increase of RMB797,178 million or 18.66% over 2015. In this amount, debt securities investments accounted for 87.70% of total investments, a decrease of 5.64 percentage points over 2015, and equity instruments and funds accounted for 5.99% of total investments, an increase of 5.16 percentage points over 2015.

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

(In millions of RMB, except percentages)	As at 31 December 2016 Amount	As at 31 December 2016 % of total	As at 31 December 2015 Amount	As at 31 December 2015 % of total
Financial assets at fair value through profit or loss	488,370	9.64	271,173	6.35
Available-for-sale financial assets	1,633,834	32.23	1,066,752	24.97
Held-to-maturity investments	2,438,417	48.11	2,563,980	60.03
Investment classified as receivables	507,963	10.02	369,501	8.65
Total investments	5,068,584	100.00	4,271,406	100.00

Debt securities investments

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

	As at 31 December 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	4,257,384	95.77	3,880,262	97.33
USD	106,761	2.40	58,790	1.47
HKD	38,085	0.86	19,781	0.50
Other foreign currencies	42,984	0.97	27,987	0.70
Total debt securities investments	4,445,214	100.00	3,986,820	100.00

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

	As at 31 December 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Government	2,667,258	60.00	1,851,649	46.44
Banks and non-bank financial institutions	892,154	20.07	1,055,838	26.48
Policy banks	361,574	8.13	484,102	12.14
Central banks	21,722	0.49	162,225	4.07
Public sector entities	–	–	20	0.01
Others	502,506	11.31	432,986	10.86
Total debt securities investments	4,445,214	100.00	3,986,820	100.00

Financial debt securities

As at 31 December 2016, the Group held financial debt securities totalling RMB1,253,728 million. In this amount, financial debt securities of RMB361,574 million were issued by policy banks and financial debt securities of RMB892,154 million were issued by bank and non-bank financial institutions, accounting for 28.84% and 71.16% respectively in the total amount.

The following table sets forth the top ten financial debt securities[1] with the largest par values held by the Group at the end of the reporting period.

(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses
Issued by a commercial bank in 2014	13,880	5.44	8 April 2019	–
Issued by a commercial bank in 2014	11,540	5.67	8 April 2024	–
Issued by a commercial bank in 2014	11,340	5.79	14 January 2021	–
Issued by a commercial bank in 2014	11,060	5.25	8 April 2017	–
Issued by a commercial bank in 2014	10,630	5.61	8 April 2021	–
Issued by a commercial bank in 2010	10,000	4.21	13 January 2021	–
Issued by a commercial bank in 2011	10,000	4.39	28 March 2018	–
Issued by a commercial bank in 2010	8,515	2.09	25 February 2020	–
Issued by a commercial bank in 2011	8,280	4.62	22 February 2021	–
Issued by a commercial bank in 2011	8,170	4.49	25 August 2018	–

1. Financial debt securities refer to negotiable debt securities in market issued by financial institutions including policy banks and bank and non-bank financial institutions.

Interest receivable

As at 31 December 2016, the Group's interest receivable was RMB101,645 million, an increase of RMB5,033 million or 5.21% over 2015. Please refer to Note "Interest Receivable" and Note "Movements of Allowances for Impairment Losses" in the "Financial Statements" for details.

Repossessed assets

As at 31 December 2016, the Group's repossessed assets were RMB3,473 million and the balance of impairment allowances for repossessed assets was RMB1,062 million. Please refer to Note "Other Assets" in the "Financial Statements" for details.

Liabilities

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

	As at 31 December 2016		As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	**15,402,915**	**79.50**	13,668,533	80.86	12,899,153	83.26
Deposits and placements from banks and non-bank financial institutions	**1,935,541**	**9.99**	1,761,107	10.42	1,206,520	7.79
Debt securities issued	**451,554**	**2.33**	415,544	2.46	431,652	2.79
Borrowings from central banks	**439,339**	**2.27**	42,048	0.25	91,216	0.59
Financial assets sold under repurchase agreements	**190,580**	**0.98**	268,012	1.58	181,528	1.17
Other liabilities[1]	**954,122**	**4.93**	749,162	4.43	682,176	4.40
Total liabilities	**19,374,051**	**100.00**	16,904,406	100.00	15,492,245	100.00

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

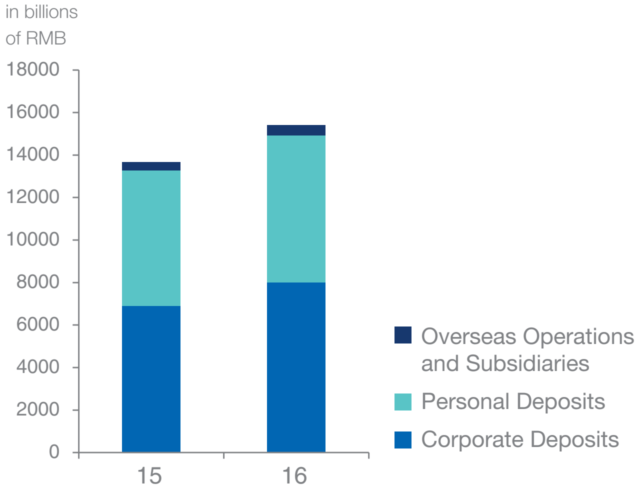
As at 31 December 2016, the Group's total liabilities were RMB19.37 trillion, an increase of RMB2,469,645 million or 14.61% over 2015. In this amount, deposits from customers stood at RMB15.40 trillion, up by RMB1,734,382 million or 12.69% over 2015. Deposits and placements from banks and non-bank financial institutions increased by RMB174,434 million or 9.90% to RMB1,935,541 million over 2015. The amount of financial assets sold under repurchase agreements decreased by RMB77,432 million due to relatively sufficient liquidity at the end of 2016. Deposits from customers accounted for 79.50% of total liabilities, a decrease of 1.36 percentage points over 2015. Deposits and placements from banks and non-bank financial institutions accounted for 9.99% of total liabilities, a decrease of 0.43 percentage points over 2015. The proportion of borrowings from central banks increased by 2.02 percentage points to 2.27% due to the Group's proactive utilisation of various lending facilities in the PBC's open market operations.

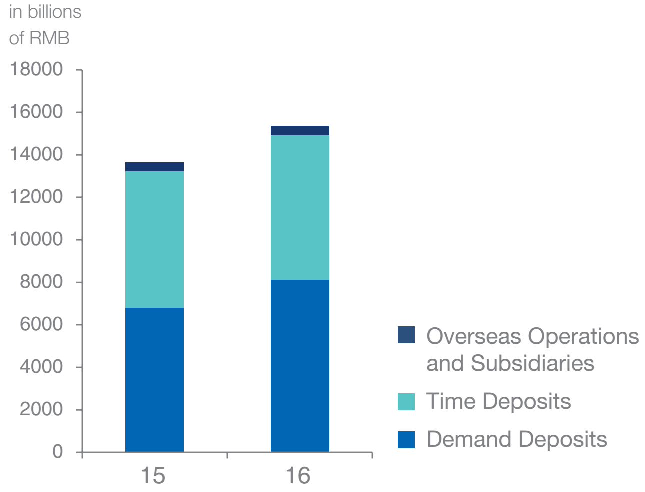
Deposits from customers

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

	As at 31 December 2016		As at 31 December 2015		As at 31 December 2014	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	**8,008,460**	**51.99**	6,891,295	50.42	6,616,671	51.30
Demand deposits	**5,145,626**	**33.41**	4,213,395	30.83	3,966,684	30.75
Time deposits	**2,862,834**	**18.58**	2,677,900	19.59	2,649,987	20.55
Personal deposits	**6,927,182**	**44.98**	6,367,364	46.58	5,877,014	45.56
Demand deposits	**2,986,109**	**19.39**	2,584,774	18.91	2,302,089	17.85
Time deposits	**3,941,073**	**25.59**	3,782,590	27.67	3,574,925	27.71
Overseas operations and subsidiaries	**467,273**	**3.03**	409,874	3.00	405,468	3.14
Total deposits from customers	**15,402,915**	**100.00**	13,668,533	100.00	12,899,153	100.00

As at 31 December 2016, the Group's total deposits from customers reached RMB15.40 trillion, up by RMB1,734,382 million or 12.69% over 2015. Thanks to improved production activities of enterprises, deposits from domestic corporate customers amounted to RMB8,008,460 million, an increase of RMB1,117,165 million or 16.21% over 2015. Personal deposits continued its steady growth, and rose to RMB6,927,182 million with an increase of RMB559,818 million or 8.79% from the previous year. The Bank continued to strengthen the management of its deposit customer base, and expanded lower cost settlement funds. The domestic demand deposits were RMB8,131,735 million, an increase of RMB1,333,566 million or 19.62% over 2015, and the proportion of demand deposits in domestic deposits from customers increased by 3.17 percentage points over 2015 to 54.45%. The time deposits were RMB6,803,907 million, an increase of RMB343,417 million or 5.32% from the previous year, and the proportion of such deposits in domestic deposits from customers was 45.55%.





Debt securities issued

The Bank issued no corporate debt securities that were required to be disclosed in accordance with *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports (2016 Revision) and Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 38 – Contents and Formats of Annual Reports on Corporate Debt Securities.*

Please refer to Note "Debt securities issued" in the "Financial Statements" for details.

Shareholder's equity

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

(In millions of RMB)	**As at 31 December 2016**	As at 31 December 2015
Share capital	**250,011**	250,011
Other equity instruments – preference shares	**19,659**	19,659
Capital reserve	**133,960**	135,249
Investment revaluation reserve	**(976)**	23,058
Surplus reserve	**175,445**	153,032
General reserve	**211,193**	186,422
Retained earnings	**786,860**	672,154
Exchange reserve	**348**	(5,565)
Total equity attributable to equity shareholders of the Bank	**1,576,500**	1,434,020
Non-controlling interests	**13,154**	11,063
Total equity	**1,589,654**	1,445,083

As at 31 December 2016, the Group's total equity reached RMB1,589,654 million, an increase of RMB144,571 million or 10.00% over 2015, primarily driven by the increase of retained earnings. As the growth rate of assets surpassed that of shareholders' equity, the ratio of total equity to total assets for the Group was 7.58%, a decrease of 0.30 percentage points over 2015.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this annual report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, with a balance of RMB2,745,861 million as at 31 December 2016, an increase of RMB343,577 million over 2015. The credit risk-weighted assets reached RMB1,073,108 million, an increase of RMB79,991 million, primarily driven by the increase of capital utilisation efficiency as a result of the Group's stress on businesses with "lower capital occupation and higher capital return rates" in optimisation of off-balance sheet items structure. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" in this annual report for details on commitments and contingent liabilities.

LOAN QUALITY ANALYSIS

Distribution of loans by the five-category classification

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

	As at 31 December 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	11,241,249	95.61	10,016,243	95.53
Special mention	337,093	2.87	302,917	2.89
Substandard	71,412	0.61	92,452	0.88
Doubtful	82,505	0.70	60,160	0.57
Loss	24,773	0.21	13,368	0.13
Gross loans and advances to customers	11,757,032	100.00	10,485,140	100.00
NPLs	178,690		165,980	
NPL ratio		1.52		1.58

In 2016, the Group continued with its credit structural adjustment, enhanced early risk warning and control, strengthened credit supervision and inspection, and refined the building of a long-term mechanism. As a result, the credit asset quality basically remained stable. As at 31 December 2016, the Group's NPLs amounted to RMB178,690 million, an increase of RMB12,710 million over 2015; the NPL ratio stood at 1.52%, a decrease of 0.06 percentage points over 2015. The special mention loans accounted for 2.87%, a decrease of 0.02 percentage points over 2015.

Distribution of loans and NPLs by product type

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

	As at 31 December 2016			As at 31 December 2015		
(In millions of RMB, except percentages)	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	5,864,895	152,323	2.60	5,777,513	144,187	2.50
Short-term loans	1,786,442	92,547	5.18	1,811,557	101,269	5.59
Medium to long-term loans	4,078,453	59,776	1.47	3,965,956	42,918	1.08
Personal loans and advances	4,338,349	21,548	0.50	3,466,810	18,153	0.52
Residential mortgages	3,585,647	10,175	0.28	2,773,895	8,602	0.31
Credit card loans	442,001	4,343	0.98	390,274	4,204	1.08
Personal consumer loans	75,039	1,196	1.59	55,427	1,009	1.82
Personal business loans	46,395	2,106	4.54	63,153	1,977	3.13
Other loans	189,267	3,728	1.97	184,061	2,361	1.28
Discounted bills	495,140	–	–	433,153	–	–
Overseas operations and subsidiaries	1,058,648	4,819	0.46	807,664	3,640	0.45
Total	11,757,032	178,690	1.52	10,485,140	165,980	1.58

Distribution of loans and NPLs by industry

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

	As at 31 December 2016				As at 31 December 2015			
(In millions of RMB, except percentages)	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	5,864,895	49.89	152,323	2.60	5,777,513	55.11	144,187	2.50
Manufacturing	1,177,985	10.02	69,764	5.92	1,217,122	11.61	71,641	5.89
Transportation, storage and postal services	1,207,636	10.27	5,970	0.49	1,146,028	10.93	3,204	0.28
Production and supply of electric power, heat, gas and water	689,258	5.86	985	0.14	642,026	6.12	2,092	0.33
Real estate	342,531	2.91	8,652	2.53	449,334	4.29	5,510	1.23
Leasing and commercial services	749,690	6.38	4,573	0.61	629,274	6.00	4,090	0.65
– Commercial services	658,347	5.60	4,456	0.68	579,115	5.52	4,021	0.69
Wholesale and retail trade	410,923	3.50	37,016	9.01	386,916	3.69	37,353	9.65
Water, environment and public utility management	314,032	2.67	502	0.16	313,258	2.99	95	0.03
Construction	236,382	2.01	7,402	3.13	258,699	2.47	6,915	2.67
Mining	216,421	1.84	11,040	5.10	226,027	2.16	9,032	4.00
– Exploitation of petroleum and natural gas	5,745	0.05	–	–	5,122	0.05	90	1.76
Education	72,631	0.62	203	0.28	77,248	0.74	173	0.22
Information transmission, software and information technology services	30,607	0.26	432	1.41	30,216	0.29	734	2.43
– Telecommunications, broadcast and television, and satellite transmission services	21,138	0.18	–	–	22,236	0.21	–	–
Others	416,799	3.55	5,784	1.39	401,365	3.82	3,348	0.83
Personal loans	4,338,349	36.90	21,548	0.50	3,466,810	33.06	18,153	0.52
Discounted bills	495,140	4.21	–	–	433,153	4.13	–	–
Overseas operations and subsidiaries	1,058,648	9.00	4,819	0.46	807,664	7.70	3,640	0.45
Total	11,757,032	100.00	178,690	1.52	10,485,140	100.00	165,980	1.58

Facing the complex economic and financial environment at home and abroad in 2016, the Group duly optimised credit policies, reviewed its lending rules, refined customer selection criteria, maintained strict industry limits, and carried forward credit structural adjustments steadily. The loan quality in infrastructure sectors remained stable with increased loan balance. The NPL ratio of manufacturing industry was basically stable, and the amount of NPLs in the wholesale and retail trade industry decreased as compared to 2015.

Rescheduled loans and advances to customers

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

(In millions of RMB, except percentages)	As at 31 December 2016 Amount	As at 31 December 2016 % of gross loans and advances	As at 31 December 2015 Amount	As at 31 December 2015 % of gross loans and advances
Rescheduled loans and advances to customers	**5,020**	**0.04**	6,466	0.06

As at 31 December 2016, the balance of restructured loans and advances to customers decreased by RMB1,446 million to RMB5,020 million over 2015, and its proportion in gross loans and advances dropped by 0.02 percentage points.

Overdue loans and advances to customers

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

(In millions of RMB, except percentages)	As at 31 December 2016 Amount	As at 31 December 2016 % of gross loans and advances	As at 31 December 2015 Amount	As at 31 December 2015 % of gross loans and advances
Overdue for no more than 3 months	**56,174**	**0.48**	70,492	0.67
Overdue for 3 months to 1 year	**66,102**	**0.56**	69,798	0.66
Overdue for 1 to 3 years	**51,357**	**0.43**	26,865	0.26
Overdue for over 3 years	**4,466**	**0.04**	6,026	0.06
Total overdue loans and advances to customers	**178,099**	**1.51**	173,181	1.65

As at 31 December 2016, overdue loans and advances to customers increased by RMB4,918 million to RMB178,099 million over 2015, basically remaining stable.

ANALYSIS ON CASH FLOW STATEMENTS

Cash from operating activities

Net cash received from operating activities was RMB882,532 million, an increase of RMB249,038 million, mainly driven by the notable increase of deposit from customers and placements from banks and non-bank financial institutions over 2015.

Cash used in investing activities

Net cash used in investing activities was RMB610,481 million, an increase of RMB16,852 million or 2.84% over 2015.

Cash used in financing activities

Net cash used in financing activities was RMB75,368 million, an increase of RMB61,545 million, mainly driven by the decrease of cash received from issuance of debt securities and preference shares over 2015.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements of the Group requires management to make judgements, estimates and assumptions that may 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. Effects of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The major areas affected by the estimates and judgements include: impairment losses on loans and advances to customers, available-for-sale debt securities and held-to-maturity investments, impairment of available-for-sale equity instruments, fair value of financial instruments, reclassification of held-to-maturity investments, income taxes, employee retirement benefit obligations and scope of consolidation. For the accounting estimates and judgement relevant to the matters aforesaid, please refer to Note "Significant Accounting Policies and Accounting Estimates" in the "Financial Statements" of this annual report.

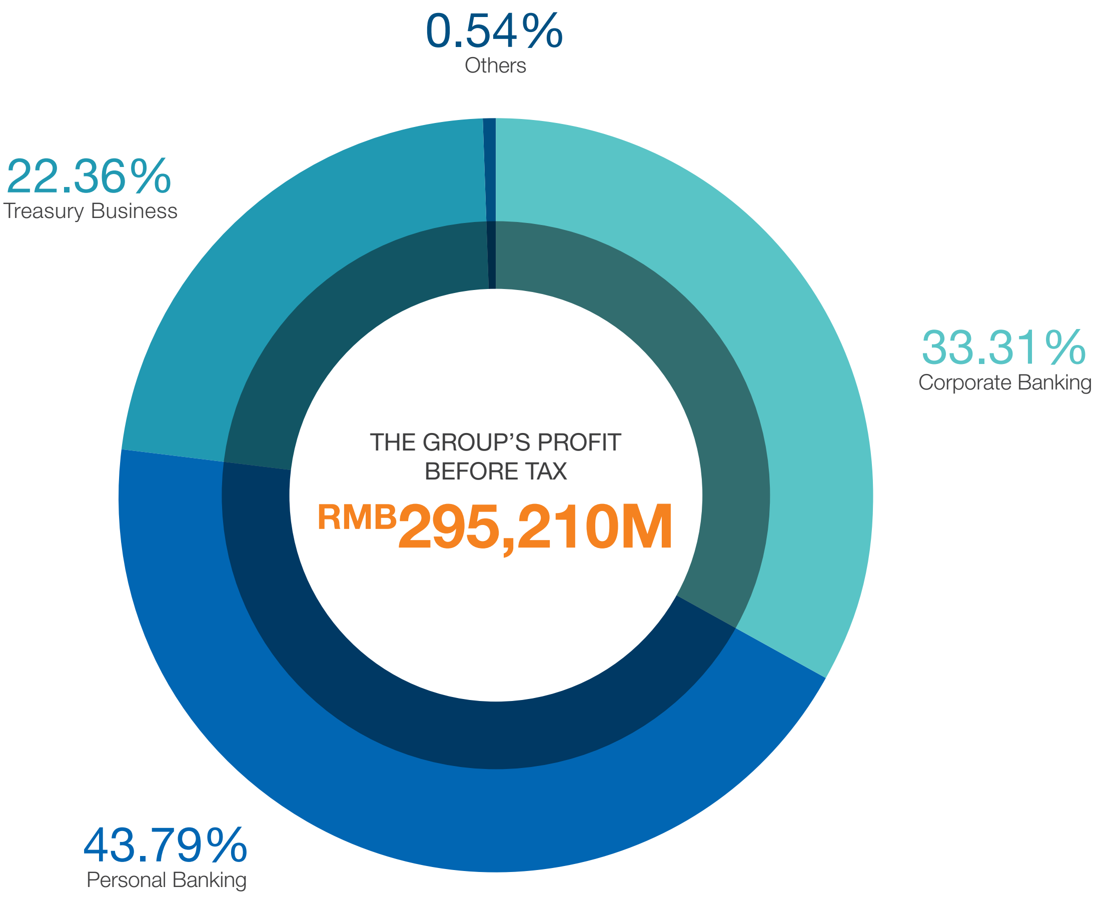
Compared with the financial statements in 2015, the main changes in the consolidation scope of the financial statements in 2016 refer to the inclusion of CCB Indonesia and CCB Malaysia and the cancellation of CCB Dubai.

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

There is no difference in the net profit for the year ended 31 December 2016 or total equity as at 31 December 2016 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

BUSINESS REVIEW

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

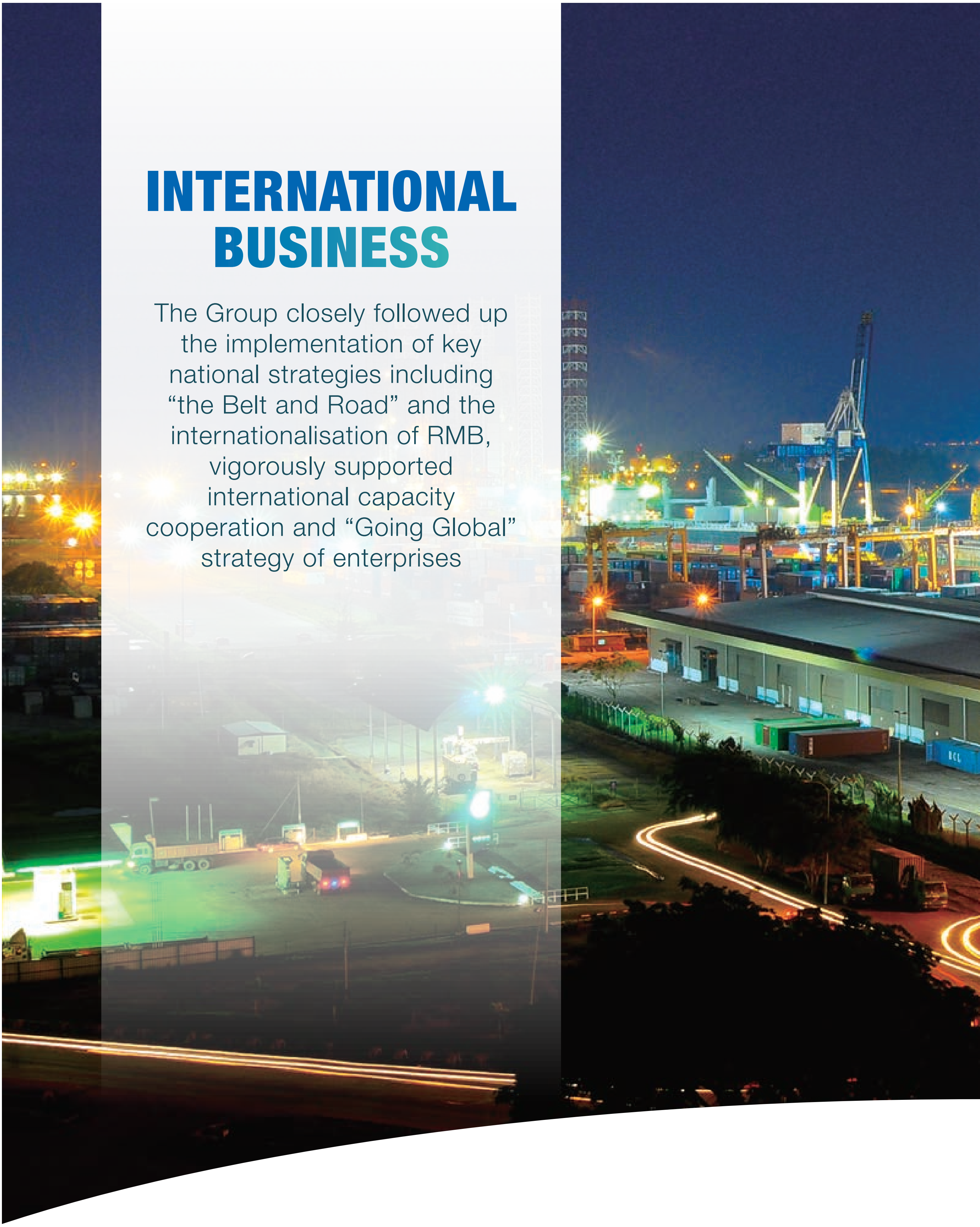


The following table sets forth, for the periods indicated, the profit before tax of each major business segment:

	2016		2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate banking	98,329	33.31	108,184	36.24
Personal banking	129,269	43.79	115,184	38.59
Treasury business	66,008	22.36	70,388	23.58
Others	1,604	0.54	4,741	1.59
Profit before tax	295,210	100.00	298,497	100.00

INTERNATIONAL BUSINESS

The Group closely followed up the implementation of key national strategies including "the Belt and Road" and the internationalisation of RMB, vigorously supported international capacity cooperation and "Going Global" strategy of enterprises



China Construction Bank Corporation proactively participated in the project of Kuantan port, a key project of "the Belt and Road" jointly promoted by the governments of China and Malaysia

CORPORATE BANKING

Corporate deposits

In 2016, the Bank focused on consolidating customer base, realising a rapid growth of corporate deposits and marked improvement of deposits stability. At the end of 2016, domestic corporate deposits of the Bank amounted to RMB8,008,460 million, an increase of RMB1,117,165 million, or 16.21% over 2015. In this amount, demand deposits increased by 22.13% while time deposits increased by 6.91%, which were beneficial to the decrease of the Bank's interest cost.

Corporate loans

Corporate loans were granted to support the development of the real economy with optimised structure and stable asset quality. At the end of 2016, domestic corporate loans and advances of the Bank amounted to RMB5,864,895 million, an increase of RMB87,382 million, or 1.51% over 2015. The NPL ratio of corporate loans and advances was 2.60%, an increase of 0.10 percentage points over 2015.

Loans to infrastructure sectors totalled RMB2,896,156 million, accounting for 49.38% of the outstanding balance of corporate loans and advances, representing an increase of RMB188,371 million over 2015, up by 6.96%, with the NPL ratio staying at a low level of 0.41%. The Bank strictly implemented list management. Loans to the five industries with severe overcapacity, including iron and steel, cement, electrolytic aluminium, plate glass, and shipbuilding, decreased by RMB4,986 million to RMB125,273 million over 2015. Property development loans were mainly extended to high quality real estate developers with high credit rating, good business performance and proper closed management of project funds, as well as commercial housing projects for ordinary residential purpose. The outstanding balance of property development loans was RMB299,198 million, a decrease of RMB114,998 million over 2015. The Bank strictly controlled the total amount of loans to government financing vehicles, and continued to optimise the cash flow structures. The outstanding balance of those classified under the regulated category decreased by RMB87,051 million to RMB205,115 million. In this amount, loans fully covered by cash flows accounted for 99.32%. Agriculture-related loans amounted to RMB1,693,968 million, a decrease of RMB154,055 million, mainly due to the insufficient effective credit demand and weak risk resistance capability of agriculture-related customers. The accumulated amount of "e-loan" series products granted through online channel based on supply chains since 2007 reached RMB257,742 million, covering over 19.2 thousand customers by cooperation with 121 platforms.

Small enterprise business

The Bank regarded small and micro enterprise business as its important business in supporting the real economy and assisting in serving "mass entrepreneurship and innovation" and supported the development of small and micro enterprises by focusing on new technologies, new industries and new business forms generated from economic transformation. Furthermore, the Bank persisted in boosting transformation and development with innovation, and enhanced the application of big data and internet technology in precise customer marketing and refined risk control. At the end of 2016, according to the categorisation policy of small and medium-sized enterprises in 2011 as well as the CBRC's latest regulatory requirements, loans to small and micro enterprises were RMB1,441,892 million, an increase of RMB164,013 million or 12.83% over 2015. The number of small and micro enterprise borrowers was 308,923, an increase of 56,979 over 2015, and the availability rate of loan applications for small and micro enterprises was 90.91%, up by 5.98 percentage points over 2015, fulfilling the regulatory requirements of "Three No Less Than". The Bank also kept the overall asset quality of loans to small and micro enterprises stable by promoting new business models, optimising early warning tools and timely identifying high-risk areas.

Cost advisory service

Cost advisory service is the Bank's unique fee-based business product with a strong brand. It had a history of 62 years since it emerged and developed along with the Bank's long-term practices of investing in fixed assets and being the agency of the fiscal functions. The Bank has 36 tier-one branches that own the grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, and 223 tier-two branches set up specialised units for cost advisory service. In 2016, income from cost advisory service amounted to RMB5,328 million.

Institutional business

The Bank organised "Year of Institutional Business Marketing" campaign, which achieved good results. The Bank exclusively won the bidding of a series of central pension insurance businesses including the cooperation bank qualification of the basic pension insurance and occupational pension account for China's central government agencies and its pension insurance business of public institutions stayed ahead among peers. The Bank carried out the comprehensive financial services of paying wages to migrant labourers for companies. Furthermore, the Bank continued to expand its financial service influence in the fields of education, health and medical care. It successfully held the "CCB Cup" Innovation and Entrepreneurship Competition for university students, signed strategic cooperation agreement with Ministry of Education and jointly initiated the establishment of “Innovation and Entrepreneurship Industrial Investment Fund in Chinese Universities”. The number of universities and hospitals cooperated with the Bank through “Yinxiaotong” and “Yinyitong” channels increased by 732. The Bank’s position in the fiscal service market was stable. The Bank actively took part in the cash management reform of local treasuries, with its accumulated deposits ranking first among peers. The Bank successfully issued the first batch of innovative civil service bank cards and was the first bank to launch the central non-tax electronic system. Moreover, the Bank launched a series of new service brands, including financial services “Jianronghuixue” and “Jianrongzhiyi” in education, medical and health care industries, comprehensive financial services “Shantongzhengwu” in e-government industry, “Minzheng E-Connections” capital verification and registration services, and entrusted loan business “Xinweidai” under assets management business.

Financial institutional business

In 2016, the Bank set up the financial institutional business centre at the head office, which was responsible for the direct operation of financial institutional business related products with domestic financial institutional customers. It achieved rapid growth of financial institutional business scale through strengthening direct connection with the head offices of key financial institutional customers, offering diversified services and driving the coordinated business development between the parent company and its subsidiaries. At the end of 2016, the Bank’s domestic financial institutional assets amounted to RMB1,032,296 million, an increase of RMB320,739 million, or 45.08% over 2015; its financial institutional liabilities (including deposits from insurance companies) amounted to RMB1,451,992 million, an increase of RMB71,276 million, or 5.16% over 2015.

International business

The Bank took the lead in launching the comprehensive financial services platform “cross-border e+” for cross-border e-commerce among peers, so as to provide “whole process, on-line and one-stop” services for customers. Moreover, the Bank was the first to launch “Jiandantong”, Jianpiaotong” and “Jianxintong” products among its peers, forming a complete product chain to support the short-term and medium-term financing of “Going Global” enterprises. The Bank also promoted “Zhumaodai” to provide financing facilities for medium, small and micro-sized enterprises which had real trade backgrounds. The Bank was successfully appointed as the settlement bank of “Hong Kong Stock Connection”. Businesses such as RQFII, RQDII, Mainland-Hong Kong mutual recognition of funds operations and Panda bonds grew vibrantly. CCB’s influence as RMB clearing bank in UK continued to grow, and its RMB clearing banks in Switzerland and Chile were officially launched in January 2016 and June 2016 respectively. Overseas correspondent bank and clearing service networks continued to grow with a total of 1,456 head office level correspondent banks in 132 countries and regions. A total of 246 domestic RMB inter-bank accounts had been opened for various overseas financial institutions. In 2016, the volume of international settlement amounted to US$1.27 trillion, and the total volume of cross-border RMB settlement was RMB2.53 trillion, generating income from international settlement of RMB4,157 million.

Asset custodial business

The Bank proactively responded to changes in the capital market, enhanced marketing towards high quality customers, and constantly strengthened the standard of intensive operation service and the core competitiveness of custodial business. The number of stock funds under the Bank’s custody ranked first in the market while the amount of bond funds, commodity funds and QDII funds under the Bank’s custody also topped in the market. The Bank has officially obtained the qualification of custodian of national social security funds. The new generation custodial system covered all functions, rapidly improving service and operating functions including custodial settlement, accounting, supervision, performance, outsourcing, and online banking. At the end of 2016, the assets under the Bank’s custody amounted to RMB9.25 trillion, up by RMB2.08 trillion, or 29.05% over 2015. In this amount, insurance assets under the Bank’s custody reached RMB2.58 trillion, up by RMB1.05 trillion, or 68.97% over 2015; private equities under the Bank’s custody reached RMB302,538 million, up by 104.11% over 2015.

Settlement and cash management business

The Bank’s settlement and cash management business maintained stable growth. By the issuance of electronic corporate settlement cards which carried industrial and commercial registration information, the Bank was fully involved in the cooperation of promoting whole-process electronic business registration. The Bank successfully carried forward overseas cash management business, with cash management capability enhanced at home and abroad for domestic and foreign currencies. The Bank integrated cross-bank collections with a smart application, and consolidated products for agency collection and payment, providing customers with more efficient collection origination and cross-bank cash management service. The Bank continued to increase the scenario application of products such as all-in-one account for corporate customers in domestic and foreign currencies, multi-model cash pool and bank bills pool. The market influence of “Yudao” was further promoted. At the end of 2016, the Bank had 6.72 million corporate RMB settlement accounts, an increase of 1.01 million over 2015. The Bank had 1.13 million active cash management customers, an increase of 0.39 million over 2015.

PERSONAL BANKING

Personal deposits

The Bank enhanced the capacity to attract deposits through high quality and efficient products and services, maintaining a steady growth of personal deposits. At the end of 2016, domestic personal deposits of the Bank rose by RMB559,818 million, or 8.79% to RMB6,927,182 million over 2015. In this amount, demand deposits increased by 15.53%, and time deposits increased by 4.19%, which were beneficial to the decrease of the Bank's interest cost.

Personal loans

Personal loans grew rapidly to provide better services for people's livelihood sectors. At the end of 2016, domestic personal loans of the Bank increased by RMB871,539 million, or 25.14% to RMB4,338,349 million over 2015. Residential mortgages were granted in strict compliance with diversified credit policies, which focused on customers' purchase of houses for own use. The Bank proactively adapted to market changes and customer needs by launching the pilot comprehensive marketing and service plan of housing financial ecosystem and residential mortgages for farmers in certain regions. Residential mortgages amounted to RMB3,585,647 million, up by RMB811,752 million, or 29.26% over 2015. Based on the steady development of traditional off-line business of personal consumer and operation loans, the Bank leveraged on internet and big data to launch innovative products and services, thereby promoting business transformation and development. Off-line personal consumer loans were RMB45,403 million, personal business loans were RMB46,395 million and personal agriculture-related loans totalled RMB5,503 million. Personal self-service loans branded as "Rapid Personal Loan Online" through the electronic channel amounted to RMB29,636 million.

Bank cards business

Credit card business

Credit card business realised expanded scale, refined structure and further enhanced profitability. The Bank vigorously expanded the young customer base and consumer preferential merchants including catering, entertainment, supermarket, daily necessities, etc., thus creating a customer financial ecosystem with a closed loop. It innovatively launched hot consumer products that focused on network, family, overseas and high-end services including e-Pay Long Card, Tencent e-Pay Long Card, Family Love Card, Global Hot Purchase Card, and Global Prestige Card, and mobile payment services based on internet including Apple Pay, HCE Cloud Quick Pass, Samsung Pay, Huawei Pay and Mi Pay, and focused on the development of instalment payments, car purchase, bill payments, overseas studies, education and revolving overdraft and cash withdrawals. At the end of 2016, the number of credit cards issued totalled 94.07 million, an increase of 13.33 million over 2015. The spending amount through credit cards reached RMB2,399,868 million, a year-on-year increase of RMB181,605 million or 8.19%, and the loan balance was RMB443,733 million. Non-performing assets securitisation products of credit card business were successfully launched and the whole process risk management was further strengthened, and the asset quality of credit card loans remained sound.

Debit card business

The Bank accelerated the development of mobile payment business to create an ecosystem for payment and settlement, thus maintained steady growth of its debit card business. It also launched the all-scenario payment product "Long Pay" that integrated multiple technologies including NFC, QR code, and face recognition. At the end of 2016, the number of debit cards issued totalled 831 million, an increase of 106 million. In this amount, the number of financial IC debit cards issued totalled 413 million, an increase of 111 million. The spending amount through debit cards reached RMB10.74 trillion, an increase of 61.02%.

Feature article: Long Pay, Care Free

On 9 November 2016, the Bank officially announced the launch of “Long Pay” in Beijing. “Long Pay” is the first payment product that is applicable to all on-line and off-line payment scenarios based on technologies including NFC, QR code, and face recognition among peers. It has eight functions including CCB Wallet, All-bank Card Pay, CCB QR Code, Long Card Cloud Quick Pass, Withdrawal through On-line Reservation, Payment by Friend, Go Dutch and Long Merchants.

“Long Pay” provides customers with more open experience. It is available for the public, and whether a CCB customer or not, everyone is allowed to download CCB mobile app to register as a customer of Long Pay. CCB Wallet is allowed to be bound with multiple cards, i.e. not only CCB card but also cards of other banks. Considering scenario demands for small amount payment, it helps customers to classify primary account and supplementary account so as to effectively prevent risks.

“Long Pay” provides customers with more diversified payment channels. In addition to existing IC Card Quick Pass, Long Card Cloud Quick Pass and Voiceprint Pay, the Bank added the function of QR Code Collection and Payment in Long Pay to support payment scenarios such as scan to pay and be scanned to pay, which is applicable to payments between individual customers, money collection of small shops and vendors by generating QR code, and money collection of large and medium-sized merchants and catering enterprises by using scanners to scan QR code. Meanwhile, with the added functions of withdrawal through face and voiceprint recognition on ATM, the mobile app of Long Pay has been equipped with all latest mainstream payment technologies.

“Long Pay” provides customers with richer payment scenarios. The Bank is dedicated to providing customers with all-around services in life by closely combining social life, public transportation, on-line shopping and other daily payment scenarios. It cooperates with partners to figure out application solutions to banking industry and provides comprehensive support for functions such as on-line and off-line transactions, app payments using add-ons, etc., thereby popularising Long Pay in metro ride, parking, food market shopping and other daily activities of customers.

“Long Pay” provides customers with safer payment environment. Long Pay is dedicated to providing customers with safe and convenient payment environment. It supports coin-purse function for small amount payment, on-line and off-line password-free and signature-free payments, as well as large amount payments with bank cards bound. Dynamic token enables securer mobile payment and anti-fraud measures by using big data helps customers to control transaction risks, thus offering customers more comprehensive protection on privacy and fund security.

Private banking

Adhering to comprehensive transformation of private banking business, the Bank created an “individualised, specialised and universal service” business model, with continuous improvement in customer satisfaction and brand influence. The Bank established a video service network for private banking business with a complete coverage across the Bank, thereby improving its on-line and off-line service capabilities. In addition, the Bank carried out data mining and achievements application for private banking business to implement precision marketing and leveraged the advantages of the Group to accelerate the development of family trusts business, and launched a new function for “Golden Housekeeper”. At the end of 2016, the total amount of financial assets of private banking customers with financial assets above RMB10 million reached RMB786,337 million, up by RMB163,434 million, or 26.24% over 2015, and the number of such customers amounted to 58,721, up by 8,369, or 16.62% over 2015.

Entrusted housing finance business

Complying with the national policy orientation of strengthening usage of provident housing fund, the Bank made innovation in service model, optimised business process and enhanced service efficiency of the entrusted housing finance business to consolidate its dominant position in the market. At the end of 2016, housing fund deposits amounted to RMB633,377 million, while individual provident housing fund loans amounted to RMB1,853,489 million. The Bank steadily carried forward loan business for indemnificatory housing and proactively implemented national macro-economic regulation and control policy to meet the self-occupied housing needs of low and middle-income residents and accumulatively granted indemnificatory housing loans of RMB9,796 million to 34,600 low and middle-income households in 2016.

TREASURY BUSINESS

Financial market business

In 2016, the Bank constantly enhanced transaction activity and market influence, promoted product innovation and strengthened customer marketing, contributing to further improved profitability and risk management and control capability.

Money market business

The Bank strengthened the overall liquidity management of RMB and foreign currencies, took initiatives to broaden the channels of funding inflow and use of fund, and kept a reasonable balance between RMB and foreign-currency positions to safeguard the liquidity of the whole bank. With regard to the use of RMB funds, the Bank paid close attention to monetary policies and market fluctuations, grasped the law of fund fluctuation and estimated cash flows in a dynamic and prudent manner so as to keep pace with funding inflow and outflow. With regard to the use of foreign currency funds, the Bank managed the liquidity prudently and broadened the financing channel, resulting in better efficiency in fund operation.

Debt securities investments

The Bank practised the established annual debt securities investment strategy and risk policy, reasonably balanced risks and returns and achieved an expected operating result. With regard to investments in RMB debt securities, the Bank adhered to value-oriented investments and actively seized the market opportunity to engage in band trading and adjust its existing portfolio. It explored new investment instruments and maintained stable returns on its portfolios in spite of the dramatic decrease in market interest rates, with significantly enhanced trading activity and market influence. With regard to investments in foreign-currency debt securities, the Bank paid close attention to the interest rate trend in the market and proactively optimised the portfolio structure to enhance returns.

Customer-driven foreign exchange and interest rate trading business

The Bank proactively responded to changes of the market and regulatory policies, ensured compliant and sound business operations and enhanced products innovation and customer marketing. The Bank maintained the first position in China interbank foreign exchange market for two consecutive years and became a market maker for direct exchange of 12 new currencies against RMB in 2016. The Bank put the account FX dealing system into use and enriched the varieties of foreign exchange transactions. In 2016, customer-driven foreign exchange business amounted to US$381,676 million, with the foreign exchange market-making transaction volume reaching US$2.07 trillion.

Precious metals and commodities

The Bank actively seized the market opportunity, carried out multiple themed marketing activities to consolidate customer base. Relying on the new generation core banking system, the Bank created a transaction platform for trading precious metals and commodities, launched innovative new products including customised comprehensive financial services, LBMA Gold Price Auction, LBMA Silver Price Auction and Shanghai Gold Benchmark Price Trading, and became the first domestic bank to release CCB commodity index. In 2016, the total trading volume of precious metals of the Bank reached 79,109.24 tonnes, an increase of 45.79%, and the number of personal precious metal trading customers and commodity trading customers totalled 24.38 million, an increase of 3.23 million over 2015. Net income from precious metals and commodities businesses amounted to RMB5,827 million, an increase of RMB1,986 million, or 51.71% over 2015.

Assets management business

The Bank endeavoured to expand the high-quality and high-yield debts and equity assets, strengthened the combination of product innovation with “Internet+” technology and enriched the product pedigree. The Bank launched semi-open products for enterprise customers. As for high-end customers, the Bank pushed forward innovative WMPs such as quantitative investments, gold linked WMPs, CSI 300 Index WMPs, strategically principal-guaranteed WMPs and fixed-yield WMPs with flexible configuration as well as issued over 100 innovation products in various kinds. The influence of “Qianyuan wealth management” brand was further improved. In 2016, the Bank independently issued 6,556 batches of WMPs with a total amount of RMB7,240,808 million to effectively meet the investment needs of customers. At the end of 2016, the balance of WMPs was RMB2,125,109 million. In this amount, the balance of non-principal-guaranteed WMPs was RMB1,794,708 million and the balance of principal-guaranteed WMPs was RMB330,401 million.

Investment banking business

While consolidating its advantages in debt underwriting business, the Bank also actively seized the opportunity of RMB internationalisation to expand the influence of investment banking business. As the lead underwriter, the Bank assisted the World Bank in issuing its first RMB-clearing SDR debt securities in the world and BRICS bank in issuing its first green bond in China and continued to foster the development of innovative products such as panda bonds. In 2016, the Bank accumulatively undertook a total of 590 batches of debt financing instruments amounting to RMB561,574 million for non-financial enterprises, with the volume of underwriting and the number of underwriting batches ranking first in the market for six consecutive years.

The Bank focused on promoting "CCB Investment Banking®" brand, and provided customers with comprehensive financing products and advisory services through "Financial Total Solutions (FITS®)", with a total of 554 contracted customers. The Bank made breakthroughs in asset securitisation and successfully issued assets-backed securities of Shanghai public reserve funds in the national inter-bank bond market. The Bank set up merger and acquisition (M&A) capital centre in Shanghai to establish a platform of M&A business for information integration, resources sharing, talent cultivation and service support. The Bank participated in major projects and key customers marketing via the equity investment fund and achieved good progress. Income from investment banking business reached RMB5,717 million in 2016.

Feature article: Debt-to-equity Swap

Seizing the policy opportunities on lowering leverage of the real economy and debt-to-equity swap, the Bank actively explored a new model of market-oriented debt-to-equity swap business. Upon adequate negotiation with quality enterprises having needs in debt-to-equity swap in line with the market-oriented and law-based principle, the Bank raised funds through multi-channels in society to invest in enterprise equities, and the invested funds were designated to repay the enterprise's high-cost financial debts.

As a leader in the market-oriented debt-to-equity swap business, the Bank undertook first domestic market-oriented debt-to-equity swap business for central government-owned enterprise Wuhan Iron and Steel (Group) Company, first domestic market-oriented debt-to-equity swap business for local government-owned enterprise Yunnan Tin Group (Holding) Company Limited, first domestic market-oriented debt-to-equity swap business for private enterprise Nanjing Iron & Steel Group Corp. The Bank also signed market-oriented debt-to-equity swap framework agreements with multiple enterprises, including Shandong Energy Group Co., Ltd., Shanxi Coking Coal Group Co., Ltd. and Chongqing Chemical & Pharmaceutical Holding (Group) Company. At the end of 2016, the debt-to-equity swap contractual amount between the Bank and related enterprises totalled RMB222 billion, among which RMB18.2 billion had been invested in enterprises. The asset-liability ratio of the enterprises is expected to decrease by 5 to 15 percentage points after all funds are fully funded, and the financial cost of the enterprises will be effectively reduced.

On 20 December 2016, the Board of the Bank approved to contribute RMB12 billion to set up a specialised institution, namely CCB Asset Management Co., Ltd., which was responsible for implementing debt-to-equity swap. In the follow-up process, we will proactively plan and endeavour to put the company into operation as soon as possible in compliance with regulatory requirements, promote the contracted projects into operation while initiate marketing on new customers, explore and innovate business models and enhance risk management and control, to ensure the continuous and healthy development of the debt-to-equity swap business.

OVERSEAS COMMERCIAL BANKING BUSINESS

In 2016, the Group made positive progress in the layout of overseas presence. The Zurich Branch and Chile Branch were officially opened. CCB Malaysia and Warsaw Branch of CCB Europe were granted licences and the acquisition of PT Bank Windu Kentjana International Tbk was completed. At the end of 2016, the Bank maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand and CCB Malaysia, and held 99.31% and 60.00% of the total share capital of CCB Brasil and CCB Indonesia respectively. The Group owned institutions covering 29 countries and regions including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, the USA, the UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, Netherlands, Spain, Italy, Switzerland, Brasil, Cayman Islands, Ireland, Chile, Indonesia and Poland. The number of overseas institutions at various levels of the Group totalled 251. At the end of 2016, the total assets of the Group's overseas commercial banks were RMB1,380,037 million, an increase of 16.19% over 2015, and net profit was RMB4,247 million, a year-on-year increase of 3.24% on the same calculation basis.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with a registered capital of HK$6,511 million and RMB17,600 million.

CCB Asia is the Group's service platform for retail and small and medium-sized enterprises businesses in Hong Kong, with 43 branches (including one wealth management centre), one private banking centre, five personal credit centres and six small and medium-sized enterprises centres along metro lines and in commercial/residential areas. The wholesale financial business of CCB Asia regards Hong Kong and Macau as its core service areas, as well as influencing Mainland China and Southeast Asia, especially for the targeted customers of local Blue-Chip and large Red-Chip companies, large Chinese conglomerates, multinational corporations and local premium customers in these areas. CCB Asia has rich experience and traditional advantages in providing professional financial services in overseas syndicated loans and structured finance, and has achieved rapid growth in comprehensive corporate financial services in international settlements, trade finance, treasury business, large structured deposit and financial advisory. At the end of 2016, total assets of CCB Asia amounted to RMB390,803 million, and shareholders' equity was RMB43,410 million. Net profit in 2016 was RMB2,605 million.

CCB London

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Group registered in the UK and the Group's British pound clearing centre. In March 2009, CCB London obtained the banking licence issued by the UK financial regulatory authorities. In June 2014, CCB London was appointed as RMB clearing bank in London by the PBC. In August 2016, its functions as RMB clearing bank in London were transferred to London Branch of the Bank, comprehensively improving the advantages of RMB clearing bank in London with the help of the Group's overall resources. CCB London has a registered capital of US$200 million and RMB1.5 billion, and is mainly engaged in corporate deposits and loans, international settlements and trade finance, RMB and British pound clearing, and treasury financial products. CCB London is dedicated to serving the Chinese institutions in the UK, British companies with investment in China, enterprises involved in bilateral trade, continuously improving the Bank's customer service level in the UK and Europe. At the end of 2016, total assets of CCB London amounted to RMB9,664 million, and shareholders' equity was RMB3,392 million. Net profit in 2016 was RMB44 million.

CCB Russia

China Construction Bank (Russia) Limited Liability Company is a wholly-owned subsidiary of the Bank registered in Russia in March 2013 with a registered capital of RUB4.2 billion.

CCB Russia, holding the comprehensive banking licence issued by the Central Bank of Russia, is mainly engaged in syndicated loan, bilateral loan, trade finance, international settlements, treasury business, financial institutional business, clearing business, cash business, deposits business, and safe deposit box services, etc. At the end of 2016, total assets of CCB Russia amounted to RMB2,666 million, and shareholders' equity was RMB611 million. Net profit in 2016 was RMB42 million.

CCB Dubai

Founded in 2013, China Construction Bank (Dubai) Limited has obtained the "Level-one banking licence" issued by Dubai Financial Service Authority (DFSA), which allows it to be engaged in corporate banking businesses including deposits and loans, and investment. In October 2014, the Board approved to change the bank licence of CCB Dubai into branch licence, so as to bring the Group's advantages into full play. In February 2016, CCB Dubai completed the transfer of business data to Dubai International Financial Centre Branch. Thus, all businesses of CCB Dubai were undertaken by Dubai International Financial Centre Branch. In October 2016, Company Register Office of Dubai International Financial Centre issued a letter to approve the liquidation application submitted by CCB Dubai, which was officially cancelled thereafter.

CCB Europe

China Construction Bank (Europe) S.A. is a wholly-owned subsidiary of the Bank, registered in Luxembourg with a registered capital of EUR200 million. In July 2013, CCB Europe obtained the full functional banking licence issued by the Financial Ministry of Luxembourg. Based in Luxembourg, CCB Europe has established new branches in Paris, Amsterdam, Barcelona and Milan in 2015. In December 2016, Warsaw Branch of CCB Europe was awarded licence.

Employees of CCB Europe

Focusing on corporate finance and financial market businesses, CCB Europe mainly provides services to large and medium-sized Chinese "Going Global" enterprises in Europe and European multinational enterprises in China. At the end of 2016, total assets of CCB Europe amounted to RMB5,919 million, and shareholders' equity was RMB1,333 million. Net profit in 2016 was a negative value of RMB81 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited is a wholly-owned subsidiary of the Bank registered in New Zealand in July 2014, with an original registered capital of US$50 million. In July 2016, the Bank increased the capital of CCB New Zealand in NZD with an equivalent value of US$100 million. The registered capital of CCB New Zealand was NZD199 million after the capital increase.

CCB New Zealand has the wholesale and retail business licence to offer all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and treasury transactions to Chinese "Going Global" enterprises as well as local customers in New Zealand. Meanwhile, CCB New Zealand provides residential mortgages to personal customers and satisfies financial demands of high-net worth personal customers. At the end of 2016, total assets of CCB New Zealand amounted to RMB3,276 million, and shareholders' equity was RMB944 million. Net profit in 2016 was RMB10 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad is a wholly-owned subsidiary of the Bank, registered in Malaysia with an original registered capital of MYR823 million. It obtained its commercial banking licence on 1 October 2016.

CCB Malaysia is engaged in wholesale and retail banking businesses, mainly serves domestic key customers under the initiative of "the Belt and Road", bilateral trading enterprises, large local infrastructure projects in Malaysia, and provides domestic and foreign customers with multi-perspective financial services including global credit granting, trade finance, supply chain finance, clearing for currencies including MYR and RMB, and treasury transactions. At the end of 2016, total assets of CCB Malaysia amounted to RMB1,274 million, and shareholders' equity was RMB1,274 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is built on Banco Industrial e Comercial S.A. (BIC), formerly a relatively large medium-sized bank established in 1938 and headquartered in Sao Paulo. BIC was mainly engaged in corporate loan business, and also offered banking services, such as treasury and personal credit, as well as non-banking financial services, such as leasing and securities transactions. BIC has been listed on BOVESPA since 2007.

The Bank completed the acquisition of BIC on 29 August 2014 and obtained 73.96% of its equity. In accordance with local laws and regulations, the Bank initiated the offer to purchase the remaining tradable shares of BIC in August 2015, and completed the transaction in December 2015, which was followed by delisting of BIC from the exchange and its renaming as China Construction Bank (Brasil) Banco Múltiplo S/A. At the end of 2016, CCB Brasil had 37 domestic branches in Brasil and one Cayman branch, with outlets covering most states and main cities in Brasil. CCB Brasil had five wholly-owned subsidiaries and one joint venture. Subsidiaries were engaged in equipment leasing, personal loans, securities services, VISA group credit card, prepaid card issuance and data processing respectively, while the joint venture focused on factoring and forfaiting. At the end of 2016, total assets of CCB Brasil amounted to RMB33,438 million, and shareholders' equity was RMB2,989 million. Net profit in 2016 was a negative value of RMB605 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk was built on PT Bank Windu Kentjana International Tbk, a small and medium-sized commercial bank listed on the Indonesia Stock Exchange, merged from PT Bank Multicor Tbk and PT Bank Windu Kentjana in January 2008 with a registered capital of IDR1.66 trillion. Headquartered in Djakarta, PT Bank China Construction Bank Indonesia Tbk now has 112 branches and sub-branches across Indonesia, which are mainly engaged in loans and deposits, settlement, foreign exchange and other commercial banking businesses.

The Bank completed the acquisition of 60% of the equity of PT Bank Windu Kentjana International Tbk on 28 September 2016. As at 31 December 2016, 60.00% of the equity was held by the Bank, 26.53% by the original shareholder Mr. Johnny Wiraatmadja, with 13.47% in public circulation. At present, the name has been changed from PT Bank Windu Kentjana International Tbk to PT Bank China Construction Bank Indonesia Tbk. At the end of 2016, total assets of CCB Indonesia amounted to RMB6,398 million, and shareholders' equity was RMB1,240 million. Net profit in 2016 was RMB15 million.

INTEGRATED OPERATION SUBSIDIARIES

The Group has preliminarily established an integrated operating framework and progressively optimised its comprehensive financial services. At the end of 2016, the Group owned subsidiaries in non-banking financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures, CCB International, CCB Pension and CCB Property & Casualty, and set up several banking entities providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks. The overall business development of integrated operation subsidiaries was in a good shape with steady business expansion and sound asset quality. At the end of 2016, total assets of the integrated operation subsidiaries were RMB370,946 million, a year-on-year increase of 39.14%. Net profit reached RMB5,290 million, an increase of 35.81%.

CCB Principal Asset Management

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

In 2016, CCB Principal Asset Management reaped record-high operating results in various businesses. At the end of 2016, total volume of funds managed by CCB Principal Asset Management was RMB1,240,041 million. In this amount, public offering fund was RMB377,061 million, ranking top six among peers for the first time. Special account business amounted to RMB417,679 million, a year-on-year increase of 158%. At the end of 2016, total assets of CCB Principal Asset Management were RMB2,679 million, and shareholders' equity was RMB2,181 million. Net profit was RMB913 million.

CCB Financial Leasing

CCB Financial Leasing Corporation Limited is a wholly-owned subsidiary of the Bank with a registered capital of RMB8,000 million. CCB Financial Leasing is mainly engaged in finance leasing, transferring and buying finance leasing assets, investment of securities with fixed gains, receiving security deposits from lessees, interbank lending, borrowing from financial institutions, borrowing from overseas, sales and disposal of lease, economic advisory, establishing project company to operate finance leasing in domestic bonded areas, providing guarantee for subsidiaries and project companies in external financing.

In 2016, CCB Financial Leasing steadily promoted its development and transformation, further tapped into businesses with competitive advantages, and established three featured brands of air plane leasing, green leasing and livelihood service. It took full advantage of its overseas platform to actively expand overseas markets, recording a firm step toward the goal of realising internationalisation. It also adopted active and effective risk prevention measures to maintain its asset quality at a relatively superior level among peers. Besides, CCB Financial Leasing achieved notable rises in its profitability, capital returns, industry position and market competitiveness. At the end of 2016, total assets of CCB Financial Leasing were RMB126,521 million, and shareholders' equity was RMB11,958 million. Net profit was RMB1,266 million.

CCB Trust

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

At the end of 2016, the trust assets under management amounted to RMB1,306,196 million. Total assets of CCB Trust were RMB17,187 million, and shareholders' equity was RMB10,040 million. Net profit was RMB1,420 million.

CCB Life

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

In 2016, premium income of CCB Life ranked first among the bank-affiliated insurance companies with further broadened business areas and steadily improved investment income. At the end of 2016, total assets of CCB Life were RMB110,116 million, and shareholders' equity was RMB7,880 million. Net profit was RMB388 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was officially incorporated on 18 October 2016 with a registered capital of RMB1 billion, of which CCB Life, Ningxia Traffic Investment Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. contribute 90.2%, 4.9% and 4.9% of its shares respectively. CCB Property & Casualty's scope of business includes motor vehicle insurance such as compulsory traffic accident liability insurance and commercial insurance for motor vehicles, enterprise/family property insurance and engineering insurance (excluding specific risk), liability insurance, insurance on hull/cargo, short-term health/accident injury insurance and reinsurance of the above-mentioned businesses.

At the end of 2016, total assets of CCB Property & Casualty were RMB1,001 million, and shareholders' equity was RMB963 million. Net profit was a negative value of RMB37 million.

CCB International

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

In 2016, the businesses of CCB International maintained a sustainable and sound development. CCB International was a leading player in the projects where it acted as securities sponsor and underwriter and M&A financial advisor. It strived to create a global transaction platform for commodity business, accomplished the acquisition of controlling interests of Metdist Trading Limited and became one of the nine ring members of London Metal Exchange around the world. CCB International guided the public to invest capital in real economy and participated in the initiation of Yangtze River Economic Belt Industry Fund. At the end of 2016, total assets of CCB International were RMB54,443 million, and shareholders' equity was RMB10,575 million. Net profit was RMB1,184 million.

CCB Futures

CCB Futures Co., Ltd. has a registered capital of RMB561 million, with 80% and 20% of its shares from CCB Trust and Shanghai Liangyou (Group) Co., Ltd. respectively. CCB Futures is mainly engaged in commodity futures brokerage, financial futures brokerage and assets management.

In January 2016, CCB Futures incorporated a wholly-owned risk management subsidiary, namely CCB Trading Company Limited, which further broadened its business scope. In 2016, the scale of CCB Futures' agency trading volume and customers' deposits significantly increased over 2015. At the end of 2016, total assets of CCB Futures were RMB6,564 million, and shareholders' equity was RMB638 million. Net profit was RMB12 million.

CCB Pension

CCB Pension Management Co., Ltd. has a registered capital of RMB2.3 billion, of which the Bank and National Council for Social Security Fund hold 85% and 15% of its shares respectively. CCB Pension is mainly engaged in businesses including investment management of national social security fund, businesses related to management of enterprise annuity fund, trusted management of capital for old-age security, and pension advisory for above businesses.

In 2016, pension assets under management of CCB Pension exceeded RMB130 billion. It realised the model innovation in investment management of local pension fund and endowment insurance products for farmers, and formed a relatively sound product system in endowment insurance products. At the end of 2016, total assets of CCB Pension were RMB2,314 million, and shareholders' equity was RMB2,211 million. Net profit was a negative value of RMB85 million.

Sino-German Bausparkasse

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

In 2016, Sino-German Bausparkasse proactively implemented strategic transformation, and achieved steady business development. The sales of housing savings products of Sino-German Bausparkasse reached a record high of RMB16,054 million. At the end of 2016, total assets of Sino-German Bausparkasse were RMB28,486 million, and shareholders' equity was RMB2,858 million. Net profit was RMB197 million.

Rural banks

By the end of 2016, the Bank has sponsored the establishment of 27 rural banks in Hunan Taojiang and many other places, and the registered capital of these rural banks totalled RMB2,819.50 million, in which the Bank contributed RMB1,378 million.

Rural banks persisted in offering efficient financial services to "agriculture, farmers and rural areas" and small and micro enterprises in county regions, achieving good operating results. At the end of 2016, total assets of 27 rural banks were RMB16,664 million and shareholders' equity of the rural banks was RMB3,168 million. Loans were primarily extended to "the agriculture and small and micro enterprises", and the loan balance was RMB12,515 million. Net profit was RMB38 million.

ANALYSED BY GEOGRAPHICAL SEGMENT

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

	2016		2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	39,885	13.51	27,033	9.06
Pearl River Delta	36,973	12.52	30,269	10.14
Bohai Rim	47,629	16.13	48,249	16.16
Central	46,280	15.68	50,615	16.96
Western	52,778	17.88	51,681	17.31
Northeastern	13,651	4.63	12,405	4.16
Head office	51,243	17.36	72,935	24.43
Overseas	6,771	2.29	5,310	1.78
Profit before tax	295,210	100.00	298,497	100.00

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

	As at 31 December 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	3,287,924	13.18	2,565,723	12.82
Pearl River Delta	2,248,437	9.02	1,756,844	8.78
Bohai Rim	2,341,560	9.39	1,988,554	9.94
Central	3,227,603	12.94	2,855,335	14.27
Western	2,745,765	11.01	2,798,176	13.99
Northeastern	966,670	3.88	1,056,288	5.28
Head office	8,456,699	33.91	5,835,333	29.17
Overseas	1,666,409	6.67	1,149,541	5.75
Total assets[1]	24,941,067	100.00	20,005,794	100.00

1. Total assets exclude elimination and deferred tax assets.

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

	As at 31 December 2016				As at 31 December 2015			
(In millions of RMB, except percentages)	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	2,117,133	18.02	41,539	1.96	1,968,394	18.77	49,223	2.50
Pearl River Delta	1,762,963	14.99	29,426	1.67	1,432,094	13.66	30,285	2.11
Bohai Rim	1,946,622	16.56	29,199	1.50	1,812,640	17.29	22,941	1.27
Central	1,982,785	16.86	26,654	1.34	1,768,362	16.86	19,617	1.11
Western	1,953,377	16.61	29,435	1.51	1,803,236	17.20	24,668	1.37
Northeastern	643,515	5.47	14,794	2.30	612,441	5.84	11,998	1.96
Head office	452,941	3.85	4,296	0.95	402,733	3.84	4,671	1.16
Overseas	897,696	7.64	3,347	0.37	685,240	6.54	2,577	0.38
Gross loans and advances to customers	11,757,032	100.00	178,690	1.52	10,485,140	100.00	165,980	1.58

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

	As at 31 December 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	2,820,430	18.31	2,493,253	18.24
Pearl River Delta	2,352,719	15.28	1,950,388	14.27
Bohai Rim	2,743,537	17.81	2,471,917	18.08
Central	3,000,106	19.48	2,669,673	19.53
Western	2,957,827	19.20	2,657,132	19.44
Northeastern	1,071,195	6.95	997,192	7.30
Head office	11,565	0.08	36,645	0.27
Overseas	445,536	2.89	392,333	2.87
Total deposits from customers	15,402,915	100.00	13,668,533	100.00

BUILDING OF BRANCH NETWORK AND CHANNELS

The Group has an extensive distribution network, and provides its customers with convenient and high quality banking services through branches and sub-branches, self-service facilities, specialised service entities across the world and electronic banking service platform. At the end of 2016, the Bank had a total of 14,985 operating institutions, in which the number of domestic institutions was 14,956, including the head office, 37 tier-one branches, 337 tier-two branches, 12,761 sub-branches, 1,819 outlets under the sub-branches and a specialised credit card centre at the head office, and the number of overseas institutions was 29. The Bank owned 44 subsidiaries with a total of 436 institutions, including 214 domestic institutions and 222 overseas institutions.

Physical Channels

In 2016, the Bank accumulatively started 1,567 projects of outlets construction, including 312 projects in county areas. By the end of 2016, the Bank has accumulatively established 306 specialised private banking entities staffed with 1,824 professionals, set up 288 small business operating centres in the form of "Credit Factory", and built over 1,500 personal loan centres. The overall layout of personal loan centres was improved and the business process continued to be optimised with growing brand influence.

Building flagship stores, integrated stores and light stores respectively. The Bank established comprehensive flagship stores for building a high-end brand image. It carried forward the construction of light comprehensive stores, quick penetration to new business areas and specialised markets, thereby dealing with customers' service demands "within the last one kilometre" at low costs. It also promoted the transformation of comprehensive stores to smart stores with overall intelligentisation of business processes. As a result, customer experience was further improved with enhanced competitiveness of stores.

Propelling channel innovation of STMs. The Bank promoted the innovation and application of STMs so as to facilitate the smart transformation of physical channels. STMs fully integrated equipment functions at stores, greatly optimised original counter business process, with business handling time significantly reduced. The Bank had launched 180 businesses of 19 categories on STMs. With the pilot application and popularisation, the capacity of STMs had been steadily increasing, notably easing business pressure of counters.

Constantly optimising service network of self-service channels. The Bank promoted the deployment of off-bank self-service equipment with more resources inclined to county areas, thus extending service coverage effectively. It accelerated the function innovation and application of new technologies of self-service equipment by first launching non-contact withdrawal and query functions for Apple Pay, Samsung Pay, Huawei Pay and Xiaomi Pay among peers, realising withdrawal through face and voiceprint recognition, and propelling the pilot application of "Automatic Identity Verification" required by the Ministry of Public Security to facilitate the synergy of on-line and off-line channels. At the end of 2016, there were 97,534 ATMs in operation, an increase of 6,034 or 6.59% year-on-year. There were 27,872 self-service banks in operation, an increase of 3,178 or 12.87% year-on-year. The volume of accounting transactions through ATMs was 5.3 times of that through counters, with further improved ATM's ability of shunting counter business.

Transformation of outlets

By the end of 2016, the number of the Bank's integrated outlets has accumulatively increased by 5,190, and the number of integrated outlets accounted for 99% of the total number of outlets. The total number of integrated tellers stood at 94.8 thousand, accounting for 97% of front office tellers. The number of integrated marketing teams was 21,175, with collaborated marketing covering all integrated outlets. The support coverage of intensified operation at the head office level expanded from front office of outlets and middle office business areas to subsidiaries and overseas business areas, undertaking the centralised processing of 100 types of businesses, with the daily business volume reaching 1.16 million. The Bank's intensive level and operation efficiency significantly increased.

China Construction Bank's online financial services in the mountain area

Electronic Channels

In 2016, the internet financial business of the Bank focused on building the financial ecosystem, quickly responded to the market and customer needs by making full use of internet thinking and technology, and underwent a transformation from traditional banking services to the model of comprehensive electronic banking services, creating value for the Bank's "customer acquisition and activation". As the Bank's main channel, the function of electronic banking was further highlighted, as the volume of accounting transactions through electronic banking and self-service channels accounted for 97.82% of that through all channels, up by 2.24 percentage points over 2015.

** Mobile Finance*

The Bank accelerated product innovation and business promotion of mobile business through the launch of brand new functions including e-account, rapid personal loan online, settlement and sales of foreign exchange, e-route of banking-securities express, reservation of commemorative coins, etc. For WeChat banking business, the Bank launched micro-finance services including Micro Gold, Smart 301 Hospital, reservation of commemorative coins, WeChat e.ccb.com, WeChat Physical Gold through the method of "notification + subscription", and other services including nationwide refuel card top-up, nationwide mobile traffic top-up, Qunar business travel, etc. The coverage of smart services was further extended. Smart Xiaowei has accumulatively provided customers with services for exceeding 300 million person-times, being twice of the total manual customer service loads of the Bank. At the end of 2016, the number of mobile banking users amounted to 223.21 million, up by 22.08% over 2015; the number of SMS financial service users reached 337.54 million, an increase of 15.93% over 2015; the number of WeChat banking users who followed the Bank's WeChat official account was 53.24 million, an increase of 61.66% over 2015. The transaction amount of mobile banking amounted to RMB30.55 trillion, up by 98.16%; the volume of transactions amounted to 20,763 million, up by 86.16%.

** Online banking*

The Bank added one-click credit card payment, query of foreign exchange rate and other functions to the new version of personal online banking, and launched services including rapid loan online for small and micro enterprises, and stock options, winning wide recognition of customers. Time deposits and call deposits on online payment platform, global account query, notification of large-amount transfer and other functions were added to corporate online banking, which launched three brands comprising "Smart Medical", "e-Smart Linkage" (direct linkage of enterprises and the bank through corporate online banking), "e-Insuring Life" to help customers acquire medical services and pay for medical insurance. The overseas version of corporate online banking was successfully launched in CCB Asia and CCB Hong Kong Branch. At the end of 2016, the number of personal online banking users increased by 13.40% to 236.76 million over 2015; the number of corporate online banking users reached 4.86 million, an increase of 20.95% over 2015. In 2016, the number of transactions of personal online banking was 18,010 million, an increase of 35.59%; the transaction volume of corporate online banking was RMB214.88 trillion, an increase of 20.30%.

** E.ccb.com*

By relying on corporate mall and retail mall on e.ccb.com, the Bank established the mode of production, supply and sale, and cooperated with multiple large enterprise customers including Kweichow Moutai Group and Jiangxi Copper Corporation to jointly explore and provide internet supply chain service for enterprises. It also collaborated with 21 local governments and industry associations to open local feature columns for promoting local feature industries and services, and promoted "cross-border shopping" of goods in Ningbo Free Trade Zone via cross-border tariff-protective import to actively build overseas goods pavilions. In 2016, the accumulative transaction amount on E.ccb.com was RMB138,398 million.

** Telephone banking*

The Bank established a smart, multi-functional and convenient unified customer service platform and expanded new service channels of mobile finance such as mobile online service, so as to vigorously promote the building of smart customer service. At the end of 2016, the number of 95533 telephone banking customers was 242 million. The volume of smart customer services increased by 85.45% and self-help services accounted for 75.06% of the telephone banking services.

Feature article: Mobile First Strategy Contributes to Smart Banking and Financial Ecosystem

The Bank stuck to the strategy of "mobile first", constantly promoted the construction of smart bank and accelerated innovation so as to provide customers with smart and efficient mobile comprehensive financial services.

Multiple business indicators of the Bank's mobile banking ranked first among peers while the diversity of products, intelligentisation and customer experience leading the peers.

The Bank was always dedicated to providing customers with useful, user-friendly, personalised and interesting mobile banking, as it first launched mobile banking service among peers. The number of mobile banking users, the market share of its transaction amount, and the number of its APP downloads in the mainstream application markets ranked first among peers.

The Bank persisted in innovation, and continuously enhanced the security level with the launch of fingerprint recognition function for mobile banking and other competitive products including safe deposit box, settlement and sales of foreign exchange, wealth management planning, bank derivative business, and pension business. The Bank dedicated to building the best mobile financial ecosystem which would facilitate the formation of rapport between customers and mobile banking. The Bank extended the range of featured O2O applications such as reservation of commemorative coins, intelligent queue system in outlets and smart parking. The Bank provided more diversified non-financial services by adding more types of services such as housekeeping service, legal service, medical examination appointment, and smart fuel filling. Besides, the Bank delivered customised services towards different customer groups, and provided them with accurate, professional and intimate financial and non-financial services.

Electronic payments continued to develop, keeping ahead in inter-bank market share

The Bank launched the "Long Pay" brand which integrated various on-line to off-line payment tools of the whole bank. Customer experience was further improved through payment products such as cross-channel QR Code Payment and APP payment on mobile terminals; payment problems of customer from other banks were solved, which helped to establish a complete on-line to off-line payment system covering the Bank and other banks.

WeChat bank had strong influence, representing the convenience and smartness of intelligent service

The Bank's WeChat bank service was much larger than other banks in terms of business scale; it topped the Ranking List of New Media Spread Index among China's Top 500 Companies with all the indexes such as page views and thumbs-up number staying ahead of its peers.

The Bank always closely followed the changes in user behaviours and demands, actively built up the intelligent service image "Xiaowei" characterised by convenience and smartness, and took the lead in launching in WeChat, text message, mobile banking and website channels. "Xiaowei" was suitable for thousands of interactive scenarios, and the answering accuracy to user questions exceeded 90%.


11
中国建设银行
China Construction Bank

HUMANITY

The Bank conducted training by closely following the Bank's transformation and development strategy, improving the competence and business level of the Bank's employees on promoting transformation and development.

Vibrant team of China Construction Bank, London Branch

INFORMATION TECHNOLOGY AND PRODUCT INNOVATION

Information Technology

In 2016, the Bank intensified its efforts in information technology with a focus on ensuring safe operation and the building of the "New Generation Core Banking System", to support the innovation and development of its businesses.

An industry leader in maintaining safe and secure operations and in applying new technology to improve services. In 2016, all information system operated stably, while the availability rate of all key systems was 100%. The peak number, transaction amount, number of transactions and customers of key systems all rose and achieved better performance than peers. Technical indicators such as system processing capacity, successful transaction ratio, average response time and batch processing efficiency took the lead among peers.

The launching of main project of the "New Generation Core Banking System" presents remarkable business results. The Bank established the financial cloud platform featured by safety and security, flexible expanding and supporting the quick deployment of business functions. It also developed a set of multi-dimensional and high-level enterprise-level information system covering the head office and branches, domestic and overseas, parent company and subsidiaries, vigorously supporting the transformation and development of the Bank and significantly enhancing the Bank's core competitiveness in the internet era. The functions of new generation core banking system continued to release. The capacities of active risk identification and dynamic interception were constantly enhanced to effectively cope with external attacks and fraud and ensure the safety of system and funds. The Bank innovated products and services, quickly launched the payment product "Long Pay" integrating near field communication (NFC), QR code and bio-identification technology, widely used STMs, and cooperated the one-stop commercial registration mode with industry and commerce departments; it was the first to carry out businesses both at home and abroad using the same set of IT system version. Chile Branch and Warsaw Branch of CCB Europe were successfully opened up.

Product Innovation

In 2016, the Bank completed more than 1,900 items of product innovation, launched a batch of leading products and generated a good comprehensive effect through strengthening product innovation, implementing key innovation and speeding up the product duplication and promotion.

The Bank piloted the loan product for dispersal of non-capital city functions in the Beijing-Tianjin-Hebei region and completed the product design of construction loans for sponge cities and comprehensive utility tunnels; products such as overseas cash management collection and payment and timing cash pool were launched in overseas branches; the Bank also carried out six types of smart scenario application in terms of life services such as smart vegetable market in the pilot branches and completed four kinds of comprehensive service plans for key customer groups, so as to build the financial ecological system for individual customers. Moreover, the Bank put forward the construction of five platforms such as new assets and liabilities management platform in the Shanghai Free Trade Zone, integrated the documentary business centre and explored new business modes of international factoring and forfeiting.

HUMAN RESOURCES

At the end of 2016, the Bank had 362,482 staff members (in addition, the Bank had 5,093 workers dispatched by labour leasing companies). The number of staff members with academic qualifications of bachelor's degree or above was 233,681, accounting for 64.47% of the total number, and the number of local employees in overseas entities was 559. In addition, the Bank assumed the expenses of 60,836 retired employees.

Liu Youjie, a head office employee, who has served the Bank diligently and cautiously for 30 years

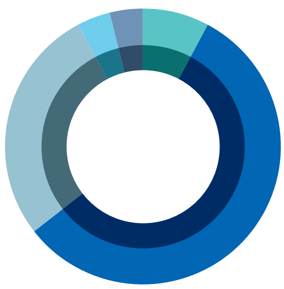
The compositions of the Bank's employees by age, academic qualification and responsibilities are as follows:

Category	Classification	Number of employees	% of total
Age	Below 30	97,382	26.86
	31 to 40	80,514	22.21
	41 to 50	139,370	38.45
	51 to 59	45,044	12.43
	Over 60	172	0.05
Academic qualification	Doctor's degree	484	0.13
	Master's degree	27,997	7.73
	Bachelor's degree	205,200	56.61
	Associate degree	100,799	27.81
	Post-secondary	14,289	3.94
	High school and below	13,713	3.78
Responsibilities	Corporate banking	38,218	10.54
	Personal banking	39,116	10.79
	Operating outlets and integrated tellers	189,911	52.39
	Financial market business	559	0.16
	Finance and accounting	7,645	2.11
	Management	12,533	3.46
	Risk management, internal audit, legal and compliance	19,622	5.41
	Information technology	28,300	7.81
	Others	26,578	7.33
Total		362,482	100.00

By Age

- Below 30 26.86%
- 31 to 40 22.21%
- 41 to 50 38.45%
- 51 to 59 12.43%
- Over 60 0.05%

By Academic Qualification



- Doctor's degree 0.13%
- Master's degree 7.73%
- Bachelor's degree 56.61%
- Associate degree 27.81%
- Post-secondary 3.94%
- High school and below 3.78%

By Responsibilities

- Corporate banking 10.54%
- Personal banking 10.79%
- Operating outlets and integrated tellers 52.39%
- Financial market business 0.16%
- Finance and accounting 2.11%
- Management 3.46%
- Risk management, internal audit, legal and compliance 5.41%
- Information technology 7.81%
- Others 7.33%

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

	As at 31 December 2016			
	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	2,433	16.24	55,143	15.21
Pearl River Delta	1,930	12.88	45,437	12.53
Bohai Rim	2,437	16.26	59,710	16.47
Central	3,611	24.10	81,008	22.35
Western	3,054	20.38	68,530	18.91
Northeastern	1,488	9.93	36,685	10.12
Head office	3	0.02	15,116	4.17
Overseas	29	0.19	853	0.24
Total	14,985	100.00	362,482	100.00

Staff remuneration policies

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

The Bank's major allocation policies and other significant matters relating to remuneration management need to be reviewed by the Nomination and Remuneration Committee under the Board. Material proposals relating to remuneration allocation are required to be voted and approved by the shareholders' general meeting, or be reported to the competent authorities of the State for approval and filing. Pursuant to relevant government policies regarding remuneration reform of state-owned enterprise leaders, from 2015 on, annual remunerations for the Bank's leaders administered by central authorities include basic annual salary, performance annual salary and tenure incentive income. If a material mistake arises during a leader's tenure and causes a significant loss for the Bank, the paid-out performance annual salary and tenure incentive income can be partly or wholly retrospectively deducted.

The Bank fully maximised the function of performance remuneration in providing incentives and setting restraints for staff members. The Bank established the assessment and distribution concept of encouraging value creation, continued to implement the guidance of inclining toward front line posts, and insisted on boosting more remuneration increase for sub-branch level, front-line and direct value creation posts, so as to stimulate the enthusiasm of front-line employees on creating profit and increasing income. It reinforced the remuneration management of overseas institutions and subsidiaries in accordance with the Bank's strategies of integrated operation and overseas development. The Bank further strengthened the guidance of performance assessment to match remuneration with performance. The Bank also formulated relevant remuneration reduction measures for staff members that faced disciplinary sanctions or other penalties due to violation of rules or breach of duty.

Staff training programme

The Bank strengthened the cultivation of specialised knowledge in finance, conducted special training by closely following the Bank's transformation and development strategy and combined on-site training with on-line training, improving the competence and business level of the Bank's employees on promoting transformation and development. In 2016, the Bank conducted 28,215 on-site training sessions, with a total enrolment of 1,581 thousand. The numbers of employees receiving on-line training and on-line lessons learnt were 348 thousand and 8,003 thousand respectively.

Profiles of institutions and staff in subsidiaries

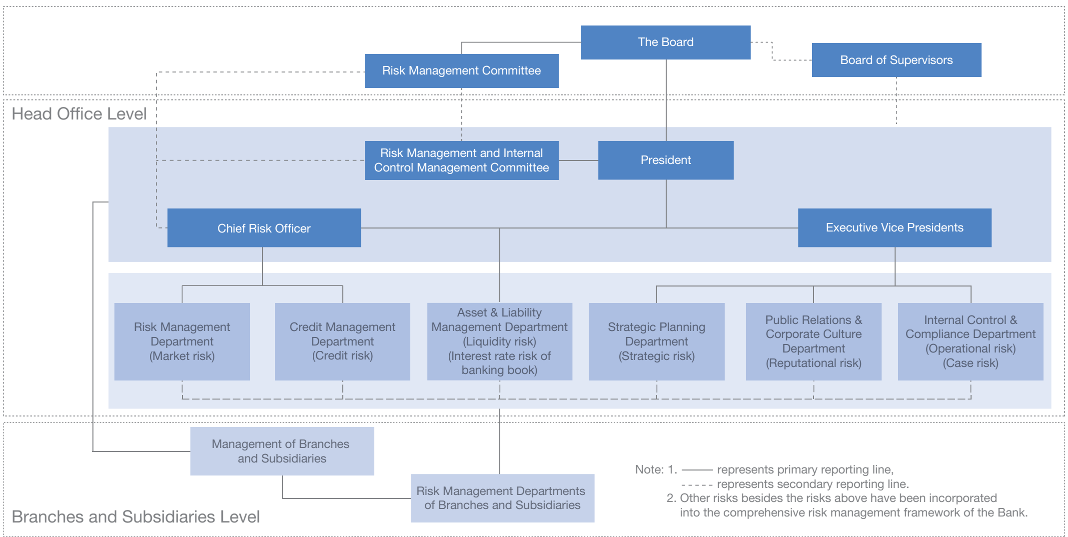
The subsidiaries of the Bank had 14,680 staff members (in addition, the subsidiaries had 479 workers dispatched by labour leasing companies). In this amount, the number of domestic and overseas staff members reached 9,084 and 5,596 respectively. In addition, the subsidiaries assumed the expenses of 38 retired employees.

RISK MANAGEMENT

In 2016, relying on team building, system tools, risk culture and comprehensive risk accountability, the Board, board of supervisors, senior management and staff members worked together to effectively identify, evaluate, measure, monitor, control and report various risks undertaken in all of the Group's institutions, businesses and operation management procedures to ensure the stability of asset quality and the overall control of various risks.

RISK MANAGEMENT STRUCTURE

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



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

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

Subsidiaries implement the risk management requirements of the parent bank through corporate governance mechanism, establish and improve internal risk appetite, risk management system and risk policies.

CREDIT RISK MANAGEMENT

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

In 2016, facing the complex and severe situation of credit risk management and control, the Group made solid progress in credit structure adjustment, enhanced credit fundamental management, and optimised the building of long-term mechanism. The senior management fulfilled subject responsibility in credit issues by conducting supervision and guidance in their respective responsible regions to strengthen risk mitigation. As a result, the asset quality improved in a stable manner.

Refining credit policy system to improve accurate adjustments and controls ability over credit policy. The Bank implemented the supply-side structural reform, intensified differentiated credit policy, consolidated its traditional advantages, put greater emphasis on infrastructure, industry upgrade and strategic emerging industries, promoted the development of green credit business, and refined the Group's green finance system. The Bank deepened "de-capacity and de-stocking", improved access threshold for, enhanced industry management and control over, and orderly compressed and exited from low-end manufacturing industry and wholesale and retail industry with higher risks, and high risk customer groups.

Implementing the whole-process credit management to reinforce risk management and control of key links. The Bank strengthened the ability of risk identification and prevention in the process of pre-lending due diligence, deepened the building of disbursement centres, unified the disbursement approval standard in the lending process, reinforced the post-lending inspection and supervision, and optimised its regular credit inspection mechanism. The Bank promoted the specialised construction of collaterals, optimised collateral management mechanism, adjusted collateral access policy, and perfected the institutional systems including collateral valuation manual and administrative measures for appraisal agency to promote the establishment of a management mode with clear responsibilities, specialisation and cooperation, and profession and concentration.

Strengthening refined management of credit granting and approval to improve credit granting risk management and control level. The Bank promoted the establishment of comprehensive credit granting assessment and differentiated mechanism for credit approval, dynamically adjusted authorisation mechanism. It detailed and optimised the examination and approval of customer credit rating, made more efforts on comprehensive credit granting re-examination and annual inspections, and intensified the credit granting management on a consolidated basis, so as to improve the capacity and level of risk control. The Bank established the checking system of credit granting and approval, intensified supervision and inspection, and strengthened off-site supervision to enhance the capability of control over credit approval in key risk areas.

Intensifying risk early-warning and pre-control techniques to focus on relieving risks in key areas. The Bank conducted unified monitoring of overall credit risks at the Group level, covering the Bank and its subsidiaries, on-balance and off-balance sheet, credit and credit-like businesses, domestic and overseas businesses. It also carried out multiple stress tests over macro economy and property sector with the results widely applied in setting risk preference and adjusting policies. The Bank enhanced the building of "mechanical control" over credit system, integrated the risk early-warning monitoring tools, optimised early-warning rules of portfolio-based risks, and deepened the application of early-warning results to assist the risk-relieving in advance. The business guidance "One Policy for One Bank" was conducted in branches and sub-branches of key regions to improve the effectiveness of risk-relieving.

Sparing no efforts in the disposal of NPLs to realise improved effectiveness. The Bank initiated the special event of cash recovery to fully exploit the potential of loan restructuring and continuously increase cash recovery rate of batch assignment, resulting in the substantial optimisation of disposal structure. It also innovated the disposal methods and successfully launched three batches of non-performing securitised products covering corporate loans, personal loans and credit card loans.

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.

At the end of 2016, the Group's gross loans to the largest single borrower accounted for 4.03% of the total capital after deduction, while those to the top ten customers accounted for 13.37% of the total capital after deduction.

Concentration of loans

Concentration indicator	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Proportion of loans to the largest single customer (%)	**4.03**	5.67	5.05
Proportion of loans to top ten customers (%)	**13.37**	14.46	13.42

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

(In millions of RMB, except percentages)	Industry	As at 31 December 2016	
		Amount	% of total loans
Customer A	Transportation, storage and postal services	**71,850**	**0.61**
Customer B	Transportation, storage and postal services	**27,884**	**0.24**
Customer C	Transportation, storage and postal services	**20,700**	**0.18**
Customer D	Public management, social security and social organisation	**20,000**	**0.17**
Customer E	Transportation, storage and postal services	**19,580**	**0.17**
Customer F	Transportation, storage and postal services	**19,067**	**0.16**
Customer G	Transportation, storage and postal services	**17,654**	**0.15**
Customer H	Transportation, storage and postal services	**14,468**	**0.12**
Customer I	Transportation, storage and postal services	**13,978**	**0.12**
Customer J	Transportation, storage and postal services	**13,392**	**0.11**
Total		**238,573**	**2.03**

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the type of risk that occurs when the Group cannot obtain sufficient funding in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet the other funding needs in regular business development. Major factors and events that affect liquidity risks include massive outflow of wholesale or retail deposits, increase in wholesale or retail financing cost, default of debtors, difficulty in assets liquidation, and decrease in financing capability.

The year of 2016 witnessed increasing volatility in the international financial market, the monetary policies of major central banks in the EU and USA turned around and Black Swan event such as "Brexit" occurred. Domestic economic and financial situation was complicated, new changes appeared in the money supply mode with more flexible usage of monetary policy tools, the influence of deregulation of interest rates continued to deepen while RMB exchange rate experienced fierce fluctuations, all of which increased the difficulty in liquidity management of the Bank. Under such circumstances, the Group persisted in stable and prudent principle in terms of liquidity risk management, and adopted effective measures to cope with changes in external environment and market competition. It reasonably arranged the term and structure of assets and liabilities, and balanced the sources and applications of the Group's fund by taking reliable measures including implementing provision management, detailing the fund operation arrangement at critical junctures, reinforcing the requirement on cash backflow limit, refining liquidity stress test method, coordinating the usage of RMB and foreign currency funds, and improving liquidity management of subsidiaries, to ensure payment and settlement security.

Governance structure of liquidity management

The decision-making system consists of the Board and its special committee, and the senior management. The Asset and Liability Management Department at the head office takes the lead in being responsible for the Bank's daily liquidity risk management and constitutes the execution system together with the Financial Market Department, Channel and Operation Management Department, Data Management Department, Public Relations & Corporate Culture Department, Board Office, leading management departments of each business, and related departments at branches and sub-branches. The Board of Supervisors and Audit Department comprise the supervision system. The above-mentioned systems fulfil their obligations of decision-making, execution and supervision of liquidity risk management according to segregation of duties.

Strategy and policy of liquidity risk management

The Group's objective for liquidity risk management is to guarantee the Group's payment and settlement security, and try its best to realise the good balance between safety and effectiveness by adopting prudent, dispersive and coordinating strategies. Consolidated management model is applied to liquidity risk management, which means the head office centrally manages the Bank's liquidity risk, and formulates liquidity risk management policies including limit management, intra-day liquidity risk management, stress testing and emergency plans, according to regulatory requirements, external macro environment and the Bank's business development situation. Subsidiaries undertake the chief responsibility of liquidity management of their own.

Stress testing of liquidity risk

The Group conducted quarterly stress testing on its liquidity risk, in order to gauge its risk tolerance in extreme scenarios with low probability and other adverse circumstances. The method of stress testing was improved in a continuous manner in pursuant to regulatory and internal management requirements. The results of stress testing showed that under multiple stress scenario assumptions, although the Group's liquidity risk increased, it stayed within a controllable range and the Group formulated corresponding contingency plans.

Indicators and brief analysis of liquidity risk management

The Group adopts liquidity index analysis, analysis of remaining contractual maturity and undiscounted cash flow analysis to measure the liquidity risk.

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

(%)		Regulatory standard	**As at 31 December 2016**	As at 31 December 2015	As at 31 December 2014
Liquidity ratio[1]	RMB	≥25	**44.21**	44.17	48.88
	Foreign currency	≥25	**40.81**	59.84	57.03
Loan-to-deposit ratio[2]	RMB		**68.17**	69.80	67.53

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

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

No.	**(In millions of RMB, except percentages)**	**Value before translation**	**Value after translation**
Qualified and high-quality liquid assets			
1	Qualified and high-quality liquid assets		3,713,100
Cash outflow			
2	Deposits from retail and deposits from small enterprise customers, including:	7,696,066	749,671
3	Stable deposits	398,066	19,871
4	Deposits with a low degree of stability	7,298,000	729,800
5	Unsecured (unpledged) wholesale financing, including:	8,736,091	2,842,340
6	Business relations deposits (excluding agent bank business)	5,709,736	1,415,071
7	Non-business relations deposits (all counterparties)	2,951,313	1,352,227
8	Unsecured (unpledged) debts	75,042	75,042
9	Secured (pledged) financing		–
10	Other items, including:	1,576,729	194,379
11	Cash outflows related to the requirement of derivatives and other collateral (pledges)	58,448	58,447
12	Cash outflows related to financing loss of mortgage (pledges) debt instruments	2,193	2,193
13	Credit facilities and liquidity facilities	1,516,088	133,739
14	Other contractual financing obligations	–	–
15	Contingent financing obligations	1,946,893	315,563
16	**Total amount of expected cash outflows**		4,101,953
Cash inflow			
17	Mortgage (pledged) lending (including reverse repurchase and borrowed securities)	73,688	73,688
18	Cash inflow from normal full settlement	1,324,063	876,883
19	Other cash inflows	62,725	61,642
20	**Total amount of expected cash inflows**	1,460,476	1,012,213
			Value after adjustment
21	**Qualified and high-quality liquid assets**		3,713,100
22	**Net cash outflows**		3,089,740
23	**Liquidity coverage ratio (%)**[1]		120.27

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

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional)*, the liquidity coverage ratio equals to the qualified and high-quality liquid assets dividing by net cash outflows of future 30 days, which should reach 100% before the end of 2018. During the transitional period, the ratio should be no less than 80% and 90% before the end of 2016 and 2017 respectively. The qualified and high-quality liquid assets of the Group mainly include securities guaranteed and issued by sovereign states and central banks with the risk of zero or 20%, and the available deposit reserve in the central bank under stress circumstances. The average monthly liquidity coverage ratio of the Group in the fourth quarter of 2016 was 120.27%, meeting the regulatory requirements. The liquidity coverage ratio in the fourth quarter increased by 3.19 percentage points over the previous quarter, which was mainly because the cash inflow from normal full settlement increased.

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

	As at 31 December 2016							
(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,592,203	257,058	–	–	–	–	–	2,849,261
Deposits and placements with banks and non-bank financial institutions	–	85,218	306,393	138,820	218,544	6,313	–	755,288
Financial assets held under resale agreements	–	–	78,001	23,580	1,593	–	–	103,174
Loans and advances to customers	75,438	484,321	401,828	709,215	2,644,332	2,901,246	4,271,975	11,488,355
Investments	310,716	–	141,738	271,433	574,093	2,123,075	1,654,847	5,075,902
Other assets	229,069	89,276	34,077	79,502	173,739	55,946	30,116	691,725
Total assets	3,207,426	915,873	962,037	1,222,550	3,612,301	5,086,580	5,956,938	20,963,705
Liabilities								
Borrowings from central banks	–	–	83,176	59,415	296,602	146	–	439,339
Deposits and placements from banks and non-bank financial institutions	–	982,735	226,509	167,189	491,880	61,488	5,740	1,935,541
Financial liabilities at fair value through profit or loss	–	19,947	131,301	116,642	128,701	–	–	396,591
Financial assets sold under repurchase agreements	–	–	184,074	3,858	1,008	1,574	66	190,580
Deposits from customers	–	8,336,446	966,975	1,113,365	2,723,870	2,244,258	18,001	15,402,915
Debt securities issued	–	–	61,274	67,465	61,394	166,054	95,367	451,554
Other liabilities	582	116,506	52,697	67,710	234,456	78,943	6,637	557,531
Total liabilities	582	9,455,634	1,706,006	1,595,644	3,937,911	2,552,463	125,811	19,374,051
Net gaps in 2016	3,206,844	(8,539,761)	(743,969)	(373,094)	(325,610)	2,534,117	5,831,127	1,589,654
Net gaps in 2015	2,518,047	(7,542,847)	(818,968)	(363,656)	549,310	2,274,010	4,829,187	1,445,083

The Group regularly monitors the gap between its assets and liabilities under various maturities classes in order to assess its liquidity risk during different periods. As at 31 December 2016, the accumulated gap of various maturities of the Group was RMB1,589,654 million, an increase of RMB144,571 million over 2015. The negative gap for repayment on demand totalled RMB8,539,761 million, which was mainly because the Group had an expansive customer base with a high balance of demand deposits, relatively stable core demand deposits, and steady growth in deposits. The Group was expected to enjoy a stable funding source and maintain stable liquidity 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. Interest rate risk and foreign exchange rate risk are the main market risks faced by the Group.

In 2016, the Group proactively enhanced market risk management at the Group level, properly responded to the market changes, strictly controlled credit debt default risk and promoted the establishment of risk management and control mode and system for direct operation businesses at the head office, and constantly increased the mechanical control level for trading business, with continuously improved market risk management and control.

Formulating and optimising market risk policies and systems to build an all-dimensional market risk management and control pattern at the Group level. The *Limit Scheme for Trading Business and Market Risk Policy* has been formulated to specify the policy orientation and risk-bearing boundary, the *Internal Control Standard System of Market Risk* has been issued to maintain the effectiveness of the building and operation of internal control, and the *Market Risk Management Policy* has been amended to unify the risk management standards for investment, trading, assets management and financial institutional businesses.

Establishing risk management system for direct operation businesses to specify six risk management principles. The risk management architecture with the direct operation businesses centres as the first line of defence and the risk management department as the second line of defence has been established. The assets management and financial institutional business has been incorporated into market risk policy limits, the penetration management of underlying assets has been strengthened and six risk management principles relating to "risk isolation, risk self-assumption, product penetration, unified credit granting, centralised trusteeship and assessment in advance" have been specified.

Promoting the mechanical control construction for trading business to improve risk monitoring and early-warning capability. A prompt major risk early-warning, integrated risk monitoring index and intelligent fairness investigation for trading prices have been realised. A dynamic and efficient risk management mechanism for derivative products has been set up, systematic management for financial market business monitoring and reporting has been realised, the development of trading data access in the front, middle and back offices has been completed, and the system construction of financial market business for overseas institutions has been constantly promoted.

Value at Risk analysis

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

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

	2016				2015			
(In millions of RMB)	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	106	157	265	91	149	83	200	48
– Interest rate risk	61	52	144	20	46	38	172	17
– Foreign exchange risk	97	156	253	64	142	71	206	13
– Commodity risk	6	13	60	–	1	3	12	–

Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities are the primary sources of interest rate risk for the Group, while yield curve risk and option risk have relatively less impact.

The Group established the interest rate risk management framework, formulated corresponding management systems in line with internal and external management demands, and specified the functions, responsibilities and reporting line of the Board, the senior management and related departments in interest rate management, to ensure the effective management of interest rate risk. The overall objective of the Group's interest rate risk management is to minimise the decrease of net interest income caused by interest rate changes, while keeping interest rate risk within a tolerable range in accordance with the risk appetite and risk management capability.

The Group measured and analysed the interest rate risk of banking book by comprehensively employing a host of methods including interest rate sensitive gap, sensitive analysis on net interest income and stress testing, delivered management suggestions by way of regular analysis reports, and adopted measures in accordance with internal and external management demands, to maintain the overall interest rate risk level within its determined acceptable range.

In 2016, the Bank paid a close attention to the changes in external interest rate environment, and made good anticipation and analysis of key indicators of interest rate risk such as net interest margin (NIM) and net interest income (NII) as a result of the centralised release of the effect of interest rate reduction and difficulty in controlling the deposit cost due to the liberalisation of the upper limit for deposit interest rates. The Bank constantly enhanced the pricing management for deposits and loans, implemented the pricing strategy with the combination of standardised and differentiated method, and reinforced the incentive and restraint mechanism and dynamic monitoring and assessment mechanism for pricing. It propelled the construction and application of comprehensive pricing system to foster the market-oriented pricing capability, and reasonably controlled high cost deposits to realise a balanced assets and liabilities structure in terms of volume and pricing. Under the macro anticipation and the refined internal management, the Bank realised the overall interest rate risk within the targeted management level, and ensured the stability of indicators including NIM and NII.

Interest rate sensitivity gap analysis

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

	As at 31 December 2016					
(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets						
Cash and deposits with central banks	110,050	2,739,211	–	–	–	2,849,261
Deposits and placements with banks and non-bank financial institutions	–	599,855	153,084	2,349	–	755,288
Financial assets held under resale agreements	–	101,581	1,593	–	–	103,174
Loans and advances to customers	–	6,682,710	4,406,772	320,988	77,885	11,488,355
Investments	310,718	534,360	583,313	2,004,704	1,642,807	5,075,902
Other assets	691,725	–	–	–	–	691,725
Total assets	1,112,493	10,657,717	5,144,762	2,328,041	1,720,692	20,963,705
Liabilities						
Borrowings from central banks	–	142,591	296,602	146	–	439,339
Deposits and placements from banks and non-bank financial institutions	–	1,447,097	450,354	36,010	2,080	1,935,541
Financial liabilities at fair value through profit or loss	19,947	247,942	128,702	–	–	396,591
Financial assets sold under repurchase agreements	–	187,932	1,008	1,574	66	190,580
Deposits from customers	110,999	10,313,397	3,377,431	1,593,009	8,079	15,402,915
Debt securities issued	–	158,133	71,781	131,577	90,063	451,554
Other liabilities	557,531	–	–	–	–	557,531
Total liabilities	688,477	12,497,092	4,325,878	1,762,316	100,288	19,374,051
Interest rate sensitivity gap analysis in 2016	424,016	(1,839,375)	818,884	565,725	1,620,404	1,589,654
Accumulated interest rate sensitivity gap in 2016		(1,839,375)	(1,020,491)	(454,766)	1,165,638	
Interest rate sensitivity gap analysis in 2015	30,905	(1,981,159)	1,836,320	227,707	1,331,310	1,445,083
Accumulated interest rate sensitivity gap in 2015		(1,981,159)	(144,839)	82,868	1,414,178	

As at 31 December 2016, the repricing gap of the Group's assets and liabilities for a period less than one year was a negative value of RMB1,020,491 million, an increase of RMB875,652 million over 2015, which was mainly because of the increase in short-term liabilities such as deposits and borrowings from central banks. The Group's positive gap for a period more than one year was RMB2,186,129 million, an increase of RMB627,112 million over 2015, which was mainly due to the increase in long-term investments.

Net interest income sensitivity analysis

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

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

	Change in net interest income			
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points (demand deposit rates being constant)	Fall by 100 basis points (demand deposit rates being constant)
As at 31 December 2016	**(48,500)**	**48,500**	**43,566**	**(43,566)**
As at 31 December 2015	(40,586)	40,586	40,443	(40,443)

Foreign exchange rate risk management

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

In 2016, the Group optimised the methods for measuring the risk exposure of gold, etc., and incorporated newly established entities into the system measurement range to improve the measurement accuracy. It timely tracked the progress of Brexit and analysed the foreign exchange rate risk, with the conclusion that the Group's foreign exchange rate risk was controllable. It launched foreign exchange rate risk stress testing of Financial Sector Assessment Programme (FSAP) and the CBRC's risk stress testing for banking industry by way of sensitive analysis method and treating capital adequacy ratio as stress index. The results showed that the overall risk was under control.

Currency concentrations

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

	As at 31 December 2016				As at 31 December 2015			
(In millions of RMB)	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**1,306,232**	**327,955**	**264,686**	**1,898,873**	963,701	242,240	182,060	1,388,001
Spot liabilities	**(1,087,356)**	**(351,161)**	**(227,688)**	**(1,666,205)**	(770,728)	(270,351)	(158,982)	(1,200,061)
Forward purchases	**2,621,532**	**98,488**	**230,706**	**2,950,726**	1,481,023	108,489	190,402	1,779,914
Forward sales	**(2,824,058)**	**(39,253)**	**(261,184)**	**(3,124,495)**	(1,659,618)	(52,594)	(201,843)	(1,914,055)
Net options position	**(4,012)**	**–**	**–**	**(4,012)**	478	–	–	478
Net long options	**12,338**	**36,029**	**6,520**	**54,887**	14,856	27,784	11,637	54,277

As at 31 December 2016, the net exposure of the Group's foreign exchange rate risk was RMB54,887 million, an increase of RMB610 million over 2015, staying at a stable level.

OPERATIONAL RISK MANAGEMENT

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

In 2016, the Group continued to strengthen operational risk management, optimised management tools for operational risk such as self-assessment, and deepened the application scope of such tools. It actively identified and assessed risks as well as enhanced and improved internal control in diversified ways including special self-assessment, overall institution self-assessment and project re-examination. It reinforced monitoring and early-warning of the Group's operational risk, promoted tier-one branches, overseas institutions and subsidiaries to build the monitoring system of key risk indicators according to their own characteristics, perfected the key risk indicators system at the head office level and strengthened risk management and control over key areas and links. It re-examined and adjusted incompatible posts (duties) across the Bank and reinforced the post check and balance.

Anti-money Laundering

In 2016, the Group earnestly implemented laws and regulations of anti-money laundering (AML) and counter-terrorist financing (CTF). It continued to refine the internal control system of AML, and enhanced compliance management on AML, CTF and financial sanction with the risk-based method and the ultimate goal of improving efficiency in the risk prevention of money laundering. It enhanced AML publicity and training, and actively cooperated with AML investigation and regulatory supervision, with further improved capacity and efficiency in AML and CTF.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the potential or existing risk of negative impact on or damage to the Bank's overall image, reputation and brand value, emerging when certain aspects of the Bank's operational, managerial or other behaviours attract media attention or coverage.

In 2016, the Group continued to improve its reputational risk management system and mechanism based on the transformation and development strategy. It carried out overall self-assessment of reputational risk through in-depth investigation of risk areas in all businesses, products and service processes, and constantly strengthened its fundamental management. It compiled series of tutorials on reputational risk management and incorporated reputational risk training into trainings for all business lines, branches and sub-branches and staff members at all levels to heighten risk awareness of all staff members. The Group also actively responded to media inquiries and effectively communicated with its stakeholders and the public. The Group achieved steady improvement in its reputational risk management and effectively safeguarded its good corporate image and reputation during the reporting period.

COUNTRY RISK MANAGEMENT

Country risk refers to the risk of insolvency or repudiation of borrowers or debtors in a country or a region to repay the liabilities from banking financial institutions, or the risk of losses in the commercial presence or other losses of banking financial institutions in a country or a region, due to the economic, political, social changes and events incurred in such country or region. Country risk mainly comprises seven aspects based on differentiated manifestations, including transfer risk, sovereign risk, contagion risk, currency risk, macroeconomic risk, political risk and indirect country risk.

The Bank strictly implemented the *Guidelines on the Management of Country Risk by Banking Financial Institutions* by the CBRC and other regulations, and conducted centralised management when all departments coordinated with each other and performed their own responsibilities under the leadership of the Board and senior management. In 2016, the Bank continued to deepen country risk management in accordance with regulatory requirements to improve the capability of country risk prevention. The Bank continuously improved the country risk management system and explored to build the country risk assessment mechanism. It reinforced the internal rating and early-warning supervision of country risk, closely monitored the changes of country risk exposure, persistently tracked, monitored and reported country risk, further improved the compensation capability on country risk to strongly support the Bank's international transformation and implement major national strategies such as "the Belt and Road".

CONSOLIDATED MANAGEMENT

Consolidated management is the comprehensive and continuous management and control that the Bank imposes over the Group's and its subsidiaries' corporate governance, capital and finance, in order to effectively identify, measure, monitor and control the overall risk profile of the Group.

In 2016, the Bank continued to enhance planning and coordination of consolidated management, refined the consolidated management system, strengthened consolidated elements management, promoted consolidated management and prevented cross-border and cross-industry risks at the Group level.

Refining corporate governance and consolidated management system. The Bank amended the measures on subsidiaries management, strengthened the ability of self-management and development capability of subsidiaries, built the professional manager system and enhanced the internal incentive and restraint mechanism. It carried out self-assessment on consolidated management, and comprehensively summarised and reported the implementation and progress of consolidated management according to regulatory requirements.

Continuously strengthening the Group's comprehensive risk management and concentration risk management. The Bank refined the Group's comprehensive risk management systems and policies, and formulated the Group's statements of risk appetite. The Bank strengthened the conduction of risk information at the Group level, regularly analysed the risk state of subsidiaries and overseas institutions, and revised the Group's recovery and disposal plan. It also issued management measures on concentration risk, and formulated the annual industry concentration limit management scheme covering subsidiaries so as to enhance monitoring of the Group's industry limit.

Strengthening the establishment of risk isolation mechanism. The Bank perfected the firewall establishment, and refined the prevention and control mechanism of internal risk contagion, so as to prevent conflict of interests and control risk transfer and spillover.

Accelerating the building of the consolidated information system. The Bank optimised its consolidated management information system, and improved the Group's general ledger system and human resource management system to further improve data quality.

INTERNAL AUDIT

In order to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, the Bank's Internal Audit Department evaluates the effectiveness of the internal control system and risk management mechanism, the effect of corporate governance procedures, the efficiency of business operations, and the economic responsibilities of relevant personnel, and puts forward suggestions for improvement based on its internal audit. The Internal Audit Department works in a relatively independent manner, and it is managed vertically. It is responsible to and reports to the Board and the Audit Committee, as well as reports to the Board of Supervisors and senior management. There is an internal audit department at the head office, and 37 audit offices at tier-one branches, responsible for managing and conducting audit projects.

In 2016, the Internal Audit Department conducted audit projects by focusing on key points. Focusing on transformation and development, the Bank organised the implementation of systemic audit projects of 39 categories, including dynamic audit investigation on key businesses of strategic transformation, audit on operation management of certain tier-one branches in main businesses, dynamic audit of credit businesses, audit on collaterals for loans to corporate customers, audit on major matters in physical channels and operation business, audit on financial institutional business, audit investigation on internet finance business, audit on anti-money laundering and audit on economic responsibility within tenure. Meanwhile, the Bank enhanced continuous supervision on rectification and performed in-depth analysis on the underlying causes of issues identified so as to push forward the relevant departments and branches to constantly improve management mechanism, business process and internal management, thus effectively promoting the stable development of the Bank's operation and management.

CAPITAL MANAGEMENT

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

In 2016, the Group proactively carried forward transformation towards more intensive use of capital by focusing on capital transmission and constraint mechanism, and strengthened capital-based planning as well as incentive and restraint mechanism. It took initiatives to push forward improvement in business structure, and accelerated the development of the business that took up less capital while bringing higher returns, thereby improving its asset allocation efficiency. It persisted in refined management with in-depth analysis on capital use and risk-weighted asset items, and reduced the less efficient use of capital to improve capital efficiency, enhancing the role of capital as a guiding and restraining force in business development.

CAPITAL ADEQUACY RATIO

Scope for calculating capital adequacy ratios

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

Capital adequacy ratio

In 2016, the Group witnessed steady capital growth thanks to internal retained earnings. It took initiatives to improve on and off-balance sheet business structure, and strengthened risk-weighted asset management for business lines. As a result, its risk-weighted assets grew slower than the assets. However, affected by factors such as reduced amount recognised in capital for the unqualified subordinated bonds, and a drop in investment revaluation reserve caused by market interest rate fluctuations in the fourth quarter, the capital adequacy ratio fell as the total capital after deduction for the whole year grew slower than the risk-weighted assets.

As at 31 December 2016, 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)* and relevant rules for the transition period, were 14.94%, 13.15% and 12.98%, respectively, all of which were in compliance with the regulatory requirements. The total capital ratio, tier 1 ratio and common equity tier 1 ratio decreased by 0.45, 0.17 and 0.15 percentage points respectively compared to those as at 31 December 2015.

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

	As at 31 December 2016		As at 31 December 2015	
(In millions of RMB, except percentages)	The Group	The Bank	The Group	The Bank
Capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Total capital after deduction:				
Common Equity Tier 1 capital	**1,549,834**	**1,456,011**	1,408,127	1,328,994
Tier 1 capital	**1,569,575**	**1,475,184**	1,427,847	1,348,654
Total capital	**1,783,915**	**1,686,768**	1,650,173	1,567,187
Capital adequacy ratios:				
Common Equity Tier 1 ratio	**12.98%**	**12.89%**	13.13%	12.94%
Tier 1 ratio	**13.15%**	**13.06%**	13.32%	13.13%
Total capital ratio	**14.94%**	**14.93%**	15.39%	15.26%
Capital adequacy ratios calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*				
Core capital adequacy ratio	**12.55%**	**12.57%**	12.35%	12.32%
Capital adequacy ratio	**15.31%**	**15.16%**	15.43%	15.19%

Composition of capital

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

(In millions of RMB)	As at 31 December 2016	As at 31 December 2015
Common Equity Tier 1 capital		
Qualifying common share capital	**250,011**	250,011
Capital reserve[1]	**132,800**	157,613
Surplus reserve	**175,445**	153,032
General reserve	**211,134**	186,383
Retained earnings	**784,164**	669,802
Non-controlling interest recognised in Common Equity Tier 1 capital	**4,069**	4,121
Others[2]	**798**	(5,330)
Deductions for Common Equity Tier 1 capital		
Goodwill[3]	**2,752**	1,946
Other intangible assets (excluding land use rights)[3]	**2,083**	1,657
Cash-flow hedge reserve	**(150)**	–
Investments in common equity of financial institutions being controlled but outside the scope of consolidation	**3,902**	3,902
Additional Tier 1 capital		
Other directly issued qualifying additional Tier 1 instruments including related premium	**19,659**	19,659
Non-controlling interest recognised in Additional Tier 1 capital	**82**	61
Tier 2 capital		
Directly issued qualifying Tier 2 instruments including related premium	**155,684**	170,147
Provisions in Tier 2	**58,281**	50,014
Non-controlling interest recognised in Tier 2 capital	**375**	2,165
Common Equity Tier 1 capital after deduction[4]	**1,549,834**	1,408,127
Tier 1 capital after deduction[4]	**1,569,575**	1,427,847
Total capital after deduction[4]	**1,783,915**	1,650,173

1. Investment revaluation reserve is included in capital reserve.
2. Others mainly contain foreign exchange reserve.
3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
4. Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

Risk-weighted assets

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

(In millions of RMB)	As at 31 December 2016	As at 31 December 2015
Credit risk-weighted assets	**10,821,591**	9,632,990
Covered by internal ratings-based approach	**7,465,207**	7,285,947
Uncovered by internal ratings-based approach	**3,356,384**	2,347,043
Market risk-weighted assets	**103,494**	71,624
Covered by internal models approach	**58,277**	36,663
Uncovered by internal models approach	**45,217**	34,961
Operational risk-weighted assets	**1,012,689**	986,906
Additional risk-weighted assets arising due to the application of capital floors	**–**	30,562
Total risk-weighted assets	**11,937,774**	10,722,082

For more details about capital composition, capital measurement and management, please refer to *2016 Capital Adequacy Ratio Report of China Construction Bank Corporation* issued by the Bank.

LEVERAGE RATIO

From the first quarter of 2015 on, the Group calculated its leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. Leverage ratio is calculated by dividing tier 1 capital after deduction by on and off-balance sheet assets after adjustments. Leverage ratio of a commercial bank shall not stand below 4%. As at 31 December 2016, the Group's leverage ratio was 7.03%, meeting the regulatory requirements.

The following table sets forth the general information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2016	As at 30 September 2016	As at 30 June 2016	As at 31 March 2016
Leverage Ratio[1]	**7.03%**	7.12%	7.05%	7.27%
Tier 1 capital after deduction	**1,569,575**	1,552,524	1,488,636	1,493,236
On and off-balance sheet assets after adjustments[2]	**22,321,581**	21,796,235	21,109,915	20,533,512

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. The tier 1 capital after deduction is consistent with that used in the calculation of capital adequacy ratio by the Group.
2. On and off-balance sheet assets after adjustments = On-balance sheet assets after adjustments + Off-balance sheet items after adjustments – Deduction from tier 1 capital.

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and their differences with the accounting items.

(In millions of RMB)	As at 31 December 2016	As at 31 December 2015
Total on-balance sheet assets[1]	20,963,705	18,349,489
Consolidated adjustment[2]	(99,697)	(63,471)
Customer assets adjustment	–	–
Derivatives adjustment	25,535	32,222
Securities financing transactions adjustment	922	1,278
Off-balance sheet items adjustment[3]	1,439,703	1,304,634
Other adjustments[4]	(8,587)	(7,505)
On and off-balance sheet assets after adjustments	22,321,581	19,616,647

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total asset and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
4. Other adjustments mainly comprise deduction from tier 1 capital.

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

(In millions of RMB, except percentages)	As at 31 December 2016	As at 31 December 2015
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	20,672,026	17,945,522
Less: Deduction from tier 1 capital	(8,587)	(7,505)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	20,663,439	17,938,017
Replacement costs of various derivatives (excluding eligible margin)	61,402	26,388
Potential risk exposures of various derivatives	53,443	36,782
Total collaterals deducted from the balance sheet	–	–
Less: Assets receivable arising from the provision of eligible margin	–	–
Less: Derivative assets arising from central counterpart transactions while providing clearing services to customers	–	–
Nominal principals arising from sales of credit derivatives	50	–
Less: Deductible assets arising from sales of credit derivatives	–	–
Derivative assets	114,895	63,170
Accounting assets arising from securities financing transactions	102,622	309,548
Less: Deductible assets arising from securities financing transactions	–	–
Counter-party credit risk exposure arising from securities financing transactions	922	1,278
Assets arising from the agency services in connection with securities financing transactions	–	–
Securities financing transactions assets	103,544	310,826
Off-balance sheet assets	2,745,861	2,402,284
Less: Decrease in off-balance sheet assets due to credit conversion	(1,306,158)	(1,097,650)
Off-balance sheet assets after adjustments	1,439,703	1,304,634
Tier 1 capital after deduction	1,569,575	1,427,847
On and off-balance sheet assets after adjustments	22,321,581	19,616,647
Leverage Ratio[2]	7.03%	7.28%

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

PROSPECTS

In 2017, the global economy as a whole is expected to grow mildly, while numerous uncertainties still remain. The US economy is expected to grow steadily while the Federal Reserve will quicken its pace of interest rate hikes. With the gradual pick up of Eurozone economy, the negative impact on the European debt crisis and Brexit will be absorbed gradually. Japanese economy is expected to maintain low speed growth while the policy space for implementing loose monetary policy is limited. Emerging economies continue to diverge. China's economy is now at a critical period in which the old development drivers are geared to new ones, industrial structure is optimised and upgraded, and the scale of new sources of economic growth is expanding. With the further promotion of supply-side structural reform, China's economic development will remain steady and sound.

The banking industry will still face challenges of profound changes in operating environment, which presents both challenges and opportunities at the same time. On the one hand, de-capacity and de-leveraging will exert pressure on the banks' assets quality. Increasingly volatile fluctuations in stock market, bond market, foreign currency market, monetary market and commodity price will test the banks' ability to maintain prudent and stable operations. Macro-prudential assessment system (MPA), capital regulation, consolidated regulation and new supervisory regulations for foreign currency and service fee practices shall heighten the standards for compliance operations of the banks. Internet-based financing will intensify market competitions, as well as severely challenge the steady development of the banks. On the other hand, the implementation of China's major strategies and major engineering projects means huge potentials for business development of the banking sector. The rapid growth of emerging industries and new business formats, upgrades in the consumption areas, increased inputs in social undertakings and livelihood assurance and other fields by the Chinese government contain enormous business opportunities. Effective financial regulation accelerated the clear-out of market risk and further regulated financial market discipline, which laid a firm foundation for the steady development of the market players.

In 2017, the Group will focus on supporting the real economy and the supply-side structural reform, accelerating its transformation and development, and improving the compliant and stable operation level. Efforts will be made in the following areas. Firstly, the Group will further support the transformation and upgrade of the real economy. The Group will closely follow up the national major strategies, drive the implementation of major projects, build sharing platform by multi-channel and try to promote the integrated service capacity. Secondly, the Group will offer apt services to the supply-side structural reform. The Group will actively apply comprehensive financial service solutions to support corporate M&A and market clear-out for surplus capacity; consolidate and improve its traditional advantage in residential mortgages and mainly support residents' housing demand for personal use and improvement-type purpose; build a debt-to-equity swap service brand featuring market-orientation and legalisation, boosting corporate to optimise the structure of assets and liabilities; continuously implement fee-reducing and profit-sharing policies to reduce corporate financing costs; vigorously promote inclusive financial services, and offer financial services towards small and micro enterprises and "agriculture, farmers and rural areas" innovatively. Thirdly, the Group will continue to promote its business transformation and development. The Group will be always under the guidance of building an integrated banking group featuring "multi-functional services, intensive development, innovation and intelligence", and strive to fully exploit its advantages in the type of financial licenses. The Group will build its multi-functional service platform and financial ecosystem, improve intensive management and operational ability at enterprise level, refine innovation management organisational system, and build up its technical advantages by paying close attention to advanced technologies. Fourthly, the Group as a whole will create a multi-dimensional network for risk prevention and control. It will go on refining the long-term mechanism of the Group's credit risk management, and pay close attention to the external market risk changes. Moreover, the Group will focus on the management of internal control and compliance to ensure stable asset quality. Fifthly, the Group will optimise the allocation of resources, and constantly promote the level of intensive capital management. With the optimisation and adjustment of differentiated authorisation policies, financial policies and human resource allocation, the Group will realise the sustainable development.

INTELLIGENCE

The Bank stuck to the strategy of "mobile first", constantly promoted the construction of smart bank and accelerated innovation so as to provide customers with smart and efficient mobile comprehensive financial services.

"Mobile First" strategy contributes to smart banking and financial ecosystem

CORPORATE SOCIAL RESPONSIBILITIES

In 2016, the Bank constantly promoted the implementation of the strategic goals of corporate social responsibilities, and strove to "become a bank that serves the general public, promotes people's livelihood, facilitates low carbon and environmental protection, and achieves sustainable development".

SUPPORT TO GREEN CREDIT

The Bank fulfilled the philosophy of green development by determining the nine favoured areas including clean energy, clean transportation, energy saving and emission reduction, energy saving and environmental protection related services, saving and cyclic utilisation of resources, ecological protection and adaptation to climate change, pollution prevention and regulation, overseas projects under international practice or international standards, and construction of energy saving and low-carbon park, and increased support for green credit to progressively raise the proportion of green credit business. The Bank strictly controlled the credit to customers and projects that were against laws and regulations regarding environmental protection and local plan of environmental protection, backward production capacity projects and caused high risks to environment and society.

In 2016, the Bank formulated the development strategy for green credit with the issuance of relevant implementation plan and guiding opinions for business development, brought indicators related to green credit in KPI assessment to promote the assessment and management of green credit, and established the information system of green credit. At the end of 2016, the loan balance of green credit projects and services was RMB889,221 million, up by 21.22%.

TARGETED POVERTY ALLEVIATION

Centring on the fundamental policy of "targeted poverty alleviation, targeted poverty relief", the Bank achieved solid progression in financial targeted poverty alleviation, prepared plans for financial poverty alleviation during "the 13th Five Year Plan" period of the Bank, the working plan of financial poverty alleviation and programme for the targeted poverty alleviation at head office level in 2016. The Bank organised meetings on poverty alleviation across the Bank, with refined organisation and enhanced promotion of financial poverty alleviation.

In 2016, the Bank inclined its credit resources to poverty-stricken areas with favoured pricing policy and satisfied branches' capital demand arising from loans for poverty alleviation. At the end of 2016, the loan balance of the Bank's financial targeted poverty alleviation projects was RMB94,824 million, an increase of RMB17,324 million or 22.35% year-on-year. Supporting enterprises and individuals in poverty-stricken areas by credit, the Bank helped approximately 86.3 thousand registered poverty-stricken people to obtain employment and raise income. The Bank's credit support to facilitate projects including irrigation and water conservancy, renovation of ecological environment, transportation infrastructure, school construction, etc. has benefited a large number of poverty-stricken people. The Bank implemented the regulatory requirement of reducing or exempting financial service fees in poverty-stricken areas, and further promoted the reduction or exemption of intermediary business charges of local branches in poverty-stricken areas.

STAFF VOLUNTARY ACTIVITIES

Numerous outstanding staff members of the Bank dedicated themselves to social welfare and participated in voluntary activities. They were all ordinary employees of CCB including inexperienced young employees, those who have been working in CCB for decades as the backbones, and even retired veteran cadres. They earnestly practised CCB's core value through caring for autistic children, the disabled and elderly people who lived alone, rescuing of drowning persons, voluntary blood donation and environmental protection, contributing to society and also winning reputation for the Bank in the meantime.

CHARITY

In 2016, the Bank actively contributed to society and continued to support social welfare activities by making donations totalling RMB74.42 million, of which RMB42.90 million was used for poverty alleviation projects of targeting poor villages.

- *Financial Support for Disaster Relief and Post-disaster Reconstruction in Disaster Areas*. In February 2016, a 6.4-magnitude earthquake hit the south of Taiwan. Taipei Branch of the Bank donated TWD3 million to "Special Account for Social Relief Fund of Bureau of Social Affairs, Tainan City Government" for post-disaster relief. In July 2016, the middle-south regions and northern coastal regions of Hebei Province suffered from heavy flood. The Bank promptly donated RMB600 thousand to the disaster-stricken regions to help victims pull through.

- *Continued Implementation of CCB Sponsorship Programme – "Healthy Mother Express"*. In 2016, 54 "Healthy Mother Express" vehicles purchased with the Bank's donation of RMB8 million were put into use. By the end of 2016, the Bank had donated accumulatively RMB37 million to purchase 247 vehicles under the programme, which had been spread out in the poor counties and towns of 17 provinces and autonomous regions including Xinjiang and Tibet, in a capacity as "mobile hospitals" for villagers.
- *Continuous Promotion of Long-term Public Welfare Programmes*. By the end of 2016, the Bank's "Build for the Future – CCB Sponsorship Programme for Impoverished High School Students" had accumulatively assisted 88,500 impoverished high school students with RMB135 million. "CCB Sponsorship Programme of Impoverished Mothers of Heroes and Exemplary Workers" had accumulatively supported 14,504 mothers (wives) of heroes and exemplary workers with RMB45.56 million. "Tibet in Our Hearts – CCB and Jianyin Investment Scholarship (Bursary) Foundation" had accumulatively granted scholarships (bursaries) of RMB2.07 million to 990 students from impoverished families in Tibet. The Bank continued to support 45 CCB Hope Primary Schools and provided trainings for nearly 500 teachers from rural areas.

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Bank always attaches importance to the protection of consumer rights and interests, and regards it as a compulsory social responsibility requiring sound implementation.

In 2016, the Bank further improved the operating mechanism of protection of consumer rights and interests and established the Consumer Rights Protection Department so as to continuously integrate the protection work into daily operation and management. Under the guidance of social responsibilities and related party transactions committee under the Board, the Consumer Rights Protection Department was in charge of comprehensive management of protecting consumer rights and interests, and other relevant departments and branches performed their duties to guarantee the sound implementation of various work requirements.

The protection of consumer rights and interests progressed smoothly. Responding to regulatory requirements, the Bank completed the construction of special sales areas for WMPs and installation of audio and video recording equipment. The Bank actively carried out promotion and education on protection of consumer rights and interests, and successfully completed various promotional and educational activities such as "Financial Literacy Month" and "Financial Knowledge for Households", winning high praise from the CBRC. The Bank established the mechanism of complaint supervision and management, with enhanced track and call-back processes on handling results of complaints and ongoing monitoring on service quality. According to the survey results in 2016, the overall satisfaction of individual customers of the Bank reached 76.9%, 3.3 percentage points higher than the industry average.

Please refer to *the Corporate Social Responsibility Report 2016* of the Bank for more details.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2016		Increase/(Decrease) during the reporting period					31 December 2016	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	93,199,798,499	37.28	–	–	–	–	–	93,199,798,499	37.28
3. Others[1]	147,217,521,381	58.88	–	–	–	–	–	147,217,521,381	58.88
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

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

DETAILS OF SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank had not issued any ordinary shares, preference shares or convertible bonds. For details of the issuance of other debt securities, please refer to Note "Debt Securities Issued" in the "Financial Statements".

NUMBER OF ORDINARY SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

At the end of the reporting period, the Bank had a total of 426,488 ordinary shareholders, of whom 47,926 were holders of H-shares and 378,562 were holders of A-shares. As at 28 February 2017, the Bank had a total of 410,678 ordinary shareholders, of whom 47,693 were holders of H-shares and 362,985 were holders of A-shares.

Unit: share

Total number of ordinary shareholders	426,488 (Total number of registered holders of A-shares and H-shares as at 31 December 2016)
Particulars of shareholding of the top ten shareholders	

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Changes in shareholding during the reporting period
Huijin[1]	State	57.03	142,590,494,651 (H-shares)	None	None	–
		0.08	195,941,976 (A-shares)	None	None	–
HKSCC Nominees Limited[1,2]	Foreign legal person	36.70	91,751,137,912 (H-shares)	None	Unknown	N/A
China Securities Finance Corporation Limited	State-owned legal person	1.03	2,567,280,339 (A-shares)	None	None	+55,120,283
Baowu Steel Group[2,3]	State-owned legal person	0.80	2,000,000,000 (H-shares)	None	None	–
		–	– (A-shares)	None	None	-50,000,000
State Grid[2,4]	State-owned legal person	0.64	1,611,413,730 (H-shares)	None	None	–
Yangtze Power[2]	State-owned legal person	0.41	1,015,613,000 (H-shares)	None	None	–
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None	–
Central Huijin Asset Management Co., Ltd.[1]	State-owned legal person	0.20	496,639,800 (A-shares)	None	None	–
Hong Kong Securities Clearing Company Ltd.[1]	Foreign legal person	0.12	291,906,124 (A-shares)	None	None	+220,998,589
Hexie Health Insurance Co., Ltd. – Universal products	Domestic non-state-owned legal person	0.05	131,275,570 (A-shares)	None	None	–

1. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. At the end of the reporting period, there was no change in the total shares of the Bank held in aggregate by Huijin and its subsidiary, Central Huijin Asset Management Co., Ltd., compared with that at the beginning of the reporting period. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from this, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
2. As at 31 December 2016, State Grid and Yangtze Power held 1,611,413,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited; Baowu Steel Group held 2,000,000,000 H-shares of the Bank, in which 550,000,000 H-shares were held under the name of HKSCC Nominees Limited. Save for the aforesaid H-shares of the Bank held by State Grid and Yangtze Power, as well as 550,000,000 H-shares held by Baowu Steel Group, 91,751,137,912 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which also included the H-shares held by Temasek.
3. On 17 November 2016, Baosteel Group Corporation officially changed its name to "China Baowu Steel Group Corporation Limited".
4. As at 31 December 2016, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 54,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 230,000,000 shares and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.11% of the shares of the Bank at the end of the reporting period, and indirectly held 0.20% of the shares of the Bank through its subsidiary, Central Huijin Asset Management Co., Ltd. Huijin is a wholly state-owned company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Both its registered capital and paid-in capital are RMB828,209 million. Its legal representative is Mr. Ding Xuedong. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities, nor does it interfere with daily operations of the key state-owned financial institutions in which it holds controlling shares.

As at 31 December 2016, the information on the enterprises whose shares were directly held by Huijin is as follows:

No.	Name of Institution	Shareholding of Huijin (%)
1	China Development Bank	34.68
2	Industrial and Commercial Bank of China Limited[1,2]	34.71
3	Agricultural Bank of China Limited[1,2]	40.03
4	Bank of China Limited[1,2]	64.02
5	China Construction Bank Corporation[1,2,3]	57.11
6	China Everbright Group Ltd.	55.67
7	China Everbright Bank Company Limited[1,2]	21.96
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation[2]	71.56
10	New China Life Insurance Company Limited[1,2]	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holdings Co., Ltd.	78.57
13	Shenwan Hongyuan Group Co., Ltd.[1]	25.03
14	China International Capital Corporation Limited[2,4]	28.45
15	CSC Financial Co., Ltd.[2,5]	33.29
16	China Investment Securities Co., Ltd.[4]	100.00
17	Jiantou Zhongxin Assets Management Co., Ltd.	70.00
18	Guotai Junan Investment Management Co., Ltd.	14.54

1. A-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2016.
2. H-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2016.
3. The percentage of Huijin's direct shareholding of the Bank did not include the A-shares held by Central Huijin Asset Management Co., Ltd., Huijin's wholly-owned subsidiary.
4. On 4 November 2016, Huijin and China International Capital Corporation Limited entered into an equity transfer agreement, in which China International Capital Corporation Limited purchased 100% equity of China Investment Securities Co., Ltd. form Huijin by way of issuing shares to Huijin. At the end of 2016, related procedures were still in progress. Upon the completion of the transaction, the proportion of shares of China International Capital Corporation Limited directly held by Huijin will become 58.58%, while China Investment Securities Co., Ltd. shall be a wholly-owned subsidiary of China International Capital Corporation Limited.
5. On 30 December 2016, CSC Financial Co., Ltd. exercised the over-allotment option and completed the delivery on 5 January 2017. After the delivery, the shareholding percentage of CSC Financial Co., Ltd. directly held by Huijin was changed into 32.93%.
6. Besides the enterprises whose shares are directly held by Huijin, Huijin has a wholly-owned subsidiary Central Huijin Asset Management Co., Ltd., which was established in November 2015 in Beijing with a registered capital of RMB5 billion and is engaged in assets management business.

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

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

DETAILS OF PREFERENCE SHARES

Details of Issuance and Listing of Preference Shares

On 16 December 2015, the Bank made a non-public issuance of offshore preference shares in the offshore market. A total number of 152,500,000 shares were issued, each having a par value of RMB100 and selling at US$20, with a total amount of US$3.05 billion. The dividend rate would be adjusted every five years, and within each adjustment period, the dividend rate would remain unchanged. The dividend rate was the yield on 5-year US treasury notes in the adjustment period plus a fixed interest spread, and the dividend rate of the first five years after issuance was 4.65%. The offshore preference shares were listed on the Hong Kong Stock Exchange on 17 December 2015. Net proceeds raised from the offshore preference shares approximated RMB19,659 million, all used to replenish additional Tier 1 capital.

Number of Preference Shareholders and Particulars of Shareholding

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

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

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

As at 28 February 2017, the Bank had one preference shareholder (or proxy).

Profit Distribution of Preference Shares

According to the resolution and authorisation of shareholders' general meeting, the meeting of the Board held on 27 October 2016 considered and approved the dividend distribution plan of offshore preference shares by the Bank. Dividends of preference shares would be paid in cash once a year by the Bank to preference shareholders. Dividends not fully distributed to preference shareholders would not be accumulated to next year. After distribution at the agreed dividend rate, preference shareholders will not participate in the distribution of any remaining profit with ordinary shareholders. According to the terms of issuance of offshore preference shares, the Bank distributed dividends of US$141,825,000 (after tax) to the holders of the offshore preference shares. According to relevant laws, when the Bank distributes dividends for the offshore preference shares, the income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank will pay such income tax.

Please refer to the relevant announcement published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for the dividend distribution of offshore preference shares. Such dividends were paid in cash on 16 December 2016.

Distribution of dividends for preference shares of the Bank in 2016 was as follows:

Type of preference shares	Dividend rate (after tax)	Dividend distribution (after tax, in millions of USD)	Dividend distribution (including tax, in millions of RMB)
Offshore preference shares	4.65%	142	1,067

Redemption or Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and Causes Thereof

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Hongzhang	Chairman, executive director	Male	62	January 2012 to 2017 annual general meeting
Wang Zuji	Vice chairman, executive director, president	Male	58	July 2015 to 2017 annual general meeting
Pang Xiusheng	Executive director, executive vice president	Male	58	August 2015 to 2017 annual general meeting
Zhang Gengsheng	Executive director, executive vice president	Male	56	August 2015 to 2017 annual general meeting
Li Jun	Non-executive director	Male	57	September 2015 to 2017 annual general meeting
Hao Aiqun	Non-executive director	Female	60	July 2015 to 2017 annual general meeting
Dong Shi	Non-executive director	Male	51	September 2011 to 2016 annual general meeting
Anita Fung Yuen Mei	Independent non-executive director	Female	56	October 2016 to 2017 annual general meeting
Carl Walter	Independent non-executive director	Male	69	October 2016 to 2017 annual general meeting
Zhang Long	Independent non-executive director	Male	51	January 2014 to 2018 annual general meeting
Chung Shui Ming Timpson	Independent non-executive director	Male	65	October 2013 to 2018 annual general meeting
Wim Kok	Independent non-executive director	Male	78	October 2013 to 2016 annual general meeting
Murray Horn	Independent non-executive director	Male	62	December 2013 to 2018 annual general meeting
Resigned directors				
Chen Yuanling	Non-executive director	Female	53	August 2010 to June 2016
Xu Tie	Non-executive director	Male	63	September 2013 to June 2016
Guo Yanpeng	Non-executive director	Male	54	January 2014 to February 2017
Margaret Leung Ko May Yee	Independent non-executive director	Female	64	December 2013 to June 2016

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Guo You	Chairman of the board of supervisors	Male	59	June 2014 to 2016 annual general meeting
Liu Jin	Shareholder representative supervisor	Female	52	September 2004 to 2018 annual general meeting
Li Xiaoling	Shareholder representative supervisor	Female	59	June 2013 to 2018 annual general meeting
Li Xiukun	Employee representative supervisor	Male	59	January 2016 to 2018 annual general meeting
Jin Yanmin	Employee representative supervisor	Male	55	January 2016 to 2018 annual general meeting
Li Zhenyu	Employee representative supervisor	Male	56	January 2016 to 2018 annual general meeting
Bai Jianjun	External supervisor	Male	61	June 2013 to 2018 annual general meeting
Resigned supervisors				
Jin Panshi	Employee representative supervisor	Male	52	June 2010 to January 2016
Zhang Huajian	Employee representative supervisor	Male	61	June 2013 to January 2016
Wang Lin	Employee representative supervisor	Male	61	January 2014 to January 2016
Wang Xinmin	External supervisor	Male	65	June 2013 to June 2016

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Wang Zuji	President	Male	58	July 2015 to
Pang Xiusheng	Executive vice president	Male	58	February 2010 to
Zhang Gengsheng	Executive vice president	Male	56	April 2013 to
Yang Wensheng	Executive vice president	Male	50	December 2013 to
Huang Yi	Executive vice president	Male	53	April 2014 to
Yu Jingbo	Executive vice president	Male	59	December 2014 to
Zhu Kepeng	Chief disciplinary officer	Male	52	July 2015 to
Liao Lin	Chief risk officer	Male	51	March 2017 to
Xu Yiming	Chief financial officer	Male	57	June 2014 to
Chen Caihong	Secretary to the Board	Male	59	August 2007 to
Resigned senior management				
Zeng Jianhua	Chief risk officer	Male	59	September 2013 to February 2017

Shareholdings of directors, supervisors and senior executives

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior executives of the Bank. Mr. Zhang Long, director of the Bank, held 235,400 A-shares of the Bank. Ms. Margaret Leung Ko May Yee, the resigned independent non-executive director of the Bank, held 100,000 H-shares of the Bank. Some of the Bank's directors, supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed their current positions, among which, Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Li Xiukun held 12,366 H-shares, Mr. Jin Yanmin held 15,739 H-shares, Mr. Li Zhenyu held 3,971 H-shares, Mr. Yang Wensheng held 10,845 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Zeng Jianhua held 25,838 H-shares, Mr. Xu Yiming held 17,925 H-shares and Mr. Chen Caihong held 19,417 H-shares. In the resigned supervisors, Mr. Zhang Huajian held 18,999 H-shares and Mr. Wang Lin held 19,304 H-shares. Apart from the above, all other directors, supervisors and senior executives did not hold any shares of the Bank.

Particulars of positions of directors, supervisors and senior management in the shareholder's entities

Name	Name of shareholder's entities	Position in shareholder's entities	Starting date of assuming duties	Expiration date of assuming duties
Li Jun	Huijin	Employee	August 2008	
Hao Aiqun	Huijin	Employee	August 2015	
Dong Shi	Huijin	Employee	October 2008	

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Upon election at the 2015 annual general meeting of the Bank, Mr. Guo Yanpeng continued to serve as non-executive director of the Bank, and Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, and Mr. Murray Horn continued to serve as independent non-executive directors of the Bank from 17 June 2016.

Upon election at the first extraordinary general meeting of 2015 of the Bank and upon approval of the CBRC, Ms. Anita Fung Yuen Mei and Mr. Carl Walter commenced their positions as independent non-executive directors of the Bank from 14 October 2016.

As disclosed in the Bank's announcement on 17 June 2016, Ms. Chen Yuanling and Mr. Xu Tie ceased to serve as non-executive directors of the Bank, and Ms. Margaret Leung Ko May Yee ceased to serve as independent non-executive director of the Bank due to the expiration of their terms of office.

As disclosed in the Bank's announcement on 8 February 2017, Mr. Guo Yanpeng ceased to serve as non-executive director of the Bank due to change of job.

Supervisors of the Bank

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

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

Due to the expiration of term of office, Mr. Wang Xinmin ceased to serve as external supervisor of the Bank from June 2016.

Senior management of the Bank

Upon appointment at the first session of the Bank's Board Meeting in 2017 and upon approval of the CBRC, Mr. Liao Lin commenced his position as chief risk officer of the Bank from March 2017.

Due to personal reasons, Mr. Zeng Jianhua ceased to serve as chief risk officer of the Bank from February 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Wang Hongzhang
Chairman,
executive director

Mr. Wang has served as chairman and executive director since January 2012, concurrently as chairman of Sino-German Bausparkasse since July 2012 and chairman of CCB Asia since July 2013. Mr. Wang currently also serves as member of APEC Business Advisory Council ("ABAC"), executive vice chairman of APEC China Business Council, chairman of Chinese Committee of China-CEEC Business Council, vice chairman of China Chamber of International Commerce. From November 2003 to November 2011, Mr. Wang was chief disciplinary officer of the PBC. From June 2000 to November 2003, Mr. Wang was the president of Chengdu Branch of the PBC and administrator of Sichuan Branch of the SAFE. From April 1996 to June 2000, Mr. Wang was deputy director-general of the supervision bureau and director-general of the internal audit department of the PBC. From November 1989 to April 1996, Mr. Wang served in various positions including assistant president of Qingdao Branch, deputy director of the general administration office, deputy director of the treasury and planning department and general manager of the banking business department of Industrial and Commercial Bank of China. From January 1984 to November 1989, Mr. Wang worked in the industrial and commercial credit department and the general administration office of Industrial and Commercial Bank of China. From September 1978 to January 1984, Mr. Wang worked in the credit bureau, savings bureau and industrial and commercial credit department of the PBC. Mr. Wang is a senior economist and a certified public accountant. Mr. Wang graduated from Liaoning Finance and Economics College with a bachelor's degree in finance in 1978, and obtained his master's degree in economics from Dongbei University of Finance and Economics in 1997.

Wang Zuji
Vice chairman,
executive director, president

Mr. Wang has served as vice chairman, executive director and president since July 2015. Mr. Wang currently also serves as vice chairman of China's National Association of Financial Market Institutional Investors. From September 2012 to May 2015, Mr. Wang was vice chairman of China Insurance Regulatory Commission. From January 2008 to September 2012, Mr. Wang was vice governor of Jilin Province. From April 2006 to January 2008, Mr. Wang was assistant governor of Jilin Province, director of Development and Reform Commission of Jilin Province and concurrently director of the office to the Leading Team of Revitalising Jilin Old Industrial Base. From May 2005 to April 2006, Mr. Wang was assistant governor of Jilin Province and director-general of State-Owned Assets Supervision & Administration Commission of Jilin Province. From February 2005 to May 2005, Mr. Wang was assistant governor of Jilin Province. From January 2004 to February 2005, Mr. Wang was director of comprehensive planning department of China Development Bank. From March 2003 to January 2004, Mr. Wang was director of business development department of China Development Bank. From January 2000 to March 2003, Mr. Wang was president of Changchun Branch of China Development Bank. From January 1997 to January 2000, Mr. Wang was the deputy director of loan department II (north-east loan department) of China Development Bank. Mr. Wang obtained a PhD degree in economics from Jilin University.

Pang Xiusheng
Executive director,
executive vice president

Mr. Pang has served as executive director since August 2015, executive vice president of the Bank since February 2010, and concurrently served as chief financial officer of the Bank from September 2013 to June 2014. Mr. Pang served as a member of the senior management of the Bank from December 2009 to February 2010, chief financial officer of the Bank from April 2006 to March 2011. He served as executive vice chairman of the Bank's asset and liability committee from March 2006 to April 2006, general manager of the Bank's restructuring office from May 2005 to March 2006, general manager of Zhejiang Branch of the Bank from June 2003 to May 2005, and act as head of Zhejiang Branch of the Bank from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and financial department, and general manager of planning and financial department of the Bank from September 1995 to April 2003. Mr. Pang is a senior economist, and a recipient of a special grant by PRC government. He graduated from a postgraduate programme in technological economics from Harbin Industrial University in 1995.

Zhang Gengsheng
Executive director,
executive vice president

Mr. Zhang has served as executive director since August 2015 and executive vice president of the Bank since April 2013. He concurrently serves as chairman of CCB Life since May 2013. Mr. Zhang served as a member of senior management of the Bank from December 2010 to April 2013. Mr. Zhang was general manager of the group clients department (banking business department) and deputy general manager of Beijing Branch of the Bank from October 2006 to December 2010, general manager of the banking business department at the head office and the group clients department (banking business department) of the Bank from March 2004 to October 2006, deputy general manager of the banking business department at the head office of the Bank from June 2000 to March 2004 (in charge of overall management from March 2003), general manager of the Three Gorges Branch of the Bank from September 1998 to June 2000, and deputy general manager of the Three Gorges Branch of the Bank from December 1996 to September 1998. Mr. Zhang is a senior economist. He obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1984 and an EMBA degree from Peking University in 2010.

Anita Fung Yuen Mei
Independent
non-executive director

Ms. Fung has served as director since October 2016. Ms. Fung served as group general manager of HSBC Holdings plc from May 2008 to February 2015. Ms. Fung served consecutively as head of Hong Kong currency bond market, head of Asian fixed income trading, head of Asian Pacific trading, treasurer and jointhead 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 chief executive officer of Hong Kong region of The Hongkong and Shanghai Banking Corporation Limited from September 1996 to February 2015. Ms. Fung also served as non-executive director of Bank of Communications Co., Ltd. from November 2010 to January 2015. Ms. Fung concurrently served as 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 non-executive director of Hang Seng Bank Limited from November 2011 to January 2014. Ms. Fung currently serves as independent non-executive director of Hong Kong Exchanges and Clearing Limited as well as Hang Lung Properties Limited, and serves in several positions in institutions including Airport Authority Hong Kong, Hong Kong Monetary Authority, Hong Kong Housing Authority and The West Kowloon Cultural District Authority. Ms. Fung obtained a master's degree in applied financing from Macquarie University of Australia in 1995. Ms. Fung was appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region, and was awarded Bronze Bauhinia Star.

Carl Walter
Independent
non-executive director

Mr. Carl Walter has served as director since October 2016. Mr. Carl Walter is currently an independent consultant, providing strategic consulting advice to various countries and financial institutions. Mr. Carl Walter served as managing director and 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 managing director and chief executive officer of China International Capital Corporation (Beijing) from January 1999 to July 2001. He served concurrently as vice president and 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. Carl 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. Carl 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 Russia 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.

Zhang Long
Independent
non-executive director

Mr. Zhang has served as director since January 2014. Mr. Zhang is currently chairman of Zhongbao Ruixin Investment Co., Ltd. and independent director of CICC Fund Management Co., Ltd. Mr. Zhang was president of Inner Mongolia Ruifeng Mining Industries Co., Ltd. from 2007 to 2009, secretary to the board of directors of the Bank from December 2006 to May 2007, and controller of investment and wealth management banking of the Bank from May 2006 to May 2007. He was executive vice chairman of the Bank's investment and wealth management banking committee from March 2006 to May 2006, general manager of credit approval department and head of management mechanism reform office of the Bank from December 2004 to March 2006. He served consecutively as deputy head and head of office of credit management committee of the Bank, head of credit approval office under risk control & management committee of the Bank and general manager of credit approval department of the Bank from August 1998 to December 2004. Mr. Zhang was regional economist and investment officer of Asia bureau of International Finance Corporation from December 1995 to August 1998, regional economist of central Asia, middle east and north Africa bureau of International Finance Corporation from August 1994 to December 1995, and senior research analyst of Brookings Research Institute from October 1992 to August 1994. Mr. Zhang obtained a bachelor's degree in engineering physics from Tsinghua University in 1985, a master's degree in business administration from University of Chicago in 1989 and a PhD degree in economics from University of California in 1996.

Chung Shui Ming Timpson
Independent
non-executive director

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

Wim Kok
Independent
non-executive director

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

Murray Horn
Independent
non-executive director

Mr. Murray Horn has served as director since December 2013. Mr. Murray Horn currently also consults to multiple government agencies. He served as directors of many listed companies, including Spark New Zealand (formerly Telecom New Zealand). He also held positions in public organisations in New Zealand and other regions, including chairman of the National Health Board of New Zealand, member of the New Zealand Tourism Board, chairman of the New Zealand Business Roundtable, member of the Board of the Centre for Independent Studies in Australia and member of the Trilateral Commission. Mr. Murray Horn was previously managing director of ANZ Bank in New Zealand and director of global institutional banking business of ANZ (Australia). He was Secretary to the New Zealand Treasury from 1993 to 1997. Mr. Murray Horn holds a PhD degree from Harvard University in Political Economy and Government, a master's degree in commerce and a bachelor's degree in commerce (agriculture) from Lincoln University. Lincoln University awarded him the Bledisloe Medal in 2000. He also made a Companion of the New Zealand Order of Merit in 2013.

Li Jun
Non-executive director

Mr. Li has served as director since September 2015. Mr. Li had served as non-executive director of Industrial and Commercial Bank of China Limited from December 2008 to March 2015. He previously served as assistant representative of Beijing Representative Office of the Bank of Credit and Commerce International, deputy representative of BNP Paribas China Representative Office, consultant of the international banking department of Banco Bilbao Vizcaya Argentaria, deputy director of the Research Centre of China Technology Trust and Investment Company, general manager of the research department of China Sci-Tech Securities, professor of the finance department of the School of Economics and Management of the University of Science and Technology Beijing, and non-executive director of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. He graduated from University of Madrid in Spain in November 1995 and received a doctorate degree in economic management. Mr. Li is currently an employee of Huijin, the Bank's substantial shareholder.

Hao Aiqun
Non-executive director

Ms. Hao has served as director since July 2015. Ms. Hao served consecutively as deputy director of the non-bank financial institutions department, and deputy director and inspector of the banking supervision department I of the CBRC from April 2003 to July 2015. Ms. Hao was consecutively deputy division-chief and division-chief of the supervision bureau, researcher of the cooperation bureau, and deputy inspector and deputy director of the non-bank financial institutions department of the PBC from April 1983 to March 2003. Ms. Hao obtained a bachelor's degree in finance from Central University of Finance and Economics in July 1982. Ms. Hao is a certified public accountant and a senior economist. Ms. Hao is currently an employee of Huijin, the Bank's substantial shareholder.

Dong Shi
Non-executive director

Mr. Dong has served as director since September 2011. Mr. Dong served as director of China Reinsurance (Group) Corporation and China Reinsurance Asset Management Co., Ltd. from October 2008 to August 2011. Mr. Dong served consecutively as assistant special inspector of the State Council, division-chief of the Supervisory Committee of Central Enterprise Work Committee and deputy director-general of the foreign affairs bureau of the State-Owned Assets Supervision and Administration Commission under State Council from August 1998 to September 2008. Mr. Dong was deputy division-chief at the supervision bureau of the PBC from July 1988 to July 1998. Mr. Dong was a visiting scholar to the Federal Reserve in the US in 1994 and RMIT University in Australia in 1996. Mr. Dong is a senior economist and accountant. Mr. Dong graduated from Zhengzhou University with a bachelor's degree in finance in 1988 and obtained his master's degree in economic law from Renmin University of China in 2002. Mr. Dong is currently an employee of Huijin, the Bank's substantial shareholder.

Supervisors of the Bank

Guo You
Chairman of the board of supervisors

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

Liu Jin
Shareholder representative supervisor

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

Li Xiaoling
Shareholder representative supervisor

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

Li Xiukun
Employee representative supervisor

Mr. Li has served as supervisor since January 2016. Mr. Li has served as general manager of the audit department of the Bank from March 2015., Mr. Li served as head of the audit department of the Bank from July 2014 to March 2015, general manager of Hebei Branch of the Bank from March 2011 to July 2014, general manager of Ningxia Branch of the Bank from May 2006 to March 2011, deputy general manager of Ningxia Branch of the Bank from July 2003 to May 2006, and deputy general manager of Inner Mongolia Branch of the Bank from January 2000 to July 2003. Mr. Li is an associate researcher, concurrently visiting or adjunct professor at Dongbei University of Finance & Economics, Hebei University and four other universities. He graduated from Dongbei University of Finance & Economics, and obtained his doctorate degree in finance from the university in 2013.

Jin Yanmin
Employee representative supervisor

Mr. Jin has served as supervisor since January 2016, general manager of credit approval department of the Bank since December 2014, and concurrently as shareholder representative supervisor of CCB Financial Leasing since December 2015. Mr. Jin served as head of credit approval department of the Bank From November 2014 to December 2014, general manager of Guangdong Branch of the Bank from March 2011 to November 2014, head of Guangdong Branch of the Bank from February 2011 to March 2011. Mr. Jin served as general manager of the corporate banking department, and also as general manager of the small enterprises finance service department of the Bank from March 2009 to February 2011. Mr. Jin served as general manager of the corporate banking department of the Bank from August 2007 to March 2009, risk controller of Guangdong Branch of the Bank from June 2006 to August 2007, and deputy general manager of the corporate banking department of the Bank from March 2001 to June 2006. Mr. Jin 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.

Li Zhenyu
Employee representative supervisor

Mr. Li has served as supervisor since January 2016. Mr. Li has served as general manager of Qinghai Branch of the Bank since January 2014. Mr. Li served as deputy general manager of Qinghai Branch of the Bank from November 2012 to January 2014, and deputy general manager of Tibet Branch of the Bank from June 2009 to November 2012. After joining Qinghai Branch of the Bank in June 1985, Mr. Li served successively as senior manager of real estate finance department, credit approval department, planning and finance department, and finance & accounting department as well as other positions. From July 1982 to June 1985, Mr. Li worked in the infrastructure construction division of Qinghai Machine Tool Foundry. Mr. Li is a senior engineer, and graduated from the Gansu University of Technology in 1982 with a bachelor degree in the industrial and civil architecture. Mr. Li became a member of Qinghai Committee of the 11th Chinese People's Political Consultative Conference in January 2013, and vice director of the economy committee of Qinghai Committee of the 11th Chinese People's Political Consultative Conference in August 2013.

Bai Jianjun
External supervisor

Mr. Bai has served as supervisor since June 2013. Mr. Bai is currently a professor and doctoral supervisor at the Law School of Peking University, director of the Research Institute of Empirical Legal Affairs, and deputy director of the Financial Law Research Centre of Peking University. He has been teaching at the Law School of Peking University since July 1987. Mr. Bai is an adjunct professor at Zhengzhou Training Institute of the PBC and National Judges College, and independent director of CSC Financial Co., Ltd. and Sichuan Xinwang Bank Co., Ltd. He was a visiting professor at Niigata University in Japan from October 1996 to October 1997 and a visiting researcher at New York University in the US from September 1990 to October 1991. Mr. Bai obtained his master's degree from the Law School of Peking University in 1987 and his PhD degree in law from Peking University in 2003.

Senior Management of the Bank

Wang Zuji
Vice chairman,
executive director, president

See "Directors of the Bank".

Pang Xiusheng
Executive director,
executive vice president

See "Directors of the Bank".

Zhang Gengsheng
Executive director,
executive vice president

See "Directors of the Bank".

Yang Wensheng
Executive vice president

Mr. Yang has served as executive vice president of the Bank since December 2013 and chairman of CCB Brasil since April 2015. Mr. Yang served as a member of senior management of the Bank from September 2013 to December 2013, and general manager of Liaoning Branch of the Bank from December 2010 to September 2013. He was head of Liaoning Branch of the Bank from November 2010 to December 2010. Mr. Yang was general manager of Dalian Branch of the Bank from October 2006 to November 2010, deputy general manager of Jilin Branch of the Bank from August 2001 to October 2006 and assistant general manager of Jilin Branch of the Bank from January 2000 to August 2001. Mr. Yang is a senior engineer. He graduated from Tsinghua University with a master's degree in technological economics in 1993.

Huang Yi
Executive vice president

Mr. Huang has served as executive vice president of the Bank since April 2014. Mr. Huang served as a member of senior management of the Bank from December 2013 to April 2014. Mr. Huang served as director of the legal department of the CBRC from January 2010 to December 2013, and consecutively as deputy director, director of the supervisory rules & regulations department and head of the research bureau of the CBRC from July 2003 to January 2010. From April 1999 to July 2003, Mr. Huang served consecutively as a director level staff member and director of the financial claim management office under the legal affairs department, assistant inspector of the legal affairs department (also working as deputy director-general of Department of Finance of Sichuan Province during this period) and assistant inspector of banking management department of the PBC. He was general manager of the development and research department of Hua Xia Bank from August 1997 to April 1999. Mr. Huang is a recipient of a special grant by PRC government. He graduated from Peking University in 1997 with a PhD degree in law.

Yu Jingbo
Executive vice president

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

Zhu Kepeng
Chief disciplinary officer

Mr. Zhu has served as chief disciplinary officer of the Bank since July 2015. Mr. Zhu served as general manager of the human resources department (equivalent to head of provincial branch) of the Bank of Communications Co., Ltd. from October 2012 to July 2015, and general manager of Chongqing Branch of the Bank of Communications Co., Ltd. from March 2010 to October 2012. He served as general manager of board of directors office of the Bank of Communications Co., Ltd. from December 2004 to March 2010, concurrently as deputy general manager (in charge) of legal compliance department of the Bank of Communications Co., Ltd. from December 2004 to June 2005, and deputy general manager (in charge) of legal compliance (affairs) department of the Bank of Communications Co., Ltd. from December 2002 to December 2004. Mr. Zhu is a senior economist. He graduated from Wuhan University with S.J.D degree in private international law in 1996.

Liao Lin
Chief risk officer

Mr. Liao has served as chief risk officer of the Bank since March 2017. Mr. Liao served as general manager of Beijing Branch of the Bank from May 2015 to February 2017. From September 2013 to May 2015, he was head and general manager of Hubei Branch of the Bank. From March 2011 to September 2013, he was head and general manager of Ningxia Branch of the Bank. He was deputy general manager of Guangxi Branch of the Bank from November 2003 to March 2011. Mr. Liao is a senior economist. He graduated from Guangxi Agricultural College in 1989 with a bachelor's degree in management of agricultural economy, graduated from postgraduate programme of Guangxi University in 1995 majoring in political economy and obtained a PhD degree in management science and engineering from Southwest Jiaotong University in 2009.

Xu Yiming
Chief financial officer

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

Chen Caihong
Secretary to the Board

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

REMUNERATION

(In thousands of RMB)

Name	Allowance	Remuneration paid	Contribution by the employer to compulsory insurances, housing allowances, etc.	Total (before tax)[1]	Whether obtaining remuneration from related parties of the Bank
Wang Hongzhang	–	484.4	131.8	616.2	No
Wang Zuji	–	484.4	156.2	640.6	No
Pang Xiusheng	–	435.9	149.2	585.1	No
Zhang Gengsheng	–	435.9	149.2	585.1	No
Li Jun[2]	–	–	–	–	Yes
Hao Aiqun[2]	–	–	–	–	Yes
Dong Shi[2]	–	–	–	–	Yes
Anita Fung Yuen Mei	97.5	–	–	97.5	No
Carl Walter	97.5	–	–	97.5	No
Zhang Long	410.0	–	–	410.0	No
Chung Shui Ming Timpson	440.0	–	–	440.0	No
Wim Kok	380.0	–	–	380.0	No
Murray Horn	470.0	–	–	470.0	No
Guo You	–	484.4	156.2	640.6	No
Liu Jin	–	660.0	162.0	822.0	No
Li Xiaoling	–	660.0	162.0	822.0	No
Li Xiukun[3]	45.8	–	–	45.8	No
Jin Yanmin[3]	45.8	–	–	45.8	No
Li Zhenyu[3]	45.8	–	–	45.8	No
Bai Jianjun	250.0	–	–	250.0	No
Yang Wensheng	–	435.9	149.2	585.1	No
Huang Yi	–	435.9	149.2	585.1	No
Yu Jingbo	–	435.9	149.2	585.1	No
Zhu Kepeng	–	435.9	149.2	585.1	No
Liao Lin	–	–	–	–	No
Xu Yiming	–	788.4	168.9	957.3	No
Chen Caihong	–	788.4	168.9	957.3	No
Resigned directors, supervisors and senior executives					
Chen Yuanling[2]	–	–	–	–	Yes
Xu Tie	–	–	–	–	No
Guo Yanpeng[2]	–	–	–	–	Yes
Margaret Leung Ko May Yee	195.0	–	–	195.0	No
Jin Panshi[3]	4.2	–	–	4.2	No
Zhang Huajian[3]	4.2	–	–	4.2	No
Wang Lin[3]	4.2	–	–	4.2	No
Wang Xinmin[4]	–	–	–	–	No
Zeng Jianhua	–	788.4	168.9	957.3	No

1. From 2015 onwards, remunerations of the Bank's leaders administered by central authorities have been paid in accordance with relevant policies relating to the central remuneration reform.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
4. Mr. Wang Xinmin did not receive remuneration as external supervisor from the Bank in accordance with relevant national regulations.
5. As some of the Bank's non-executive directors and external supervisors hold positions of directors or senior executives in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior executives obtained remuneration from the related parties of the Bank.

RESPONSIBILITY

The Group proactively fulfilled corporate social responsibilities and conducted targeted poverty alleviation in a solid way. To practise the philosophy of green development, we increased green credit extension.

CCB Asia's caring for Hong Kong community activities for the Mid-autumn Festival

CORPORATE GOVERNANCE REPORT

The Bank is committed to maintaining a high level of corporate governance. In strict compliance with the Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank elected and appointed new non-executive directors, independent non-executive directors, shareholder representative supervisors, external supervisors and senior management. The Bank also formulated recovery and resolution plan, administrative measures for suspension and exemption from information disclosure, and amended the impact on diluted immediate return from preference share issuance and measures to make up the return.

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

SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

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

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- deciding the issuance of preference shares; deciding or authorising the Board to decide the matters relating to the issued preference shares by the Bank, including but without limitation to repurchase, conversion and dividend distribution, etc.;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meeting convened

On 17 June 2016, the Bank held the 2015 annual general meeting, which reviewed and approved the 2015 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2016 fixed assets investment budget, remuneration distribution and settlement plan for directors and supervisors of 2014, election of non-executive directors, independent non-executive directors, shareholder representative supervisors and external supervisors, appointment of external auditors for 2016, amendments to the impact on diluted immediate return from preference share issuance and measures to make up the return. The executive directors, namely Mr. Wang Hongzhang, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng, the non-executive directors, namely Mr. Li Jun, Ms. Chen Yuanling, Mr. Xu Tie, Ms. Hao Aiqun, Mr. Guo Yanpeng and Mr. Dong Shi and the independent non-executive directors, namely Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee attended the meeting, and the directors' attendance rate was 100%. The domestic and international auditors of the Bank also attended the meeting. The shareholders' general meeting was held in compliance with relevant legal procedures. The announcement on resolution of the meeting was published on the websites of Hong Kong Stock Exchange and the Shanghai Stock Exchange on 17 June 2016, and on the designated newspaper on 18 June 2016 for information disclosure.

BOARD OF DIRECTORS

Responsibilities of the Board

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

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

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

In 2016, the Board strictly implemented the resolutions of shareholders' general meeting and matters authorised by the shareholders' general meeting to the Board, earnestly implementing the proposals approved by the shareholders' general meeting, including the profit distribution plan for 2015, fixed assets investment budget for 2016, appointment of auditors for 2016, and election of directors.

Composition of the Board

Currently the Board comprises 13 directors, including four executive directors, namely Mr. Wang Hongzhang, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; three non-executive directors, namely Mr. Li Jun, Ms. Hao Aiqun, and Mr. Dong Shi; and six independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Mr. Carl Walter, Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, and Mr. Murray Horn.

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

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

Chairman and president

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

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

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

Operation of the Board

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

According to the Articles of Association, the Board decides the risk management policies and internal control policies of the Bank, formulates related systems of risk management and internal control of the Bank, and supervises the implementation of such systems. The Board reviews the overall risk management report of the Group semi-annually, and reviews the report of internal control evaluation and the statements of risk appetite of the Group annually, to evaluate the overall risk condition and the effectiveness of internal control system. After the evaluation, the Board held the opinion that the overall risk of the Group remained steady, the management and control of the asset quality was in line with expectations and core risk indicators remained stable. The Board also believed that the Bank had maintained effective internal control of financial report covering all the major aspects, in compliance with the requirements regarding the standard system of enterprise internal control and other relevant regulations.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept, and minutes of the board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

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

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

The Bank effected directors' liability insurance policy for all directors in 2016.

Board meetings

In 2016, the Board convened seven meetings in total on 19 January, 30 March, 29 April, 16 June, 25 August, 27 October and 20 December respectively. Major resolutions reviewed and approved by the board meetings included fixed assets investment budget, financial reports, profit distribution, nomination of director candidates and appointment of senior executives. Relevant information was disclosed pursuant to the provisions under the relevant laws, regulations and listing rules of the listing venues. Individual attendance records of the directors in board meetings in 2016 are set out as follows:

Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Executive directors			
Mr. Wang Hongzhang	5/7	2/7	100
Mr. Wang Zuji	6/7	1/7	100
Mr. Pang Xiusheng	6/7	1/7	100
Mr. Zhang Gengsheng	6/7	1/7	100
Non-executive directors			
Mr. Li Jun	7/7	0/7	100
Ms. Hao Aiqun	6/7	1/7	100
Mr. Dong Shi	6/7	1/7	100
Independent non-executive directors			
Ms. Anita Fung Yuen Mei	2/2	0/2	100
Mr. Carl Walter	2/2	0/2	100
Mr. Zhang Long	7/7	0/7	100
Mr. Chung Shui Ming Timpson	7/7	0/7	100
Mr. Wim Kok	7/7	0/7	100
Mr. Murray Horn	7/7	0/7	100
Resigned directors			
Ms. Chen Yuanling	4/4	0/4	100
Mr. Xu Tie	4/4	0/4	100
Mr. Guo Yanpeng	7/7	0/7	100
Ms. Margaret Leung Ko May Yee	3/4	1/4	100

Performance of duties by independent non-executive directors

Currently the Bank has six independent non-executive directors, representing 46% of the total number of directors of the Bank, which complies with the provisions of relevant laws, regulations and Articles of Association of the Bank. The audit committee, risk management committee, nomination and remuneration committee, and social responsibilities and related party transactions committee under the Board are all chaired by independent non-executive directors.

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

In 2016, the independent non-executive directors of the Bank actively attended the board meetings and relevant special committees meetings, heard reports on operational and management situations, communicated with each department timely, paid attention to the development of the Bank and implementation of strategic transformation plan, conducted on-site investigations and actively carried out researches, provided forward-looking ideas on business plans of the Bank, raised constructive suggestions on the Bank's development strategy, risk management, capital adequacy, overseas business and subsidiaries' development, and played an important role in the decision-making of the Board. During the reporting period, the Bank's independent non-executive directors did not raise any objection to the relevant matters reviewed by the Board.

To constantly upgrade professional knowledge and improve duty performance capabilities, independent non-executive directors duly kept a close watch on changes in regulatory policies, paid continuous attention to the opinions of the regulators and diligently attended trainings about corporate governance, risk management and internal control and compliance, etc. The work of independent non-executive directors was actively supported and coordinated by the management.

Please refer to the Work Report of Independent Directors for the year of 2016 disclosed on 29 March 2017 for details of work performance of independent non-executive directors during the reporting period.

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

Pursuant to the relevant provisions and requirements under the circular of Zheng Jian Fa [2003] No. 56 issued by the CSRC and based on the principles of fairness, justice, and objectiveness, the independent non-executive directors of the Bank, including Ms. Anita Fung Yuen Mei, Mr. Carl Walter, Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok and Mr. Murray Horn made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the PBC and the CBRC, and is part of the ordinary business of the Bank. With respect to the risks arising from external guarantee business, the Bank formulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The external guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2016, the balance under the letter of guarantees issued by the Group was approximately RMB883,935 million.

Accountability of the directors in relation to financial statements

The directors are responsible for overseeing the preparation of the financial report for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flow for that period. In preparing the financial report for the year ended 31 December 2016, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that were prudent and reasonable.

During the reporting period, the Bank published the 2015 annual report, the report for the first quarter of 2016, the half-year report 2016, and the report for the third quarter of 2016 within the prescribed time set out under the provisions of relevant laws, regulations and listing rules of the listing venues.

Training of directors

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

In 2016, Mr. Wang Hongzhang, Mr. Wang Zuji, Mr. Pang Xiusheng, Mr. Zhang Gengsheng, Mr. Li Jun, Ms. Hao Aiqun, Mr. Dong Shi, Ms. Anita Fung Yuen Mei, Mr. Carl Walter, Mr. Zhang Long, Mr. Wim Kok and Mr. Murray Horn, directors of the Bank, took part in directors' compliance training on the U.S. Bank Secrecy Act and Anti-Money Laundering laws organised by the Bank; Ms. Hao Aiqun and Mr. Dong Shi, directors of the Bank, participated in the special training on the latest regulatory policies and cases study, the commerce of mobile internet and big data era held by The Listed Companies Association of Beijing; Mr. Li Jun, director of the Bank, participated in the special training on financial and internal control reports' analysis and the Beijing-Tianjin-Hebei region integration and the development of listed companies in Beijing held by The Listed Companies Association of Beijing; Ms. Hao Aiqun and Mr. Dong Shi, directors of the Bank, participated in the special training on financial risk management and the decision-making of the Board held by Cheung Kong Graduate School of Business; Mr. Zhang Long, director of the Bank, participated in the qualification training of independent directors held by Shanghai Stock Exchange; Ms. Anita Fung Yuen Mei, director of the Bank, participated in relevant trainings in relation to advisory document update of listing regulation structure held by Hong Kong Exchanges and Clearing Limited.

Training of company secretary

In 2016, Mr. Ma Chan Chi, company secretary of the Bank, participated in trainings on regulatory compliance, risk management, anti-money laundering, economy and finance organised by Hong Kong Securities and Futures Commission, The Hong Kong Institute of Chartered Secretaries, and Hong Kong Trade Development Council, etc. Mr. Ma Chan Chi undertook over 15 hours of professional training to update his skills and knowledge.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2016.

Independent operating capability

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

Internal transactions

The internal transactions of the Bank include credit on and off-balance sheet, financial market transactions and derivative transactions, wealth management arrangement, asset transfer, management and service arrangement, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in compliance with regulatory requirements, and did not give rise to a negative impact on the Group's sound operation.

COMMITTEES UNDER THE BOARD

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

Strategy development committee

The strategy development committee consists of 11 directors. Mr. Wang Hongzhang, chairman of the Bank, currently serves as chairman of the strategy development committee. Members include Mr. Wang Zuji, Ms. Anita Fung Yuen Mei, Mr. Li Jun, Mr. Carl Walter, Mr. Pang Xiusheng, Mr. Wim Kok, Mr. Murray Horn, Ms. Hao Aiqun, Mr. Zhang Gengsheng and Mr. Dong Shi. Among them, four are executive directors, three are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

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

In 2016, the strategy development committee convened five meetings in total, reviewed and discussed agenda items mainly including: making in-depth analysis and discussion of macroeconomic situation and challenges faced by the banking industry, promoting the rational layout of overseas institutions, increasing the capital of subsidiaries, investing and establishing a specialised institution for implementing market-oriented debt-to-equity swap, researching on the progress of being selected among the list of global systemically important banks, enhancing the capability of risk prevention and control, promoting the construction of the New Generation Core Banking System, and strengthening the development of information technology. The strategy development committee expresses opinions or gives suggestions on the Bank's strategic development plans, establishment of institutions, material investment plans and information technology development.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Wang Hongzhang	4/5	1/5	100
Mr. Wang Zuji	4/5	1/5	100
Ms. Anita Fung Yuen Mei	1/1	0/1	100
Mr. Li Jun	5/5	0/5	100
Mr. Carl Walter	1/1	0/1	100
Mr. Pang Xiusheng	4/5	1/5	100
Mr. Wim Kok	5/5	0/5	100
Mr. Murray Horn	5/5	0/5	100
Ms. Hao Aiqun	5/5	0/5	100
Mr. Zhang Gengsheng	4/5	1/5	100
Mr. Dong Shi	4/5	1/5	100
Resigned members			
Ms. Chen Yuanling	3/3	0/3	100
Mr. Xu Tie	3/3	0/3	100
Mr. Guo Yanpeng	5/5	0/5	100
Ms. Margaret Leung Ko May Yee	3/3	0/3	100

In 2017, the strategy development committee will continue to adhere to the strategic development direction of "accelerating transformation towards an innovative and smart bank with integrated operation, multi-functional service and intensive development", conduct in-depth analysis of macroeconomic and national financial reform situation, optimise resources allocation, accelerate the operational transformation and business structural adjustment, strengthen the construction of multifunctional comprehensive capabilities, steadily facilitate the construction of relevant systems and mechanisms, focus on the development of overseas institutions' business and the enhancement of profitability, improve the management and utilisation of big data, continue to promote the implementation of the overall plans for transformation and development.

Audit committee

The audit committee consists of six directors. Mr. Chung Shui Ming Timpson, independent non-executive director of the Bank, currently serves as chairman of the audit committee. Members include Mr. Li Jun, Mr. Carl Walter, Mr. Zhang Long, Mr. Murray Horn and Mr. Dong Shi. Among them, two are non-executive directors and four are independent non-executive directors. The composition of the audit committee meets the requirements of corporate governance and the domestic and overseas regulations.

The primary responsibilities and authorities of the audit committee include:

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

In 2016, the audit committee convened seven meetings in total, and held two separate meetings with external auditors. The audit committee supervised and reviewed the reports and announcements of results of 2015 and the first half of 2016, supervised and reviewed the financial reports for the first and third quarter of 2016; monitored the internal audit work; supervised and urged the rectification of problems identified by the internal and external audits; strengthened the supervision and assessment of the effectiveness of internal control and reviewed the assessment report of internal control; appointed external auditors; and monitored and assessed the work of external auditors. The audit committee expressed material opinions and suggestions on the matters aforesaid.

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

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Chung Shui Ming Timpson	7/7	0/7	100
Mr. Li Jun	7/7	0/7	100
Mr. Carl Walter	2/2	0/2	100
Mr. Zhang Long	7/7	0/7	100
Mr. Murray Horn	7/7	0/7	100
Mr. Dong Shi	7/7	0/7	100
Resigned member			
Mr. Xu Tie	3/3	0/3	100

In 2017, the audit committee will continue to monitor the preparation, audit and disclosure of regular financial reports, and provide professional advice to the Board. The audit committee will monitor and guide the internal audits, optimise internal audit system, push forward the rectification of problems identified by internal audits; monitor and evaluate the independence and objectiveness of external audits and the effectiveness of audit procedures; facilitate the improvement of service quality of external audits; improve communication and coordination between internal and external auditors; improve the utilisation of auditing results between internal and external auditors; enhance the monitoring and evaluation of internal control; further improve internal control system and mechanism. The audit committee will assist the Board in relevant work under the authorisation of the Board.

Risk management committee

The risk management committee consists of seven directors. Mr. Murray Horn, independent non-executive director of the Bank, currently serves as chairman of the risk management committee. Members include Mr. Wang Zuji, Ms. Anita Fung Yuen Mei, Mr. Zhang Long, Mr. Pang Xiusheng, Ms. Hao Aiqun and Mr. Chung Shui Ming Timpson. Among them, two are executive directors, one is a non-executive director, and four are independent non-executive directors.

The primary responsibilities of the risk management committee include:

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

In 2016, the risk management committee convened four meetings in total. It expressed opinions and suggestions on various areas including strengthening the management and control of credit assets, promoting the adjustment and optimisation of risk management policies, enhancing the risk management and control of the Group, improving the ability of comprehensive risk management and enhancing the compliance risk management of the overseas institutions. The risk management committee paid close attention to the impact of international and domestic economic and financial situations on the Bank, actively promoted the implementation of the advanced method on capital management, proactively dealt with the regulatory requirements of global systematically important banks and assessed the overall risk conditions of the Group regularly. It attached great importance to the risk management in the areas related to loans to industries with excess capacity, loans to government financing vehicles, liquidity, key regions, overseas business and information technology, etc. It also enhanced the compliance risk management of the Group especially the overseas institutions, took the responsibilities of the U.S. risk management committee as well, and strengthened prevention and control over non-compliance cases.

Reviewing risk management system

Under the framework of overall risk management system of the Bank, the risk management committee continued to supervise and review effectiveness of the risk management system of the Bank, including reviewing and amending the risk management policies, risk appetite and comprehensive risk management system and monitoring and assessing the sector setup, organisational structure, working procedures and effectiveness of risk management department of the Bank. It conducted periodic assessments of risk management policies, risk appetite and comprehensive risk management condition of the Bank, monitored and evaluated senior executive's control of risks including credit risk, market risk, and operational risk, etc.. The Board and the risk management committee of the Bank review semi-annually special reports on the overall risk management of the Group. Please refer to "Management Discussion and Analysis – Risk Management" for details of risk management of the Bank.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Murray Horn	4/4	0/4	100
Mr. Wang Zuji	4/4	0/4	100
Ms. Anita Fung Yuen Mei	1/1	0/1	100
Mr. Zhang Long	4/4	0/4	100
Mr. Pang Xiusheng	3/4	1/4	100
Ms. Hao Aiqun	4/4	0/4	100
Mr. Chung Shui Ming Timpson	4/4	0/4	100
Resigned members			
Ms. Chen Yuanling	1/2	1/2	100
Ms. Margaret Leung Ko May Yee	2/2	0/2	100

In 2017, the risk management committee will continue to conscientiously perform its duties, promote the fulfilment of various regulatory requirements, further improve comprehensive risk management system, and continue to strengthen the management of various risks including credit risk, market risk, operational risk and compliance risk. It will also steadily promote the implementation of the advanced method on capital management and continue to enhance compliance risk management of the overseas institutions to improve risk management.

Nomination and remuneration committee

The nomination and remuneration committee consists of six directors. Mr. Wim Kok, independent non-executive director of the Bank, currently serves as chairman of the nomination and remuneration committee. Members include Ms. Anita Fung Yuen Mei, Mr. Carl Walter, Mr. Chung Shui Ming Timpson, Mr. Murray Horn and Mr. Dong Shi. Among them, one is non-executive director, and five are independent non-executive directors.

The primary responsibilities of the nomination and remuneration committee include:

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

In 2016, the nomination and remuneration committee convened five meetings in total. Regarding nomination, the committee spared no effort to the selection of independent non-executive directors, and proposed advice to the Board on candidates for independent non-executive directors, consecutive appointment of directors and senior management to ensure the nominees are eligible for the positions, in compliance with laws, administrative regulations, rules and the Articles of Association of the Bank, and able to perform their duties in a diligent manner. The nomination and remuneration committee held that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the Diversity Policy for the Board of Directors. Regarding remuneration and performance assessment, the nomination and remuneration committee studied the latest national remuneration regulatory policies, organised and formulated the proposal of the settlement of the remuneration for directors, supervisors and senior management of the Bank for 2015, studied and worked out performance assessment plans for executive directors and senior management for 2016. Regarding the ordinary work, the nomination and remuneration committee attached importance to the development and training for senior management of the Bank and key back-up personnel, and paid attention to employee remuneration structure and other matters. It also actively proposed opinions and advice on pushing forward the diversity of the members of the Board, improving the performance assessment measures for the senior management, and improving the remuneration incentive system and enhancing the development and training for talents.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Wim Kok	5/5	0/5	100
Ms. Anita Fung Yuen Mei	1/1	0/1	100
Mr. Carl Walter	1/1	0/1	100
Mr. Chung Shui Ming Timpson	4/5	1/5	100
Mr. Murray Horn	5/5	0/5	100
Mr. Dong Shi	5/5	0/5	100
Resigned members			
Mr. Guo Yanpeng	5/5	0/5	100
Ms. Margaret Leung Ko May Yee	3/3	0/3	100

In 2017, the nomination and remuneration committee will strengthen self-improvement efforts, continue to accomplish the work in connection with nomination, review the structure, number of members and composition of the Board, supervise the performance of the Board members and will further refine the remuneration and performance assessment measures for the directors and senior management in accordance with the national remuneration policies. The committee will put forward the proposal of the remuneration settlement for directors, supervisors and senior management in 2016 according to the operational results after comprehensive consideration of various factors, and pay attention to the remuneration system and the personnel training of the Bank.

Social responsibilities and related party transactions committee

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

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

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

In 2016, the social responsibilities and related party transactions committee convened four meetings in total. The committee improved the system of the management of related party transactions, optimised the new generation management system of the related party transactions, strengthened the auditing results' utilisation of the related party transactions, and promoted the Group's management capability of related party transactions. It supervised the implementation of performance of the social responsibilities related to green credit, protection of consumer rights and interests and charity donation. The social responsibilities and related party transactions committee proposed important opinions and advice on the aforesaid matters.

Members of social responsibilities and related party transactions committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Zhang Long	4/4	0/4	100
Mr. Chung Shui Ming Timpson	4/4	0/4	100
Mr. Murray Horn	4/4	0/4	100
Mr. Zhang Gengsheng	3/4	1/4	100

In 2017, the social responsibilities and related party transactions committee will continue to strengthen the supervision and guidance of the related party transactions management. It will promote the optimisation and utilisation of the new generation information management system of the related party transactions, and monitor and evaluate the implementation of promotion of the green credit strategy; protection of consumer rights and interests and charity donation. The social responsibilities and related party transactions committee will assist the Board in relevant work under the authorisation of the Board.

BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

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

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

Composition of the board of supervisors

The board of supervisors of the Bank currently consists of seven supervisors, including three shareholder representative supervisors, namely Mr. Guo You, Ms. Liu Jin and Ms. Li Xiaoling; three employee representative supervisors, namely Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu, and one external supervisor, namely Mr. Bai Jianjun.

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

Chairman of the board of supervisors

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

Operation of the board of supervisors

The board of supervisors convenes regular meetings no fewer than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in written ten days prior to the convening of the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

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

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

The Bank effected supervisors' liability insurance policy for all the supervisors in 2016.

Meetings of the board of supervisors

In 2016, the board of supervisors convened eight meetings in total on 29 January, 10 March, 30 March, 29 April, 28 June, 25 August, 27 October, and 20 December respectively, of which seven were held on-site, and one was held by way of circulation of written proposal. Major resolutions reviewed and approved by the board of supervisors meetings included report of the board of supervisors, supervisory working plan, periodic financial reports of the Bank, profit distribution plan, the 2015 assessment report on internal control, nomination of supervisors, etc. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. The following table sets forth the attendance records of each supervisor in the meetings of the board of supervisors in 2016:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Shareholder representative supervisors			
Mr. Guo You	8/8	0/8	100
Ms. Liu Jin	6/8	2/8	100
Ms. Li Xiaoling	8/8	0/8	100
Employee representative supervisors			
Mr. Li Xiukun	8/8	0/8	100
Mr. Jin Yanmin	7/8	1/8	100
Mr. Li Zhenyu	8/8	0/8	100
External supervisors			
Mr. Bai Jianjun	8/8	0/8	100
Resigned members			
Mr. Jin Panshi	0/0	0/0	N/A
Mr. Zhang Huajian	0/0	0/0	N/A
Mr. Wang Lin	0/0	0/0	N/A
Mr. Wang Xinmin	2/4	2/4	100

The performance of duties by external supervisors

In 2016, Mr. Wang Xinmin and Mr. Bai Jianjun, the external supervisors of the Bank, actively attended the meetings of the board of supervisors and special committees thereof, and were involved in the studying and decision-making of major issues of the board of supervisors. They proactively attended the meetings of the Board, the special committees under the Board and the operating management as non-voting delegates, and participated in the specific research of the Board of Supervisors on the pricing management of deposits and loans, collateral management, etc., and provided suggestions and opinions based on their expertise. The external supervisors duly performed their duties and contributed to the supervisory role played by the board of supervisors.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

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

Performance and due diligence supervision committee

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

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

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

In 2016, the performance and due diligence supervision committee convened four on-site meetings in total. The performance and due diligence supervision committee reviewed evaluation reports on the performance of the Board, senior management and their members, and self-evaluation reports on the performance of the board of supervisors and supervisors; studied and formulated the work plan for performance supervision and evaluation for the year; reviewed the proposals regarding the performance assessment plan for shareholder representative supervisors of the Bank, and heard special reports on the situation of liquidity risk management, consolidated management and execution of risk appetite, etc.

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

In 2017, the performance and due diligence supervision committee will continue to focus on the implementation of transformation plan of the Bank, and organise the supervision of performance of duties and responsibilities. The performance and due diligence supervision committee will continue to explore the ways of improving supervision in light of actual situation, and ensure proper performance and due diligence supervision and evaluation of the Board, senior management and their members.

Finance and internal control supervision committee

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

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

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

In 2016, the finance and internal control supervision committee convened six on-site meetings in total, reviewed seven proposals including the periodic financial reports, profit distribution plans and internal control evaluation report; heard reports on financial report auditing, internal control and compliance work, internal audit findings and rectifications, credit asset quality, and comprehensive risk management on a regular basis; organised and conducted supervision on the internal control, acquisition and disposal of material assets, connected transactions and use of proceeds, etc.; carried out supervision over different areas including comprehensive operating business plans, guarantee institutions management, collateral management and operation of fee-based business via various measures including hearing special reports, conducting interviews and discussions, put forward professional opinions and suggestions, and helped the board of supervisors to perform the supervision of finance, risk and internal control.

Members of the Finance and Internal Control Supervision Committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Ms. Li Xiaoling	6/6	0/6	100
Ms. Liu Jin	4/6	2/6	100
Mr. Li Xiukun	5/6	1/6	100
Mr. Jin Yanmin	6/6	0/6	100
Mr. Bai Jianjun	4/6	2/6	100
Resigned members			
Mr. Jin Panshi	0/0	0/0	N/A
Mr. Zhang Huajian	0/0	0/0	N/A

In 2017, the finance and internal control supervision committee will pay close attention to the key areas and issues of the Bank's finance, risk and internal control, make more efforts in research and investigation as well as analysis, and continue to refine the corresponding supervisory work.

SENIOR MANAGEMENT

Responsibilities of senior management

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

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

Operation of senior management

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

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 enterprise internal control, the Board establishes, improves and effectively implements internal control, evaluates the effectiveness of the internal control and faithfully discloses the report of internal control evaluation. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2016, the Bank further specified the management standard for all process regulations, all business lines issued and amended various management methods and operating instructions according to regulations, managerial demands, and business operation, and abolished inapplicable regulations to effectively guarantee the effectiveness and operability of regulatory rules. In the meantime, the Bank proactively conducted standardised construction of internal control in two aspects, including general-applied level and business domain-applied level, and carried out the integrated analysis on objectives, major risks, and control rules. The Bank has formulated and issued the general-level standard and accumulatively 15 domain-applied level standards of internal control including corporate credit, personal credit, internet finance business, and treasury management and settlement business, etc.

The Board and the audit committee assess the effectiveness of the internal control and examine the report of internal control annually. As at the end of 2016, there was no material deficiency in the internal control of financial report of the Bank, and no material deficiency was detected in the internal control of non-financial report as well. The Board held that the Bank conducted effective internal control of financial report covering all the major aspects, in compliance with the requirements regarding the standard system of enterprise internal control and other relevant regulations.

The Bank employed PricewaterhouseCoopers Zhong Tian LLP for the audit of internal control. The audit opinion of internal control was in line with the Bank's assessment 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 in line with the disclosure of the assessment report of internal control of the Bank.

For detailed information of internal control, please refer to the assessment report and audit report of internal control of the Bank on the website of the Shanghai Stock Exchange, the "HKEXnews" website of Hong Kong Stock Exchange, and the website of the Bank.

AUDITORS' REMUNERATION

PricewaterhouseCoopers Zhong Tian LLP was appointed as the domestic auditor for the audit of the financial report of the Bank and its domestic subsidiaries for the year of 2016 and PricewaterhouseCoopers was appointed as the international auditor for the audit of the financial report of the Bank and its major overseas subsidiaries for the year of 2016. PricewaterhouseCoopers Zhong Tian LLP was appointed as the auditor for the audit of the internal control of the Bank for the year of 2016.

Auditors' fees for the audit of the financial report (including the audit of the internal control) of the Group and other services paid to PricewaterhouseCoopers Zhong Tian LLP, PricewaterhouseCoopers and other PricewaterhouseCoopers member firms by the Group for the year ended 31 December 2016 are set out as follows:

(In millions of RMB)	2016	2015
Fees for the audit of the financial statements	125.00	132.00
Other service fees	3.35	8.03

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have offered auditing services to the Bank for six consecutive years.

SHAREHOLDERS' RIGHTS

Right to convene an extraordinary shareholders' general meeting

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

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

Right to raise proposals to the shareholders' general meeting

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

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

Right to raise proposals to the Board

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

Right to raise enquiries to the Board

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

INVESTOR RELATIONS

Effective communication with shareholders and review of work on investor relations

The Bank exchanges opinions with the shareholders through various channels such as the shareholders' general meetings, results announcement conferences, road shows, participating in large investor forums, receptions of investors, investor hotline and investor mailbox, in order to promote understanding and communications between shareholders and investors. In 2016, the Bank organised and arranged results announcement conferences, analysts' on-site briefings, conference calls and also results road shows during the period of annual, interim and quarterly results publication. Relevant announcements of results are published on designated newspapers and websites for shareholders' review. In 2016, the Bank held approximately more than 100 investor communication conferences, and responded to the issues concerned by the market.

Mr. Wang Hongzhang the Chairman, cordially met Yuan Lisha, the Bank's employee of CCB Dongguan Branch who has been given high merits by our shareholders and customers

Shareholder enquiries

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

A-share:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
3rd Floor, China Insurance Building
166 East Lujiazui Road, Pudong New District, Shanghai, China
Telephone: (86) 4008-058-058

H-share:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862-8555
Facsimile: (852) 2865-0990/(852) 2529-6087

Investor enquiries

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

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

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

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the "Management Discussion and Analysis" of this annual report. For the discussion on the Bank's environmental policies and performance and relations with its employees, please refer to *the Corporate Social Responsibility Report 2016* of the Bank.

PROFIT AND DIVIDENDS

The profit of the Group for the year ended 31 December 2016 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report. The analysis on operating results, financial position as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions passed at the 2015 annual general meeting held on 17 June 2016, the Bank paid an annual cash dividend for 2015 of RMB0.274 per share (including tax), totalling approximately RMB68,503 million, to all of its shareholders whose names appeared on the register of members on 29 June 2016.

The Board recommends a cash dividend for 2016 of RMB0.278 per share (including tax), subject to approval of the 2016 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 29 June 2017. The expected payment date of the H-shares annual cash dividend for 2016 is on 20 July 2017. The expected payment date of the A-shares annual cash dividend for 2016 is on 30 June 2017.

FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

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

The Bank's formulation and implementation of profit distribution policies conform to the provisions in the Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The Bank has sound policies decision-making procedures and mechanisms as well as clear and definite standard and ratio of dividends. The independent non-executive directors conducted due diligence and played their roles diligently in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and demands and their legitimate rights and interests are fully protected.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2014 to 2016 are as follows:

(In millions of RMB, except percentages)	2014	2015	2016
Cash dividends	75,253	68,503	**69,503**
Ratio of cash dividends to net profit [1]	33.03%	30.03%	**30.03%**

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

TAXATION AND TAX REDUCTION AND EXEMPTION

Shareholders of the Bank paid relevant taxes according to the following rules and tax laws and regulations as updated from time to time and enjoyed possible tax reduction and exemption in light of actual situations and should seek advice from their tax professionals and legal consultants for specific payment matters. The following referred tax laws and regulations are published as at the date of 31 December 2016.

HOLDERS OF A-SHARE

According to *Notice of Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (Cai Shui [2012] No.85) and *Notice of Issues Concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (Cai Shui [2015] No.101) issued by the MOF, the State Administration of Taxation and the CSRC, for the stocks held for more than one year, the income from dividends and bonuses shall be temporarily exempted from individual income tax; for the stocks held for more than one month but not more than one year (inclusive), the income from dividends and bonuses shall be temporarily included in the taxable income at the reduced rate of 50%; for stocks held for not more than one month (inclusive), the income from dividends and bonuses shall be included in the taxable income in full amount. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%. Individual income taxes on dividends and bonuses of securities investment in listed companies shall be collected according to the rules aforesaid as well.

According to article 26(2) of the *Law on Enterprise Income Tax*, dividends, bonuses and other equity investment proceeds between qualified resident enterprises are tax-free incomes.

According to article 83 of the *Implementation Regulations of the Law on Enterprise Income Tax*, the "dividends, bonuses and other equity investment proceeds between qualified resident enterprises" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* refer to investment income obtained by a resident enterprise from the direct investment in other resident enterprises. The "stock equities, bonuses and other equity investment proceeds" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* exclude investment income from circulating stocks issued publicly by a resident enterprise and traded on stock exchanges that the holding period is less than 12 months.

According to the *Law on Enterprise Income Tax and the Implementation Regulation of the Law on Enterprise Income Tax*, the enterprise income tax shall be levied at the reduced rate of 10% for the dividend incomes obtained by a non-resident enterprise shareholder.

HOLDERS OF H-SHARE

According to PRC tax laws and regulations, withholding agents shall withhold and pay individual income tax on income of dividends and bonuses for Hong Kong-listed shares of domestic non-foreign-invested enterprises obtained by a non-resident individual. However, an offshore resident individual shareholder holding Hong Kong-listed shares of domestic non-foreign-invested enterprises may enjoy relevant tax preferences under the tax treaties between China and the state where such shareholder possesses resident status, or the indirect tax arrangements between Mainland China and Hong Kong or Macau. Generally, as for individual holders of H-shares, individual income tax shall be withheld and paid at the rate of 10%, unless it is otherwise provided by tax laws and regulations and relevant tax treaties.

According to *Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H-shares Which Are Overseas Non-resident Enterprises* (Guo Shui [2008] No.897) published by the State Administration of Taxation, a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its holders of H-shares which are overseas non-resident enterprises, and it shall withhold the enterprise income tax thereon at the uniform rate of 10%.

According to current custom of the Inland Revenue Department, the Bank bears no tax for distribution of H-share dividends.

Issues about taxation of Shanghai-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (Cai Shui [2014] No.81) issued by the MOF, the State Administration of Taxation and the CSRC.

Issues about taxation of Shenzhen-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No.127) issued by the MOF, the State Administration of Taxation and the CSRC.

DOMESTIC PREFERENCE SHAREHOLDERS

Issues about payment of individual income tax involved in dividends of non-public domestic preference shares obtained by individuals shall follow the relevant PRC tax laws and regulations.

According to the *Law on Enterprise Income Tax* and the *Implementation Regulation of the Law on Enterprise Income Tax*, dividends gain from domestic preference shares between qualified resident enterprises are tax exemption incomes. Enterprise income tax on dividends gain from domestic preference shares obtained by a non-resident enterprise shall be collected at the preferential rate of 10%.

OFFSHORE PREFERENCE SHAREHOLDERS

According to PRC tax laws and regulations, when the Bank pays dividends of offshore preference shares to its shareholders which are offshore non-resident enterprises, it shall withhold and pay the enterprise income tax thereon at the uniform rate of 10%.

According to current custom of the Inland Revenue Department, the Bank bears no tax for distribution of dividends of offshore preference shares.

SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2016.

RESERVES

Please refer to "Consolidated Statement of Changes in Equity" for details of the movements in the reserves of the Group for the year ended 31 December 2016.

DONATIONS

Charitable donations made by the Group for the year ended 31 December 2016 were RMB74.42 million.

FIXED ASSETS

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year ended 31 December 2016.

RETIREMENT BENEFITS

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

MAJOR CUSTOMERS

For the year ended 31 December 2016, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Substantial Shareholders of the Bank" and Note "Investments in Subsidiaries" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at 31 December 2016.

ISSUANCE OF SHARES

During the reporting period, the Bank had not issued any ordinary shares or preference shares.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2016, other than the offshore non-public preference shares of US$3.05 billion in total issued by the Bank on 16 December 2015, the Bank had not entered into or maintained any equity-linked agreement.

Pursuant to regulations including the Capital Rules for Commercial Banks (Provisional) and the Administrative Measures for the Pilot Programme for Preference Shares, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event happens when the common equity Tier 1 ratio has decreased to 5.125% (or below) and when the CBRC determines that the Bank will not be able to exist if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which preference shares shall be coercively converted into ordinary H-shares. If such trigger events happen to the Bank and all offshore preference shares need to be coercively converted into ordinary H-shares in accordance with their initial conversion price, the total amount of the offshore preference shares which are converted into ordinary H-shares will not exceed 3,953,615,825 ordinary H-shares. During the reporting period, the Bank did not experience any trigger event in which the offshore preference shares need to be coercively converted into ordinary H-shares.

SHARE CAPITAL AND PUBLIC FLOAT

As of 31 December 2016, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 426,488 registered ordinary shareholders. The Bank complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at 31 December 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MATERIAL INTERESTS AND SHORT POSITIONS

As at 31 December 2016, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Name	Type of shares	Interests in shares and short positions	Nature	% of issued A-shares or H-shares	% of total ordinary shares issued
Huijin [1]	A-share	692,581,776	Long position	7.22	0.28
Huijin [2]	H-share	133,262,144,534	Long position	59.31	57.03
Temasek [3]	H-share	12,018,825,216	Long position	4.99	4.81

1. On 29 December 2015, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% and 0.28% of the A-shares issued (9,593,657,606 shares) and total ordinary shares issued (250,010,977,486 shares) at that time respectively. In which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Co., Ltd., a wholly-owned subsidiary of Huijin. As at 31 December 2016, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, Central Huijin Asset Management Co., Ltd., a wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and total ordinary shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2016, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and total ordinary shares issued (250,010,977,486 shares) at the end of the period respectively.
3. On 20 June 2016, Temasek declared its interests on the website of Hong Kong Stock Exchange. It declared that it reduced the holding-shares of the Bank through Fullerton Financial Holdings Pte. Ltd., a subsidiary indirectly wholly-owned by Temasek for 555,000,000 H-shares through over-the-counter trading of Hong Kong Stock Exchange on 16 June 2016. Its aggregate H-shares of the Bank reduced from 12,573,825,216 before the change in shareholding to 12,018,825,216 after the change in shareholding. Its aggregate H-shares account for 4.99% and 4.81% of the H-shares issued (240,417,319,880 shares) and total ordinary shares issued (250,010,977,486 shares) after the change in shareholding, reducing from 5.23% and 5.03% of the H-shares issued and total ordinary shares issued before the change in shareholding.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS

Mr. Zhang Gengsheng, director of the Bank, indirectly held 19,304 H-shares of the Bank by participating in the employee stock incentive plan of the Bank before he was appointed at the current position; Mr. Zhang Long, director of the Bank, held 235,400 A-shares of the Bank. Supervisors of the Bank indirectly held H-shares of the Bank by participating in the employee stock incentive plan before they were appointed at the current position. Specifically, Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu held 12,366 H-shares, 15,739 H-shares and 3,971 H-shares of the Bank respectively. Save as disclosed above, as at 31 December 2016, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2016, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS, SERVICE CONTRACTS AND DIRECTORS' LIABILITY INSURANCE

For the year 2016, no director or supervisor of the Bank or entities connected with the directors or supervisors had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

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

The Bank purchased the directors' liability insurance for all directors in 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

In 2016, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the conditions for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were fully exempted from the shareholders' approval, annual review and all the disclosure requirements.

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

REMUNERATION POLICY FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

REGISTRATION AND MANAGEMENT OF INSIDERS

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

COMPLIANCE WITH HONG KONG BANKING (DISCLOSURE) RULES

In preparing the financial report for 2016, the Bank has complied with the Banking (Disclosure) Rules, Chapter 155M of the Banking Ordinance of Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

By order of the board of directors
Wang Hongzhang
Chairman

29 March 2017

REPORT OF THE BOARD OF SUPERVISORS

In 2016, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, constantly refined its methods of work, effectively improved the effectiveness of supervision, made active efforts and contributions to the standardised operation of corporate governance and the sustainable and sound development of the Bank, and played a good role in terms of their duties and functions.

PARTICULARS OF MAJOR WORK

The board of supervisors convened meetings of the board of supervisors pursuant to laws and regulations. During the year, eight meetings of the board of supervisors were convened, in which 22 resolutions on the agenda were reviewed and considered pursuant to laws and regulations, including but not limited to periodic reports of the Bank, assessment report on internal control, assessment reports of the performance for the year and nomination of supervisors; 16 agenda items related to corporate operation and development were studied and discussed. Four meetings of the performance and due diligence supervision committee and six meetings of the finance and internal control supervision committee were convened.

The board of supervisors solidly continued its work of performance supervision. Members of the board of supervisors attended 29 meetings of the Board and the committees under the Board and 23 important meetings of the senior management, such as overall working conference as non-voting attendees. The board of supervisors duly reviewed the meeting materials, further learned the actual situation of operation, continuously focused on the compliance with laws and regulations regarding the decision-making procedures and the voting results of the Board. Based on the supervision on ordinary course of the business, the board of supervisors timely learned about the implementation of resolutions of the general meeting of shareholders and the Board. The board of supervisors organised and carried out the annual performance assessment work, studied and proposed the assessment reports of the annual performance of the Board and its members, and senior management and its members, respectively, and presented the annual self-assessment of the performance of board of supervisors and its members, and reported the performance assessment to the shareholders' general meeting and regulators pursuant to relevant provisions.

The board of supervisors continuously deepened proper finance supervision. By focusing on reviewing the Bank's periodic reports, the board of supervisors actively enhanced its communication with the Board, senior management, external auditors and relevant functional departments, quarterly heard work report, timely learned about the progress of preparation and review of financial reports and audit findings. The board of supervisors strengthened its efforts to supervise over material financial decisions and major financial areas, intensively learned about comprehensive operation plans and performance assessment, capital management, etc. The board of supervisors strengthened supervision over management of financial expenses and the arrangement and implementation of business plans. The board of supervisors also attended the meetings for appointment of external auditors of the Audit Committee and duly performed its supervision duties. The board of supervisors monitored related party transactions, use of proceeds, acquisition and disposal of material assets, ensuring that the articles of association and regulatory requirements have been complied.

The board of supervisors duly conducted the internal control supervision. The board of supervisors focused on strengthening supervision over the performance of internal control duties and responsibilities and the improvement of internal control system by the Board and senior management. The board of supervisors regularly heard reports on the management of internal control and compliance, key findings and rectification in internal audit, continuously focused on organisational structure of internal control and compliance and its operation mechanism, internal control of major business, compliance management of overseas institutions and prevention and control over non-compliance cases, etc. Concentrating on the key issues focused by domestic and overseas regulatory authorities, the board of supervisor conducted special investigations and analysis on anti-money laundering. The board of supervisors duly reviewed the Bank's internal control assessment reports pursuant to the regulatory requirements and gave independent opinions.

The board of supervisors continuously strengthened risk management supervision. The board of supervisors further strengthened supervision over the overall risk management at the Group level, heard special reports on the overall risk management and execution of risk appetite, etc., and pushed forward to establish and optimise the comprehensive risk management system. The board of supervisors followed up and paid attention to the quality changes of assets and risk exposures of key customers, industries and areas, and enhanced supervision over credit risk management. The board of supervisors conscientiously implemented the regulatory requirements, and monitored liquidity risk management, stress testing and implementation of risk regulatory indicators.

The board of supervisors paid attention to strengthening its self-improvement. The board of supervisors made reasonable arrangement for contents of agenda items, deepened research study and discussion, and continuously promoted the improvement of discussion quality and efficiency in meetings of the board of supervisors and special committees. The board of supervisors innovated its working methods and approaches, explored and refined transmission and implementation mechanism of supervisory opinions, highly enhanced supervision effectiveness. It organised and conducted special researches on three areas including transformation and development of asset management, collateral management, and pricing management of loans and deposits. The board of supervisors strengthened learnings, trainings and interbank communication to continuously enhance supervision ability. All supervisors diligently participated in the discussion and deliberation of resolutions in the meetings of the board of supervisors, proactively attended the meetings of the Board, the special committees under the Board and the senior management as non-voting attendees, participated in the related work organised by the board of supervisors, the committees and the Bank, and duly performed their supervision duties.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in compliance with laws and regulations

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

Financial reporting

The 2016 financial report of the Bank truly and fairly reflected the financial position and operating results of the Bank.

Use of proceeds

During the reporting period, the Bank did not have any matters with regard to proceeds-raising.

Acquisition and sale of assets

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

Connected transactions

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

Internal control

During the reporting period, the Bank consistently enhanced and improved its internal control. The board of supervisors had no objection to the *2016 Internal Control Assessment Report*.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities in a proactive manner. The board of supervisors had no objection to the *2016 Social Responsibility Report*.

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

All directors, supervisors and senior executives were evaluated as qualified in the 2016 performance assessment process.

By order of the board of supervisors
Guo You
Chairman of the board of supervisors

29 March 2017

MAJOR ISSUES

MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Bank was not subject to any material litigation or arbitration.

FUND OCCUPATION BY THE CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES

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

PROGRESS OF IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

After the implementation of the first employee stock incentive plan of the Bank in July 2007, the Bank did not implement any new round of stock incentive plan in the reporting period.

MATERIAL RELATED PARTY TRANSACTIONS

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

PERFORMANCE OF UNDERTAKINGS

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

On 6 April 2016, in accordance with relevant rules of CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As at 31 December 2016, Huijin had not breached any of the above undertakings.

PENALTIES

During the reporting period, neither the Bank, the directors, the supervisors, the senior executives nor the actual controller was subject to investigations by relevant authorities, coercive measures by judicial or disciplinary inspection departments, transfer to judicial authorities or prosecution for criminal liabilities, investigation or administrative penalty, restricted access to market, and identification as unqualified by the CSRC, material administrative punishments by environmental, safety supervision, tax or other administrative authorities, or public reprimand by the stock exchanges.

INTEGRITY

During the reporting period, there was no unperformed judgement of the courts, or significant outstanding debt at maturity of the Bank and its controlling shareholder.

MAJOR EVENTS

On 20 December 2016, the Board of the Bank approved the Bank's investment in the establishment of a specialised entity to implement market-driven debt-to-equity swap. For details, please refer to the *Announcement on the Establishment of a Wholly-owned Subsidiary* published on the website of Shanghai Stock Exchange (www.sse.com.cn) and "HKEXnews" website of Hong Kong Stock Exchange (http://www.hkexnews.hk) on the same date.

Performance of poverty alleviation responsibilities

I. Targeted poverty alleviation

1. Basic principle: Based on the five development concepts of innovation, coordination, green, opening up and sharing, the Bank adhered to the fundamental strategy of targeted poverty alleviation and eradication. The Bank concentrated on precisely satisfying the financial needs, facilitating supporting measures and improving management for poverty alleviation, and optimised the financial service system of poverty alleviation and diversified financial channels and products. The Bank propelled targeted poverty alleviation by sustainable poverty alleviation modes including full coverage of mobile finance, priority on e-commerce poverty alleviation, innovations in credit poverty alleviation and expansion of inclusive financial service.

2. General target: providing more credit support to satisfy credit demands in poverty-stricken areas; extending the coverage of emerging e-payment in such areas; expanding inclusive finance and promoting electronic channel construction in poverty-stricken counties that were beyond the reach of CCB outlets service scope.

3. Major task: helping impoverished registered population to become employed and get more income, improving their working and living conditions, motivating the inner power of economic and social development in the poverty-stricken areas, and excellently fulfilling poverty eradication tasks set by governments at various levels to the Bank in a timely manner by adjusting measures to local conditions and implementing targeted measures.

4. Safeguard measures: First, strengthening organisation and promotion. The Bank established a leading team on financial poverty alleviation work led by the Chairman, formulated its 13th Five-Year financial poverty alleviation plan as well as the plan for 2016, and held a bank-wide poverty alleviation meeting to make overall deployment. Second, ensuring priority in resources allocation. The Bank channelled more credit resources to poverty-stricken areas, and coordinated and satisfied the economic capital demand, arising from loans for poverty alleviation, of tier-one branches to which poverty-stricken areas belong. It waived financial service fees for customers in poverty-stricken areas in line with the government policy, and set more favourable pricing method on deposits and lending and fee policies of fee-based business for branches located at poverty-stricken areas. Under the background of controlling its total donation budget, the Bank arranged a donation quota of RMB42.9 million for poverty alleviation in the designated areas. Third, enhancing innovation. The Bank initiated an innovative model of e-commerce poverty alleviation, and facilitated sales of products from poverty-stricken areas over E.ccb.com, an e-commerce platform of the Bank. It set up banking outlets, self-service banks and ATMs to extend the functions of its outlets and service network, and established cash terminals for farmers in underserved areas in cooperation with local supply and marketing cooperatives or tobacco retailers, so as to promote inclusive finance. Fourth, optimising business process. The Bank made in-depth analysis on the guidelines for credit approval in poverty alleviation related sectors, streamlined the credit approval process, and opened up a green channel, giving priority to the examination and approval of credit application for projects in poverty-stricken areas.

II. *Summary of annual targeted poverty alleviation*

1. Aiming at pooling various resources and meeting the financing needs of poverty alleviation. Based on statistics of the PBC, as at 31 December 2016, the balance of the Bank's outstanding loans for targeted poverty alleviation increased by RMB17,324 million to RMB94,824 million, representing an increase of 22.35%.

   Besides, the Bank took advantage of its group management to provide credit, wealth management, bonds, funds, trust, leasing and other integrated services. CCB Financial Leasing and CCB Guizhou Branch entered into the "Agreement on Cooperation to Introduce Capital to Guizhou Province for Poverty Alleviation" with the Government of Guizhou Province. The Bank assisted the Government of Zhangjiajie City in successfully setting up "Pro-poor Tourism Fund for Zhangjiajie" with a capital investment of RMB2 billion to help bringing tourism and agriculture and other special industries together. The Bank also actively participated in the establishment of poverty alleviation funds for Guizhou Province and Shaanxi Province by expanding funding sources for poverty alleviation causes.

2. Extending service network and promoting inclusive finance. The Bank proactively extended the functions of its outlets and service network and enriched its approaches of financial poverty-alleviation by setting up banking outlets, self-service banks and ATMs in poverty-stricken areas. The Bank established 6,820 ATMs and 2,048 self-service banks in poverty-stricken counties, representing an increase of 20.3% and 16.8% respectively as compared to the end of 2015. Besides, a total of 91 ATMs and 54 self-service banks have been set up in poverty-stricken county areas without banking outlets. Moreover, the Bank, in cooperation with supply and marketing cooperatives or tobacco retailers, established more and more cash terminals available for farmers in under-serviced areas and continuously expanded the coverage of such terminals. In addition, the Bank also promoted smart and mobile settlement and treasury management products and built convenient and efficient multi-layer settlement channels in rural areas.

3. Deepening innovation of credit products and service models, improving endogenous power of poverty-stricken areas. The Bank injected new ideas into loans for government procurement of services, loans to new rural areas, loans for urbanisation, loans under PPP mode, etc., and provided increasing financial support to infrastructure and public services in poverty-stricken areas. Relying on cooperating agricultural product procurement enterprises, the Bank rolled out innovative small and micro enterprises featured "Supporting Agriculture Loan" products which apply the "mortgage + order" business model, so as to offer credit support to impoverished farmers, specialised cooperatives and small and micro agriculture-related enterprises, and made innovation in the business model of "Credit Cooperation Loan" by making full use of local governments' policy of loan with discounted interest and risk compensation fund, so as to strengthen availability of loans for poverty-stricken areas. Relying on the individual agriculture-supporting loan platform, the Bank rolled out innovative products which direct micro-credit towards registered impoverished households. The Bank provided supply chain finance services relying on core enterprises, diversified types of mortgage for primary agricultural products in poverty-stricken areas, promoted cooperation with agriculture-related financing assurance and insurance institutions, drove construction of multi-layer credit guarantee system, and built the risk compensation system involving governments, banks and enterprises.

4. Innovating e-commerce poverty alleviation measures, driving sales of products from poverty-stricken areas. The Bank has driven sales of products from poverty-stricken areas to other areas over E.ccb.com, thus helping impoverished people get employed and cast off poverty to get rich. Besides, under support from local governments, the Bank has opened up pro-poor green channels for featured agricultural bases to introduce leading agricultural enterprises and outstanding agricultural cooperatives from poverty-stricken areas to E.ccb.com platform. Furthermore, the Bank held pro-poor e-commerce fair on a regular basis, to which nationwide merchants are invited to promote and discuss featured products as well as to provide online and offline finance support. The Bank also rolled out "special hall or column for targeted poverty alleviation" on E.ccb.com to promote premium featured products for poverty alleviation. For example, the Bank has now shaped the featured industrial landscape for featured agricultural products from Gansu, fruits from Xinjiang, alcohol from Guizhou as well as artifacts from Tibet.

5. Being committed to targeted poverty alleviation and charitable donations. In 1988, the head office of the Bank took the lead in targeted poverty alleviation in Ankang City, Shaanxi Province in response to the state call. For the 28 years, a total of 87 cadres of the Bank have been dispatched to Ankang for poverty alleviation with RMB467 million of poverty alleviation loans issued. The Bank's branches have also made great efforts in targeted poverty alleviation tasks allocated by governments at various levels. By constantly making continuously increasing investment into charity to poverty-stricken areas, the Bank has now built 45 "CCB Hope Primary Schools", subsidised 88,500 impoverished high school students as well as 14,504 impoverished mothers of heroes and exemplary workers, and donated 247 "Healthy Mother Express" vehicles.

III. Achievements in targeted poverty alleviation in 2016

Indicator	Amount and description
I. General information	
Fund	At the end of 2016, the balance of the Bank's targeted poverty alleviation loans was RMB94,823.89 million; in 2016, the Bank's poverty alleviation donation in designated area was RMB42.90 million.
II. Investments by items	
1. Poverty alleviation by promoting industry development	
1.1 Types of industry-based poverty alleviation projects	√ Poverty alleviation by promoting agriculture, forestry, animal husbandry and fishery As the end of 2016, the Bank's loans to agriculture, forestry, animal husbandry and fishery were RMB1,598.63 million. √ Poverty alleviation through e-commerce The Bank has driven sales of products from poverty-stricken areas to other areas so as to help impoverished people get employed, increase income and get out of poverty. √ Others By adjusting measures to local conditions and relying on the credit of the leading enterprises in the industrial chain, the Bank has provided great support to the development of modern agriculture, ecological farming, leisure agriculture, rural tourism and other featured industries and offered supply chain financial service to the leading enterprises' upstream and downstream dealers and farming households so as to help impoverished people to get employed, increase income and cast off poverty.
1.2 Industry-based investments	As at the end of 2016, the Bank issued industry-based poverty alleviation loans of RMB26,858.89 million.
2. Poverty alleviation through education	
2.1 Student loans and related donations	As of the end of 2016, the Bank issued student loans of RMB4.07 million to registered impoverished students. Since the Bank launched "Build for the Future – CCB Sponsorship Programme for Impoverished High School Students" in 2007, it had issued RMB135 million of grants for this programme. Since the Bank launched "Tibet in Our Hearts – CCB and Jianyin Investment Scholarship (Bursary) Foundation" to subsidise impoverished high school students and college students in Tibet in 2007, the Bank had granted scholarships (bursaries) of RMB2.07 million.
2.2 Number of students benefited	As of the end of 2016, the Bank provided 88,500 student loans to help high school students in need, including 990 loans to financially distressed students in the Tibetan region.
2.3 Loans for improving educational resources	As of the end of 2016, the Bank issued RMB2,642.54 million of education loans to schools in impoverished areas.
3. Poverty alleviation initiatives to promote healthcare	From 2011 to 2016, the Bank made consecutive donations for "Healthy Mother Express" vehicles in poverty-stricken villages and counties in 17 provinces and areas, including Gansu, Tibet, Qinghai, Xinjiang, Inner Mongolia, Yunnan, Guizhou, Guangxi, Shaanxi, Ningxia, Sichuan, Hubei, Hunan, Anhui, Liaoning, Jilin and Hebei, to provide free health check, treatment to women and healthcare services, pregnant and maternal patients. By the end of 2016, the Bank had donated RMB37 million for the purchase of 247 "Healthy Mother Express" vehicles.
4. Poverty alleviation initiatives to promote ecological protection	As at the end of 2016, the Bank had a balance RMB365.40 million loans for restoring ecological environment in impoverished areas.
5. Poverty alleviation initiatives to promote social causes	Since 1988, the Bank sent a total of 87 managers to Ankang, Shaanxi, to work onsite and lead poverty alleviation in addition to RMB467 million poverty alleviation loans to this region.

IV. Subsequent targeted poverty alleviation plan

1. *Arrangement for targeted poverty alleviation in 2017*

In 2017, in adherence to financial poverty alleviation mission set up by the CPC Central Committee, the State Council and relevant regulators, the Bank will implement *CCB 13th Five-Year Financial Poverty Alleviation Plan* as well as tasks set by the bank-wide poverty alleviation meeting, perform its social responsibilities, achieve greater results in financial targeted poverty alleviation, and promote overall progress of financial targeted poverty alleviation, so as to realise the following targets: providing more credit funds for financial targeted poverty alleviation, and benefiting more registered impoverished people with targeted financial service; extending service coverage of inclusive finance by building convenient and efficient multi-layer settlement channels in rural areas and expanding application of convenient settlement products to rural areas without CCB outlets; making better use of mobile phone banking, online banking and e.ccb.com e-commerce platform for poverty alleviation and eradication, and introducing new e-payment to more registered households in poverty-stricken areas; making the greatest efforts possible to fulfill the poverty eradication task allocated by governments at various levels to the Bank as scheduled.

2. *Major measures*

While ensuring the smooth implementation of various work measures of *CCB 13th Five-Year Financial Poverty Alleviation Plan* in 2017, the Bank will stay in line with the basic principle of "targeted poverty alleviation and targeted poverty eradication", and comply with the *State Council's 13th Five-Year Period Poverty Eradication Plan* and relevant requirements of the PBC with the following measures: to further improve its financial poverty alleviation mechanism with better resource allocation and supporting policies for financial poverty alleviation, thus promoting the progress in a steady way; in response to different financial needs for poverty alleviation in impoverished areas, to enhance innovation in products and models to motivate the inner power of growth in poverty-stricken areas; to take advantages of the whole group by integrating products of parent and subsidiaries, products for enterprises and individuals, domestic products and overseas products as well as online and offline ones, so as to provide all round and integrated financial service to poverty-stricken areas; to strengthen statistical monitoring and information system on financial poverty alleviation, laying a solid foundation for information statistics for targeted poverty alleviation; to use well assessment and rewards by improving relevant procedures to achieve more efficient poverty alleviation; and to adopt best practices in the industry, draw experience from past efforts, and increase publicity to create a positive environment for financial poverty alleviation causes.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 126 to 247, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Allowances for Impairment Losses on Loans and Advances to customers
- Packaged Sales of Non-Performing Loans (NPLs)
- Consolidation assessment of, and disclosures about, structured entities
- Business application system migration to the Group's accounting system

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowances for Impairment Losses on Loans and Advances to customers *Refer to notes 4(3)(f), 4(24)(a), 13, 25, 65(1) to the consolidated financial statements.* As at 31 December 2016, the gross balance of loans and advances to customers and allowances for impairment losses amounted to RMB11,757,032 million and RMB268,677 million, respectively. Allowances for impairment losses are estimated using individual and collective assessments. Individually significant loans and advances to customers are initially assessed for impairment. Homogeneous groups of loans and advances to customers not considered individually significant, and those which were individually assessed but were found not to have objective evidence of impairment, are assessed for impairment on a collective basis. Identification of impairment indicators and estimation of future cash flows for individual assessment, parameters and assumptions applied to the calculation methodology for collective assessment require significant management's judgements. In addition, because of the size of the allowances for impairment losses on loans and advances to customers, we focused on this in our audit.	Our procedures include the following: We evaluated and tested the design and operating effectiveness of internal controls related to allowances for impairment losses on loans and advances to customers, including the identification of impairment indicators and the impairment assessment process. **Individual assessment** Based on criteria that may indicate evidence of impairment (including whether the borrowers were experiencing financial difficulties or breached loan covenants), we performed independent credit reviews on a sample of individually significant loans and advances to customers to assess whether these balances were impaired and whether the impairment was identified by management on a timely basis. For the impaired loans and advances from our sample, we tested the estimated future cash flows (including realisable value of mortgages and pledges, and support from guarantors) and discount rates against underlying supporting information including external evidence where available. We also independently tested the calculations through re-performance. **Collective assessment** We tested the underlying loan information used in the impairment models by agreeing the relevant data to the Group's loan systems and the general ledger. We evaluated the parameters and assumptions (including historical trends of probability of default and historical loss experience) used by reference to market practices and challenged the assumptions as to whether they reflect the current economic environment and are in line with recent loss experience and representative of current credit risks. We also independently tested the calculation through re-performance. We found management's judgement exercised in identifying the impaired loans for individual assessment and in estimating the individual and collective allowances for impairment losses on loans and advances to customers to be reasonable.
Packaged Sales of Non-Performing Loans (NPLs) *Refer to note 25 to the consolidated financial statements.* During the year ended 31 December 2016, the Bank sold RMB57,058 million of NPLs through packaged sales to external asset management companies. The packaged sales of NPLs were significant, and involved significant management judgement in the de-recognition assessment. We focused on whether the NPLs sold have been appropriately approved by the Bank, and whether the disposals met the de-recognition criteria.	Our procedures included the following: 1. Evaluated and tested the internal controls relating to the sales of NPLs, focusing on the authorisation, asset selection, and approval processes. 2. Reviewed the contracts on a sample basis and evaluated whether the NPLs sold met the de-recognition criteria. We found no significant differences between management's judgement and our assessment.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation assessment of, and disclosures about, structured entities *Refer to notes 4(1), 4(24)(g), 21(2)(c), 31 to the consolidated financial statements.* As at 31 December 2016, structured entities mainly included wealth management products, asset management plans and trust plans. The amounts of structured entities which are either consolidated or not consolidated are disclosed in notes 21(2)(c) and 31 respectively. The amount of structured entities in which the Group had invested was significant and the assessment of consolidation or not involved management's judgement. We focused on the following key aspects: 1. The reasonableness of the consolidation assessment made by management based on the three elements of control and the appropriateness of disclosures in the consolidated financial statements. 2. Whether the structured entities that were not consolidated were appropriately disclosed in the consolidated financial statements.	Our procedures included: 1. Evaluated and tested the related internal controls that management adopted on the consolidation assessment and disclosure of structured entities. 2. Tested structured entities on a sample basis to assess management's judgement to consolidate or not by checking against supporting documents including contracts and evaluated them against the following elements of control: • The Group's power over the structured entities; • The Group's exposure, or rights, to variable returns from involvement with the structured entities; and • The Group's ability to use power over the structured entities to affect the amount of the Group's returns. 3. Evaluated and checked the appropriateness of disclosures in the consolidated financial statements relating to structured entities. Based on the available evidence we found that management's consolidation assessment in relation to structured entities was reasonable and the disclosures were appropriate.
Business application system migration to the Group's accounting system The Group's financial reporting process is heavily reliant on the design and operating effectiveness of its IT systems. During the year, the Group underwent system migration of the accounting modules of certain critical business application systems to the accounting system. These systems included the Retail, Valet Foreign Exchange and Derivatives Treasury businesses relating to the Group's domestic operations. The system migration involved significant program changes and development. Its implementation, particularly the related automated and IT dependent manual controls, system interface functionality and data conversion have a significant impact on the financial reporting process in ensuring all transactions from various business application systems are captured in the general ledger. Therefore, the system migration of the Retail, Valet Foreign Exchange and Derivatives Treasury businesses to the Group's accounting system was our audit focus.	We evaluated the management oversight of the system migration that was critical to financial reporting and performed testing on the following: 1. Controls over the IT program changes and development, and access to program and data including proper authorisation and testing of newly developed and/or modified software and programs which primarily cover system configurations, logistics, functionalities and data conversion rules. 2. Automated controls and certain critical aspects of the accounting system upon which manual controls are dependent, including key system generated reports for financial reporting purposes, calculations within the automated applications, user access security, automated interfaces among applications and controls over the chart of account maintenance. In addition, we reconciled a sample of the journal entries arising from the relevant application systems to the accounting system using computer assisted audit techniques. The results of the testing performed supported our ability to place reliance on the IT dependencies of the accounting system.

OTHER INFORMATION

The directors of the Bank are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 judgment and maintain professional skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance 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.

We also provide those charged with governance 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 those charged with governance, 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 Yip Siu Foon, Linda.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in millions of RMB, unless otherwise stated)

	Note	2016	2015
Interest income		**696,637**	770,559
Interest expense		**(278,838)**	(312,807)
Net interest income	6	**417,799**	457,752
Fee and commission income		**127,863**	121,404
Fee and commission expense		**(9,354)**	(7,874)
Net fee and commission income	7	**118,509**	113,530
Net trading gain	8	**3,975**	3,913
Dividend income	9	**2,558**	733
Net gain arising from investment securities	10	**11,098**	5,075
Other operating income, net:			
– Other operating income		**55,340**	27,844
– Other operating expense		**(49,419)**	(22,160)
Other operating income, net	11	**5,921**	5,684
Operating income		**559,860**	586,687
Operating expenses	12	**(171,515)**	(194,826)
		388,345	391,861
Impairment losses on:			
– Loans and advances to customers		**(89,588)**	(92,610)
– Others		**(3,616)**	(1,029)
Impairment losses	13	**(93,204)**	(93,639)
Share of profit of associates and joint ventures		**69**	275
Profit before tax		**295,210**	298,497
Income tax expense	16	**(62,821)**	(69,611)
Net profit		**232,389**	228,886

The notes on pages 132 to 247 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	2016	2015
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(839)**	51
Others		**68**	4
Subtotal		**(771)**	55
Items that may be reclassified subsequently to profit or loss			
(Losses)/Gains of available-for-sale financial assets arising during the period		**(27,841)**	27,721
Income tax impact relating to available-for-sale financial assets		**7,055**	(6,956)
Reclassification adjustments included in profit or loss		**(3,930)**	(1,429)
Net (loss)/gain on cash flow hedges		**(150)**	10
Exchange difference on translating foreign operations		**5,885**	1,436
Subtotal		**(18,981)**	20,782
Other comprehensive income for the year, net of tax		**(19,752)**	20,837
Total comprehensive income for the year		**212,637**	249,723
Net profit attributable to:			
Equity shareholders of the Bank		**231,460**	228,145
Non-controlling interests		**929**	741
		232,389	228,886
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**212,418**	248,311
Non-controlling interests		**219**	1,412
		212,637	249,723
Basic and diluted earnings per share (in RMB Yuan)	17	**0.92**	0.91

The notes on pages 132 to 247 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(Expressed in millions of RMB, unless otherwise stated)

	Note	2016	2015
Assets:			
Cash and deposits with central banks	18	**2,849,261**	2,401,544
Deposits with banks and non-bank financial institutions	19	**494,618**	352,966
Precious metals		**202,851**	86,549
Placements with banks and non-bank financial institutions	20	**260,670**	310,779
Financial assets at fair value through profit or loss	21	**488,370**	271,173
Positive fair value of derivatives	22	**89,786**	31,499
Financial assets held under resale agreements	23	**103,174**	310,727
Interest receivable	24	**101,645**	96,612
Loans and advances to customers	25	**11,488,355**	10,234,523
Available-for-sale financial assets	26	**1,633,834**	1,066,752
Held-to-maturity investments	27	**2,438,417**	2,563,980
Investment classified as receivables	28	**507,963**	369,501
Interests in associates and joint ventures	30	**7,318**	4,986
Fixed assets	32	**170,095**	159,531
Land use rights	33	**14,742**	15,231
Intangible assets	34	**2,599**	2,103
Goodwill	35	**2,947**	2,140
Deferred tax assets	36	**31,062**	25,379
Other assets	37	**75,998**	43,514
Total assets		**20,963,705**	18,349,489
Liabilities:			
Borrowings from central banks	40	**439,339**	42,048
Deposits from banks and non-bank financial institutions	41	**1,612,995**	1,439,395
Placements from banks and non-bank financial institutions	42	**322,546**	321,712
Financial liabilities at fair value through profit or loss	43	**396,591**	302,649
Negative fair value of derivatives	22	**90,333**	27,942
Financial assets sold under repurchase agreements	44	**190,580**	268,012
Deposits from customers	45	**15,402,915**	13,668,533
Accrued staff costs	46	**33,870**	33,190
Taxes payable	47	**44,900**	49,411
Interest payable	48	**211,330**	205,684
Provisions	49	**9,276**	7,108
Debt securities issued	50	**451,554**	415,544
Deferred tax liabilities	36	**570**	624
Other liabilities	51	**167,252**	122,554
Total liabilities		**19,374,051**	16,904,406
Equity:			
Share capital	52(1)	**250,011**	250,011
Other equity instruments			
Preference Shares	52(2)	**19,659**	19,659
Capital reserve	53	**133,960**	135,249
Investment revaluation reserve	54	**(976)**	23,058
Surplus reserve	55	**175,445**	153,032
General reserve	56	**211,193**	186,422
Retained earnings	57	**786,860**	672,154
Exchange reserve		**348**	(5,565)
Total equity attributable to equity shareholders of the Bank		**1,576,500**	1,434,020
Non-controlling interests		**13,154**	11,063
Total equity		**1,589,654**	1,445,083
Total liabilities and equity		**20,963,705**	18,349,489

Approved and authorised for issue by the Board of Directors on 29 March 2017.

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

The notes on pages 132 to 247 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank									
	Share capital	**Other equity instruments – preference shares**	**Capital reserve**	**Investment revaluation reserve**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Exchange reserve**	**Non-controlling interests**	**Total equity**
As at 31 December 2015	**250,011**	**19,659**	**135,249**	**23,058**	**153,032**	**186,422**	**672,154**	**(5,565)**	**11,063**	**1,445,083**
Movements during the year	**–**	**–**	**(1,289)**	**(24,034)**	**22,413**	**24,771**	**114,706**	**5,913**	**2,091**	**144,571**
(1) Total comprehensive income for the year	**–**	**–**	**(921)**	**(24,034)**	**–**	**–**	**231,460**	**5,913**	**219**	**212,637**
(2) Changes in share capital										
i Acquisition of subsidiaries	**–**	**–**	**(269)**	**–**	**–**	**–**	**–**	**–**	**590**	**321**
ii Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
iii Establishment of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,343**	**1,343**
iv Change in shareholdings in subsidiaries	**–**	**–**	**(99)**	**–**	**–**	**–**	**–**	**–**	**(45)**	**(144)**
(3) Profit distribution										
i Appropriation to surplus reserve	**–**	**–**	**–**	**–**	**22,413**	**–**	**(22,413)**	**–**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**24,771**	**(24,771)**	**–**	**–**	**–**
iii Appropriation to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(68,503)**	**–**	**–**	**(68,503)**
iv Dividends paid to preference shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(1,067)**	**–**	**–**	**(1,067)**
v Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**(29)**
As at 31 December 2016	**250,011**	**19,659**	**133,960**	**(976)**	**175,445**	**211,193**	**786,860**	**348**	**13,154**	**1,589,654**

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

The notes on pages 132 to 247 form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016
(Expressed in millions of RMB, unless otherwise stated)

	Note	2016	2015
Cash flows from operating activities			
Profit before tax		**295,210**	298,497
Adjustments for:			
– Impairment losses	13	**93,204**	93,639
– Depreciation and amortisation	12	**16,017**	19,736
– Interest income from impaired financial assets		**(3,704)**	(3,161)
– Revaluation loss/(gain) on financial instruments at fair value through profit or loss		**1,412**	(3,344)
– (Share of profit of associates and joint ventures		**(69)**	(275)
– Dividend income	9	**(2,558)**	(733)
– Unrealised foreign exchange (gain)/loss		**(479)**	8,628
– Interest expense on bonds issued		**11,362**	9,851
– Net gain on disposal of investment securities	10	**(11,098)**	(5,075)
– Net gain on disposal of fixed assets and other long-term assets		**(159)**	(78)
		399,138	417,685
Changes in operating assets:			
Net (increase)/decrease in deposits with central banks and with banks and non-bank financial institutions		**(328,481)**	130,948
Net decrease/(increase) in placements with banks and non-bank financial institutions		**10,762**	(27,495)
Net increase in loans and advances to customers		**(1,258,420)**	(1,059,060)
Net decrease/(increase) in financial assets held under resale agreements		**208,433**	(36,975)
Net (increase)/decrease in financial assets at fair value through profit or loss		**(211,099)**	62,142
Net increase in other operating assets		**(166,173)**	(54,505)
		(1,744,978)	(984,945)
Changes in operating liabilities:			
Net increase/(decrease) in borrowings from central banks		**395,118**	(50,300)
Net (decrease)/increase in placements from banks and non-bank financial institutions		**(16,216)**	110,038
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,829,273**	1,163,129
Net (decrease)/increase in financial assets sold under repurchase agreements		**(78,104)**	86,340
Net increase/(decrease) in certificates of deposit issued		**12,653**	(69,604)
Income tax paid		**(65,264)**	(73,476)
Net increase in financial liabilities at fair value through profit or loss		**92,919**	6,639
Net increase in other operating liabilities		**57,993**	27,988
		2,228,372	1,200,754
Net cash from operating activities		**882,532**	633,494

The notes on pages 132 to 247 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	2016	2015
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**777,941**	525,257
Dividends received		**2,566**	747
Proceeds from disposal of fixed assets and other long-term assets		**1,187**	2,064
Purchase of investment securities		**(1,363,040)**	(1,091,451)
Purchase of fixed assets and other long-term assets		**(27,742)**	(28,589)
Acquisition of subsidiaries, associates and joint ventures		**(1,393)**	(1,657)
Net cash used in investing activities		**(610,481)**	(593,629)
Cash flows from financing activities			
Issue of bonds		**16,522**	55,053
Capital contribution by non-controlling interests		**13**	142
Contribution by preference shareholders		**–**	19,659
Consideration paid for acquisition of non-controlling interests		**(144)**	(1,027)
Dividends paid		**(69,574)**	(75,262)
Repayment of borrowings		**(11,711)**	(2,815)
Interest paid on bonds issued		**(10,474)**	(9,573)
Net cash used in financing activities		**(75,368)**	(13,823)
Effect of exchange rate changes on cash and cash equivalents		**14,520**	8,161
Net increase in cash and cash equivalents		**211,203**	34,203
Cash and cash equivalents as at 1 January	58	**387,921**	353,718
Cash and cash equivalents as at 31 December	58	**599,124**	387,921
Cash flows from operating activities include:			
Interest received		**687,994**	762,542
Interest paid, excluding interest expense on bonds issued		**(262,259)**	(282,166)

The notes on pages 132 to 247 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of RMB, unless otherwise stated)

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively. As at 31 December 2016, the Bank issued the total ordinary share capital of RMB250,011 million, a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("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 29 March 2017.

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) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at designated cost. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

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

2 BASIS OF PREPARATION (CONTINUED)

(3) Use of estimates and judgements

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

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

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(24).

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 new 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 2016.

Amendment to IAS 11, "Accounting for Acquisitions of Interests in Joint Operations".

This amendment requires an investor to apply the principles of business combination accounting treatments when it acquires an interest in a joint venture that constitutes a 'business'. Specifically, an investor will need to measure identifiable assets and liabilities at fair value, expense acquisition-related costs, recognise deferred tax and recognise the residual as goodwill. The adoption of the amendment has no significant impact on the Group's financial position or operations results.

Amendments to IAS 16 and IAS 38, "Clarification of Acceptable Methods of Depreciation and Amortisation".

The amendments clarify when a method of depreciation or amortisation based on revenue may be appreciate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances. The adoption of these amendments have no significant impact on the Group's financial position or operations results.

Amendment to IAS 27, "Equity Method in Separate Financial Statements".

This amendment allows the Group to use equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The adoption of the amendment has no significant impact on the Bank's financial position or operations results.

Amendments to IAS 1, "Disclosure Initiative".

The amendments clarify guidance in IAS 1 on the materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The Group has applied the amendments and there has been no significant impact on the Group's financial statements as a result.

Annual Improvements 2014.

These amendments include changes from the 2012-2014 cycle of the annual improvements project, that affect IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: disclosures', IAS 19, 'Employee benefits' and IAS 34, 'Interim financial reporting'. The adoption of these amendments have no significant impact on the Group's financial position or operations results.

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

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

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

(b) Subsidiaries and non-controlling interests

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) Associates and joint arrangements

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

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

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

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

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

(b) Translation of financial statements denominated in foreign currencies

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Categorisation

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

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

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

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

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Other financial liabilities

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(b) Derivatives and hedge accounting

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

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

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

(i) Fair value hedge

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

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

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

(ii) Cash flow hedge

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(c) Embedded derivatives

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

(d) Recognition and derecognition

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

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

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

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

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

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

(e) Measurement

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

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

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

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

(f) Impairment

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

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

– significant financial difficulty of the borrower or issuer;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– disappearance of an active market for financial assets because of significant financial difficulties;

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

– other objective evidence indicating there is an impairment of the financial asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

Loans and receivables and held-to-maturity investments

Individual assessment

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

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

Collective assessment

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

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

Impairment reversal and loan write-offs

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

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

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms as appropriate. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

Available-for-sale financial assets

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(g) Fair value measurement

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

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

(h) Offsetting

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

(i) Securitisations

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

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

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

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

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

(4) Precious metals

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

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets

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

(a) Cost

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

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

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

(b) Depreciation and impairment

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

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

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

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

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

(c) Disposal

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease

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

(a) Finance lease

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

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

(b) Operating lease

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

(7) Land use rights

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

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

(8) Intangible assets

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

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

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising 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 cost of a business combination is recognised immediately in profit or loss.

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Repossessed assets

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

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

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

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

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

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

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

(a) Testing CGU with goodwill for impairment

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

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

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

(b) Impairment loss

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(12) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Employee benefits (continued)

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(13) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group; and

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or nonoccurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(15) 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.

(16) Financial guarantees

Financial guarantees are contracts that require the Group as the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in "other liabilities". The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(17) 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.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Income recognition

Provided it is probable that economic benefits will flow to the Group and the amount, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Interest income

Interest income for interest bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as commission on expiry.

(c) Finance income from finance leases and hire purchase contracts

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(d) Dividend income

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(20) 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.

(21) 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.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(22) 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.

(23) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. The same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net off any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or other-than-temporary decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or other-than-temporary, the Group considers if the fair value of an available-for-sale equity instrument as at the end of reporting period is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than a year (including one year) together with other relevant considerations.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Significant accounting estimates and judgements (continued)

(d) Reclassification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits payable to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's capital reserve and liability related to its employee retirement benefit obligations.

(g) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax was charged at 5% on taxable income.

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (CaiShui [2016] No.36) jointly issued by the Ministry of Finance 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. Accordingly, the income and expense under VAT were reported on a net basis. The main VAT taxation rate is 6%.

City construction tax

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

Education surcharge

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

Local education surcharge

Local education surcharge is calculated as 2% of business tax or VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

(Expressed in millions of RMB, unless otherwise stated)

6 NET INTEREST INCOME

	2016	2015
Interest income arising from:		
Deposits with central banks	**39,512**	39,310
Deposits with banks and non-bank financial institutions	**11,595**	13,534
Placements with banks and non-bank financial institutions	**8,020**	16,650
Financial assets at fair value through profit or loss	**4,164**	761
Financial assets held under resale agreements	**4,102**	10,238
Investment securities	**152,040**	144,561
Loans and advances to customers		
– Corporate loans and advances	**289,477**	358,241
– Personal loans and advances	**172,078**	176,872
– Discounted bills	**15,649**	10,392
Total	**696,637**	770,559
Interest expense arising from:		
Borrowings from central banks	**(5,671)**	(2,125)
Deposits from banks and non-bank financial institutions	**(33,579)**	(39,834)
Placements from banks and non-bank financial institutions	**(7,014)**	(6,496)
Financial assets sold under repurchase agreements	**(3,485)**	(1,578)
Debt securities issued	**(16,615)**	(17,173)
Deposits from customers		
– Corporate deposits	**(105,232)**	(117,649)
– Personal deposits	**(107,242)**	(127,952)
Total	**(278,838)**	(312,807)
Net interest income	**417,799**	457,752

Notes:

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

	2016	2015
Impaired loans and advances	**3,675**	3,070
Other impaired financial assets	**29**	91
Total	**3,704**	3,161

(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

	2016	2015
Fee and commission income		
Bank card fees	**37,649**	34,960
Wealth management service fees	**20,537**	14,457
Agency service fees	**20,025**	19,994
Settlement and clearing fees	**12,612**	13,166
Consultancy and advisory fees	**11,368**	13,656
Commission on trust and fiduciary activities	**11,174**	9,942
Electronic banking service fees	**7,584**	6,684
Guarantee fees	**2,938**	2,490
Credit commitment fees	**1,830**	3,138
Others	**2,146**	2,917
Total	**127,863**	121,404
Fee and commission expense		
Bank card transaction fees	**(5,378)**	(4,013)
Inter-bank transaction fees	**(1,132)**	(927)
Others	**(2,844)**	(2,934)
Total	**(9,354)**	(7,874)
Net fee and commission income	**118,509**	113,530

8 NET TRADING GAIN

	2016	2015
Debt securities	**(1,034)**	205
Derivatives	**2,421**	2,645
Equity investments	**185**	453
Others	**2,403**	610
Total	**3,975**	3,913

For the year ended 31 December 2016, trading gain related to financial assets designated at fair value through profit or loss amounted to RMB9,587 million (2015: gain RMB8,353 million). Trading loss related to financial liabilities designated at fair value through profit or loss amounted to RMB12,161 million (2015: loss RMB7,322 million).

(Expressed in millions of RMB, unless otherwise stated)

9 DIVIDEND INCOME

	2016	2015
Dividend income from listed trading equity investments	**131**	39
Dividend income from available-for-sale equity investments		
– Listed	**2,097**	331
– Unlisted	**330**	363
Total	**2,558**	733

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2016	2015
Net gain and investment income of available-for-sale financial assets	**3,390**	3,339
Net revaluation gain reclassified from other comprehensive income on disposal	**5,546**	1,533
Net gain on sale of held-to-maturity investments	**732**	321
Net gain on sale of investments classified as receivables	**906**	–
Others	**524**	(118)
Total	**11,098**	5,075

11 OTHER OPERATING INCOME, NET

Other operating income

	2016	2015
Insurance related income	**45,684**	19,975
Foreign exchange gain	**2,817**	2,716
Interest subsidy	**2,300**	2,322
Rental income	**1,428**	873
Gain on disposal of fixed assets	**292**	205
Gain on disposal of repossessed assets	**31**	63
Others	**2,788**	1,690
Total	**55,340**	27,844

Foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge long positions in foreign currency assets).

Other operating expenses

	2016	2015
Insurance related cost	**47,023**	20,795
Loss on disposal of fixed assets	**133**	127
Loss on disposal of repossessed assets	**82**	248
Others	**2,181**	990
Total	**49,419**	22,160

(Expressed in millions of RMB, unless otherwise stated)

12 OPERATING EXPENSES

	2016	2015
Staff costs		
– Salaries, bonuses, allowances and subsidies	**62,093**	61,087
– Other social insurance and welfare	**8,997**	8,561
– Housing funds	**6,296**	6,501
– Union running costs and employee education costs	**2,567**	2,540
– Defined contribution plans accrued	**12,846**	12,717
– Early retirement expenses	**45**	86
– Compensation to employees for termination of employment relationship	**3**	7
	92,847	91,499
Premises and equipment expenses		
– Depreciation charges	**13,804**	17,132
– Rent and property management expenses	**9,341**	8,905
– Maintenance	**2,890**	2,951
– Utilities	**2,071**	2,260
– Others	**1,875**	1,798
	29,981	33,046
Taxes and surcharges	**17,473**	36,303
Amortisation expenses	**2,213**	2,604
Audit fees	**142**	149
Other general and administrative expenses	**28,859**	31,225
Total	**171,515**	194,826

13 IMPAIRMENT LOSSES

	2016	2015
Loans and advances to customers		
– Additions	**101,757**	159,591
– Releases	**(12,169)**	(66,981)
Available-for-sale debt securities	**217**	(402)
Available-for-sale equity investments	**89**	28
Held-to-maturity investments	**970**	(1,633)
Investment classified as receivables	**(586)**	927
Fixed assets	**46**	–
Others	**2,880**	2,109
Total	**93,204**	93,639

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2016				
	Allowances 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					
Wang Hongzhang (note (vi))	–	484	47	85	616
Wang Zuji (note (vi))	–	484	47	110	641
Pang Xiusheng (note (vi))	–	436	47	102	585
Zhang Gengsheng (note (vi))	–	436	47	102	585
Non-executive directors					
Li Jun (note (iii))	–	–	–	–	–
Hao Aiqun (note (iii))	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–
Independent non-executive directors					
Anita Fung Yuen Mei (note (ii))	98	–	–	–	98
Carl Walter (note (ii))	98	–	–	–	98
Zhang Long (note (ii))	410	–	–	–	410
Chung Shui Ming Timpson (note (ii))	440	–	–	–	440
Wim Kok (note (ii))	380	–	–	–	380
Murray Horn (note (ii))	470	–	–	–	470
Supervisors					
Guo You (note (vi))	–	484	47	110	641
Liu Jin (note (vi))	–	660	47	115	822
Li Xiaoling (note (vi))	–	660	47	115	822
Li Xiukun (notes (ii) & (iv))	46	–	–	–	46
Jin Yanmin (notes (ii) & (iv))	46	–	–	–	46
Li Zhenyu (notes (ii) & (iv))	46	–	–	–	46
Bai Jianjun	250	–	–	–	250
Former non-executive directors					
Chen Yuanling (notes (ii) & (iii))	–	–	–	–	–
Xu Tie (notes (ii) & (iii))	–	–	–	–	–
Guo Yanpeng (notes (ii) & (iii))	–	–	–	–	–
Former independent non-executive director					
Margaret Leung Ko May Yee (note (ii))	195	–	–	–	195
Former supervisors					
Jin Panshi (notes (ii) & (iv))	4	–	–	–	4
Zhang Huajian (notes (ii) & (iv))	4	–	–	–	4
Wang Lin (notes (ii) & (iv))	4	–	–	–	4
Wang Xinmin (note (ii))	–	–	–	–	–
	2,491	3,644	329	739	7,203

(Expressed in millions of RMB, unless otherwise stated)

14 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:

	2015				
	Accrued cost	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank	Other monetary income	Total (note (vii))	Allowance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Wang Hongzhang	652	151	–	803	–
Wang Zuji	380	104	–	484	–
Pang Xiusheng	586	162	–	748	–
Zhang Gengsheng	586	162	–	748	–
Non-executive directors					
Li Jun (note (iii))	–	–	–	–	–
Chen Yuanling (notes (ii) & (iii))	–	–	–	–	–
Hao Aiqun (note (iii))	–	–	–	–	–
Xu Tie (notes (ii) & (iii))	–	–	–	–	–
Guo Yanpeng (note (iii))	–	–	–	–	–
Dong Shi (note (iii))	–	–	–	–	–
Independent non-executive directors					
Zhang Long (note (ii))	–	–	–	–	410
Chung Shui Ming Timpson (note (ii))	–	–	–	–	440
Wim Kok (note (ii))	–	–	–	–	372
Murray Horn (note (ii))	–	–	–	–	463
Margaret Leung Ko May Yee (note (ii))	–	–	–	–	390
Supervisors					
Guo You	652	173	–	825	–
Liu Jin	1,520	152	–	1,672	–
Li Xiaoling	1,520	152	–	1,672	–
Li Xiukun (notes (ii) & (iv))	–	–	–	–	–
Jin Yanmin (notes (ii) & (iv))	–	–	–	–	–
Li Zhenyu (notes (ii) & (iv))	–	–	–	–	–
Wang Xinmin (note (ii))	–	–	–	–	–
Bai Jianjun	–	–	–	–	250
Former executive directors					
Zhang Jianguo	464	173	–	637	–
Zhu Hongbo	98	26	–	124	–
Hu Zheyi	49	13	–	62	–
Former independent non-executive director					
Elaine La Roche	–	–	–	–	400
Former supervisors					
Jin Panshi (notes (ii) & (iv))	–	–	–	–	50
Zhang Huajian (notes (ii) & (iv))	–	–	–	–	50
Wang Lin (notes (ii) & (iv))	–	–	–	–	50
	6,507	1,268	–	7,775	2,875

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2016 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 2015 annual general meeting of the Bank, Mr. Guo Yanpeng continued to serve as non-executive director of the Bank, and Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, and Mr. Murray Horn continued to serve as independent non-executive directors of the Bank from 17 June 2016.

Upon election at the first extraordinary general meeting of 2015 of the Bank and upon approval of the CBRC, Ms. Anita Fung Yuen Mei and Mr. Carl Walter commenced their position as independent non-executive directors of the Bank from 14 October 2016.

As disclosed in the Bank's announcement on 17 June 2016, Ms. Chen Yuanling and Mr. Xu Tie ceased to serve as non-executive directors of the Bank, and Ms. Margaret Leung Ko May Yee ceased to serve as independent non-executive director of the Bank due to the expiration of their terms of office.

As disclosed in the Bank's announcement on 8 February 2017, Mr. Guo Yanpeng ceased to serve as non-executive director of the Bank due to change of job.

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

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

Due to the expiration of term of office, Mr. Wang Xinmin ceased to serve as external supervisor of the Bank from June 2016.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2016 and 2015.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2016 and 2015.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2016 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 2016. 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 2015 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2015 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2015 remained to be approved by the Annual General Meeting.

(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.

(Expressed in millions of RMB, unless otherwise stated)

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2016 RMB'000	2015 RMB'000
Salaries and allowance	**16,336**	18,242
Variable compensation	**35,941**	24,457
Contributions to defined contribution retirement schemes	**1,183**	972
Other benefit in kind	**365**	248
	53,825	43,919

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2016	2015
RMB7,000,001 – RMB7,500,000	**–**	1
RMB8,000,001 – RMB8,500,000	**–**	1
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	**1**	–
RMB10,500,001 – RMB11,000,000	**1**	1
RMB11,000,001 – RMB11,500,000	**1**	–
RMB11,500,001 – RMB12,000,000	**1**	–

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the year ended 31 December 2016 and 2015.

16 INCOME TAX EXPENSE

(1) Income tax expense

	2016	2015
Current tax	60,380	63,065
– Mainland China	58,713	61,708
– Hong Kong	875	731
– Other countries and regions	792	626
Adjustments for prior years	(187)	(1,313)
Deferred tax	2,628	7,859
Total	62,821	69,611

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

(2) Reconciliation between income tax expense and accounting profit

	Note	2016	2015
Profit before tax		295,210	298,497
Income tax calculated at 25% statutory tax rate		73,803	74,624
Non-deductible expenses	(i)	10,648	10,655
Non-taxable income	(ii)	(21,443)	(14,355)
Adjustments on income tax for prior years which affect profit or loss		(187)	(1,313)
Income tax expense		62,821	69,611

Notes:

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

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

17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2016 and 2015 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.

The Bank issued non-cumulative preference shares during the year ended 31 December 2015. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2016 and 2015, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2016	2015
Net profit attributable to equity shareholders of the Bank	231,460	228,145
Less: profit for the year attributable to preference shareholders of the Bank	(1,067)	–
Net profit attributable to ordinary shareholders of the Bank	230,393	228,145
Weighted average number of shares (in millions of shares)	250,011	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	0.92	0.91
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	0.92	0.91

(Expressed in millions of RMB, unless otherwise stated)

18 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	2016	2015
Cash		**73,296**	77,678
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,566,219**	2,159,725
– Surplus deposit reserves	(2)	**183,764**	140,511
– Fiscal deposits		**25,982**	23,630
Subtotal		**2,775,965**	2,323,866
Total		**2,849,261**	2,401,544

Notes:

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China of the Bank were as follows:

	2016	2015
Reserve rate for RMB deposits	**17.0%**	17.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

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

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

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

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	2016	2015
Banks	**482,348**	337,260
Non-bank financial institutions	**12,336**	15,713
Gross balances	**494,684**	352,973
Allowances for impairment losses (Note 38)	**(66)**	(7)
Net balances	**494,618**	352,966

(2) Analysed by geographical sectors

	2016	2015
Mainland China	**466,765**	323,959
Overseas	**27,919**	29,014
Gross balances	**494,684**	352,973
Allowances for impairment losses (Note 38)	**(66)**	(7)
Net balances	**494,618**	352,966

(Expressed in millions of RMB, unless otherwise stated)

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	2016	2015
Banks	**121,238**	150,589
Non-bank financial institutions	**139,555**	160,226
Gross balances	**260,793**	310,815
Allowances for impairment losses (Note 38)	**(123)**	(36)
Net balances	**260,670**	310,779

(2) Analysed by geographical sectors

	2016	2015
Mainland China	**172,492**	209,267
Overseas	**88,301**	101,548
Gross balances	**260,793**	310,815
Allowances for impairment losses (Note 38)	**(123)**	(36)
Net balances	**260,670**	310,779

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysed by nature

	Note	2016	2015
Held for trading purposes	(1)		
– Debt securities		141,330	17,421
– Equity instruments and funds		1,825	563
		143,155	17,984
Designated at fair value through profit or loss	(2)		
– Debt securities		8,690	586
– Equity instruments and funds		16,553	3,739
– Other debt instruments		319,972	248,864
		345,215	253,189
Total		488,370	271,173

Analysed by types of issuers

(1) Held for trading purpose

(a) Debt securities

	Note	2016	2015
Government		15,173	6,529
Policy banks		9,064	296
Banks and non-bank financial institutions		65,307	4,705
Enterprises		51,786	5,891
Total		141,330	17,421
Listed	(i)	141,330	17,404
– of which in Hong Kong		502	93
Unlisted		–	17
Total		141,330	17,421

Note:

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

(b) Equity instruments and funds

	2016	2015
Banks and non-bank financial institutions	123	116
Enterprises	1,702	447
Total	1,825	563
Listed	1,701	447
– of which in Hong Kong	1,682	421
Unlisted	124	116
Total	1,825	563

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Analysed by types of issuers (continued)

(2) Designated at fair value through profit or loss

(a) Debt securities

	2016	2015
Unlisted enterprises	**8,690**	586
Total	**8,690**	586

(b) Equity instruments and funds

	2016	2015
Banks and non-bank financial institutions	**10,934**	808
Enterprises	**5,619**	2,931
Total	**16,553**	3,739
Listed	**15**	1,412
– of which in Hong Kong	**–**	1,390
Unlisted	**16,538**	2,327
Total	**16,553**	3,739

(c) Other debt instruments

	2016	2015
Banks and non-bank financial institutions	**213,182**	145,028
Enterprises	**106,790**	103,836
Total	**319,972**	248,864

Other debt instruments were mainly the deposits with banks and credit assets invested by principal guaranteed wealth management products (Note 31(2)).

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

(Expressed in millions of RMB, unless otherwise stated)

22 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contract

	Note	2016			2015		
		Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts		**470,809**	**3,278**	**2,492**	506,536	1,372	1,291
Exchange rate contracts		**4,650,215**	**73,183**	**83,025**	2,427,232	25,675	25,715
Other contracts	(a)	**333,553**	**13,325**	**4,816**	119,735	4,452	936
Total		**5,454,577**	**89,786**	**90,333**	3,053,503	31,499	27,942

(2) Analysed by credit risk-weighted assets

	Note	2016	2015
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**2,649**	1,579
– Exchange rate contracts		**35,373**	23,298
– Other contracts	(a)	**10,751**	3,559
Subtotal		**48,773**	28,436
Credit value adjustment		**25,987**	13,008
Total		**74,760**	41,444

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

Note:

(a) Other contracts mainly consist of precious metals contracts.

(Expressed in millions of RMB, unless otherwise stated)

22 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

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

	2016			2015		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	45,148	507	(69)	9,091	62	(30)
Foreign exchange swaps	348	24	–	–	–	–
Cash flow hedges						
Foreign exchange swaps	21,491	–	(823)	–	–	–
Total	66,987	531	(892)	9,091	62	(30)

(a) Fair value hedge

The Group uses interest rate swaps and foreign exchange swaps to hedge against changes of fair value in some available-for-sale financial assets, certificates of deposit issued, loans and advances to customers arising from changes in interest rates and exchange rates.

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

	2016	2015
Net gains/(losses) on		
– hedging instruments	419	18
– hedged items	(439)	(18)

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2016 and 2015.

(b) Cash flow hedge

The Group uses foreign exchange swaps to hedge against exposures to cash flow variability primarily from foreign exchange risks of some loans and advances to customers. The maturities of hedging instruments and hedged items are both within two years.

For the year ended 31 December 2016, net loss from the cash flow hedge of RMB150 million were recognised in other comprehensive income (2015: net gain 10 million) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial.

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	2016	2015
Debt securities		
– Government bonds	21,726	27,673
– Debt securities issued by banks and non-bank financial institutions	38,751	94,313
Subtotal	60,477	121,986
Discounted bills	42,697	188,741
Net balances	103,174	310,727

(Expressed in millions of RMB, unless otherwise stated)

24 INTEREST RECEIVABLE

	2016	2015
Deposits with central banks	**1,163**	1,059
Deposits with banks and non-bank financial institutions	**2,286**	3,525
Financial assets held under resale agreements	**218**	704
Loans and advances to customers	**29,789**	26,100
Debt securities	**63,359**	61,921
Others	**4,830**	3,304
Gross balances	**101,645**	96,613
Allowances for impairment losses (Note 38)	**–**	(1)
Net balances	**101,645**	96,612

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	2016	2015
Corporate loans and advances		
– Loans	**6,711,679**	6,398,830
– Finance leases	**112,259**	94,232
	6,823,938	6,493,062
Personal loans and advances		
– Residential mortgages	**3,625,574**	2,797,226
– Personal business loans	**51,189**	67,716
– Personal consumer loans	**87,346**	63,796
– Credit cards	**447,244**	395,549
– Others	**209,586**	207,696
	4,420,939	3,531,983
Discounted bills	**512,155**	460,095
Gross loans and advances to customers	**11,757,032**	10,485,140
Allowances for impairment losses (Note 38)	**(268,677)**	(250,617)
– Individual assessment	**(99,453)**	(82,196)
– Collective assessment	**(169,224)**	(168,421)
Net loans and advances to customers	**11,488,355**	10,234,523

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	Note	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		Total
			for which allowance are collectively assessed	for which allowances are individually assessed	
		(a)	(b)	(b)	
As at 31 December 2016					
Gross loans and advances to customers		**11,578,342**	**22,254**	**156,436**	**11,757,032**
Allowances for impairment losses		**(155,949)**	**(13,275)**	**(99,453)**	**(268,677)**
Net loans and advances to customers		**11,422,393**	**8,979**	**56,983**	**11,488,355**
As at 31 December 2015					
Gross loans and advances to customers		10,319,160	18,474	147,506	10,485,140
Allowances for impairment losses		(157,632)	(10,789)	(82,196)	(250,617)
Net loans and advances to customers		10,161,528	7,685	65,310	10,234,523

Notes:

(a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

- individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2016 is 1.52% (31 December 2015: 1.58%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 65(1).

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

		2016			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
	Note		which are collectively assessed	which are individually assessed	Total
As at 1 January		**157,632**	**10,789**	**82,196**	**250,617**
Charge for the year		**–**	**9,948**	**91,809**	**101,757**
Release during the year		**(1,840)**	**–**	**(10,329)**	**(12,169)**
Unwinding of discount		**–**	**–**	**(3,675)**	**(3,675)**
Additions through acquisitions		**8**	**10**	**18**	**36**
Transfers out	(a)	**149**	**(2,808)**	**(35,487)**	**(38,146)**
Write-offs		**–**	**(5,687)**	**(27,960)**	**(33,647)**
Recoveries		**–**	**1,023**	**2,881**	**3,904**
As at 31 December		**155,949**	**13,275**	**99,453**	**268,677**

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

Note:

(a) Transfers out include the transfer of allowances for impairment losses upon disposal of non-performing loans, asset-backed securitization of non-performing loans and repossession of assets, and the relevant exchange gain or loss.

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

	2016				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**9,921**	**5,943**	**4,608**	**911**	**21,383**
Guaranteed loans	**15,879**	**29,972**	**22,248**	**1,973**	**70,072**
Loans secured by tangible assets other than monetary assets	**29,794**	**28,213**	**22,970**	**1,473**	**82,450**
Loans secured by monetary assets	**580**	**1,974**	**1,531**	**109**	**4,194**
Total	**56,174**	**66,102**	**51,357**	**4,466**	**178,099**
As a percentage of gross loans and advances to customers	**0.48%**	**0.56%**	**0.43%**	**0.04%**	**1.51%**

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

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(5) Package sale of non-performing loans

During the year ended 31 December 2016, the total amount of non-performing loans sold through packaged sales to external asset management companies was RMB57,058 million (2015: RMB80,727 million).

(Expressed in millions of RMB, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Analysed by nature

	Note	2016	2015
Debt securities	(1)	**1,348,814**	1,035,332
Equity instruments	(2)	**22,640**	14,242
Funds	(2)	**262,380**	17,178
Total	(3)	**1,633,834**	1,066,752

Notes:

(1) Debt securities

Analysed by type of issuers

	Note	2016	2015
Government		**772,775**	409,857
Central banks		**21,299**	11,135
Policy banks		**94,430**	140,916
Banks and non-bank financial institutions		**321,228**	286,723
Public sector entities		**–**	20
Enterprises		**139,082**	186,681
Total		**1,348,814**	1,035,332
Listed	(i)	**1,320,530**	982,143
– of which in Hong Kong		**51,784**	18,059
Unlisted		**28,284**	53,189
Total		**1,348,814**	1,035,332

Note:

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

(2) Equity instruments and funds

	2016	2015
Debt equity swap ("DES") Investments	**887**	1,172
Other equity instruments	**21,753**	13,070
Funds	**262,380**	17,178
Total	**285,020**	31,420
Listed	**76,525**	23,113
– of which in Hong Kong	**4,180**	2,969
Unlisted	**208,495**	8,307
Total	**285,020**	31,420

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(3) As at 31 December 2016, the Group's cost of available for sale debt securities was RMB1,351,960 million (as at 31 December 2015: RMB1,010,316 million). The Group's cost of available for sale equity instruments and funds was RMB293,459 million (as at 31 December 2015: RMB24,831 million).

(Expressed in millions of RMB, unless otherwise stated)

27 HELD-TO-MATURITY INVESTMENTS

Analysed by types of issuers

	Note	2016	2015
Government		**1,603,894**	1,353,114
Central banks		**422**	151,090
Policy banks		**258,080**	342,889
Banks and non-bank financial institutions		**456,139**	585,907
Enterprises		**122,931**	133,013
Gross balances		**2,441,466**	2,566,013
Allowances for impairment losses (Note 38)		**(3,049)**	(2,033)
Net balances		**2,438,417**	2,563,980
Listed	(1)	**2,401,617**	2,552,087
– of which in Hong Kong		**2,522**	1,011
Unlisted		**36,800**	11,893
Total		**2,438,417**	2,563,980
Market value of listed Securities		**2,456,614**	2,653,065

Note:

(1) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

28 INVESTMENT CLASSIFIED AS RECEIVABLES

	Note	2016	2015
Government			
– Special government bond	(1)	**49,200**	49,200
– Others		**228,762**	82,177
Banks and non-bank financial institutions		**50,271**	91,717
Enterprises		**33,662**	60,348
Others	(2)	**147,419**	87,967
Gross balances		**509,314**	371,409
Allowance for impairment losses (Note 38)		**(1,351)**	(1,908)
Net balances		**507,963**	369,501
Listed		**281,640**	191,407
– of which in Hong Kong		**485**	–
Unlisted		**226,323**	178,094
Total		**507,963**	369,501

Notes:

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

(2) Others include asset management plans and capital trust plan with fixed or determined payments. They will mature from January 2017 to November 2026 and bear interest rates ranging from 2.95% to 9.50% per annum. During the reporting period, matured plans have been repaid without overdue.

(Expressed in millions of RMB, unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	Note	2016	2015
CCB Financial Leasing Corporation Limited ("CCBFLCL")		**8,163**	8,163
CCB Brasil Financial Holding – Investimentos e Participações Ltda.		**6,906**	5,495
CCB Life Insurance Company Limited ("CCB Life")		**3,902**	3,902
Jianxin Trust Corporation Limited ("Jianxin Trust")		**3,409**	3,409
China Construction Bank (London) Limited ("CCB London")		**2,861**	2,861
CCB Pension Management Corporation Limited ("CCB Pension")		**1,955**	1,955
China Construction Bank (Europe) S.A. ("CCB Europe")		**1,629**	1,629
Sino-German Bausparkasse Corporation Limited ("Sino-German")		**1,502**	1,502
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")	(a)	**1,352**	–
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")	(b)	**1,334**	–
China Construction Bank (New Zealand) Limited ("CCB New Zealand")	(c)	**976**	314
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Corporation Limited ("CCB Principal")		**130**	130
China Construction Bank (Dubai) Limited ("CCB Dubai")	(d)	**–**	620
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Rural Banks	(e)	**1,378**	1,378
Total		**37,024**	32,885

Notes:

(a) In July 2016, the Bank acquired CCB Indonesia (Note 58(2)). As at 31 December 2016, the Bank held 60% of the total capital of CCB Indonesia.

(b) In October 2016, the Bank set up a wholly-owned subsidiary, CCB Malaysia. As at 31 December 2016, the Bank held 100% of the total capital of CCB Malaysia.

(c) In July 2016, the Bank injected additional capital of NZD 141 million to CCB New Zealand.

(d) In the first half of 2016, the Bank has cancelled the registration of CCB Dubai and set up CCB Dubai Branch.

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

(Expressed in millions of RMB, unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(2) Except for CCB Indonesia, major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCBFLCL	Beijing, the PRC	RMB8,000 million	Financial Leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Insurance	51%	–	51%	Acquisition
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Commercial Banking	100%	–	100%	Establishment
CCB Europe	Luxembourg	Euro 200 million	Commercial Banking	100%	–	100%	Establishment
Sino-German	Tianjin, the PRC	RMB2,000 million	House savings	75.1%	–	75.1%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Investment	100%	–	100%	Acquisition
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%	Establishment
CCB New Zealand	Auckland New Zealand	NZD199 million	Commercial Banking	100%	–	100%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%	Establishment
CCB Pension	Beijing the PRC	RMB2,300 million	Pension Management	85%	–	85%	Establishment
CCB Brasil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo Brasil	R$3,018 million	Investment	99.99%	0.01%	100%	Acquisition
CCB Indonesia	Jakarta, Indonesia	IDR1,663,146 million	Commercial Banking	60%	–	60%	Acquisition
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Commercial Banking	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A ("CCB Brasil")	Sao Paulo Brasil	R$1,554 million	Commercial Banking	–	99.31%	99.75%	Acquisition

(3) As at 31 December 2016, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(Expressed in millions of RMB, unless otherwise stated)

30 INTERESTS IN ASSOCIATES AND JOINT VENTURES

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

	2016	2015
As at 1 January	**4,986**	3,084
Acquisition during the year	**2,408**	1,657
Disposal during the year	**(326)**	(103)
Share of profits	**69**	275
Cash dividend receivable	**(8)**	(14)
Effect of exchange difference and others	**189**	87
As at 31 December	**7,318**	4,986

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

Name of Company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoji Capital Company Limited	Beijing, the PRC	RMB2,370 million	Investment management and consultancy	12.66%	12.66%	2,906	378	102	62
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,786	1,528	203	87
Maotai CCBT Private Equity Fund (Limited Partnership)	Guizhou, the PRC	RMB900 million	Investment management and consultancy	38.11%	50.00%	969	1	51	37
Guangdong SOE Reorganization Development Fund (Limited Partnership)	Zhuhai, the PRC	RMB900 million	Investment management and consultancy	49.67%	33.33%	947	–	16	7

(Expressed in millions of RMB, unless otherwise stated)

31 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-back securities and wealth management products held for investment purpose 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 2016 and 2015, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	2016	2015
Financial assets at fair value through profit or loss	5,408	1,639
Interest receivables	155	129
Available-for-sale financial assets	275,035	24,728
Investment classified as receivables	121,527	18,535
Interest in associates and joint ventures	4,184	2,606
Other assets	3,451	2,441
Total	409,760	50,078

For the year ended 31 December 2016 and 2015, the income from these unconsolidated structured entities held by the Group was as follows:

	2016	2015
Interest income	4,773	1,222
Fee and commission income	21,491	14,007
Net trading gain	132	21
Dividend income	2,102	699
Net gain arising from investment securities	3,033	20
Share of profit of associates and joint ventures	30	218
Total	31,561	16,187

As at 31 December 2016, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,794,708 million (as at 31 December 2015: RMB1,366,318 million). For the year ended 31 December 2016, there were debt securities purchased and sold between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions 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 21(2)c) and certain asset management plans and trust plans.

(Expressed in millions of RMB, unless otherwise stated)

32 FIXED ASSETS

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2016	**113,844**	**27,274**	**51,305**	**50,778**	**243,201**
Additions	**1,602**	**5,286**	**6,423**	**12,227**	**25,538**
Transfer in/(out)	**4,513**	**(6,065)**	**50**	**1,502**	**–**
Other movements	**13**	**(952)**	**(2,791)**	**(1,813)**	**(5,543)**
As at 31 December 2016	**119,972**	**25,543**	**54,987**	**62,694**	**263,196**
Accumulated depreciation					
As at 1 January 2016	**(26,319)**	**–**	**(32,101)**	**(24,749)**	**(83,169)**
Charge for the year	**(4,016)**	**–**	**(5,070)**	**(4,718)**	**(13,804)**
Other movements	**7**	**–**	**2,573**	**1,788**	**4,368**
As at 31 December 2016	**(30,328)**	**–**	**(34,598)**	**(27,679)**	**(92,605)**
Allowances for impairment losses (Note 38)					
As at 1 January 2016	**(423)**	**–**	**–**	**(78)**	**(501)**
Charge for the year	**–**	**–**	**–**	**(46)**	**(46)**
Other movements	**5**	**–**	**–**	**46**	**51**
As at 31 December 2016	**(418)**	**–**	**–**	**(78)**	**(496)**
Net carrying value					
As at 1 January 2016	**87,102**	**27,274**	**19,204**	**25,951**	**159,531**
As at 31 December 2016	**89,226**	**25,543**	**20,389**	**34,937**	**170,095**
Cost/deemed cost					
As at 1 January 2015	105,224	28,378	46,807	42,350	222,759
Additions	2,017	8,688	7,044	9,182	26,931
Transfer in/(out)	6,830	(8,821)	43	1,948	–
Other movements	(227)	(971)	(2,589)	(2,702)	(6,489)
As at 31 December 2015	113,844	27,274	51,305	50,778	243,201
Accumulated depreciation					
As at 1 January 2015	(22,651)	–	(27,254)	(20,743)	(70,648)
Charge for the year	(3,783)	–	(7,369)	(5,980)	(17,132)
Other movements	115	–	2,522	1,974	4,611
As at 31 December 2015	(26,319)	–	(32,101)	(24,749)	(83,169)
Allowances for impairment losses (Note 38)					
As at 1 January 2015	(424)	–	–	(80)	(504)
Other movements	1	–	–	2	3
As at 31 December 2015	(423)	–	–	(78)	(501)
Net carrying value					
As at 1 January 2015	82,149	28,378	19,553	21,527	151,607
As at 31 December 2015	87,102	27,274	19,204	25,951	159,531

Notes:

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

(2) As at 31 December 2016, the ownership documentation for the Group's bank premises with a net carrying value of RMB22,952 million (as at 31 December 2015: RMB23,847 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)

33 LAND USE RIGHTS

	2016	2015
Cost/deemed cost		
As at 1 January	**21,217**	21,255
Additions	**86**	28
Disposals	**(97)**	(66)
As at 31 December	**21,206**	21,217
Amortisation		
As at 1 January	**(5,844)**	(5,355)
Charge for the year	**(505)**	(509)
Disposals	**27**	20
As at 31 December	**(6,322)**	(5,844)
Allowances for impairment losses (Note 38)		
As at 1 January	**(142)**	(142)
As at 31 December	**(142)**	(142)
Net carrying value		
As at 1 January	**15,231**	15,758
As at 31 December	**14,742**	15,231

34 INTANGIBLE ASSETS

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2016	6,435	959	7,394
Additions	1,307	178	1,485
Disposals	(54)	(9)	(63)
As at 31 December 2016	7,688	1,128	8,816
Amortisation			
As at 1 January 2016	(5,018)	(265)	(5,283)
Charge for the year	(858)	(98)	(956)
Disposals	25	5	30
As at 31 December 2016	(5,851)	(358)	(6,209)
Allowances for impairment losses (Note 38)			
As at 1 January 2016	(1)	(7)	(8)
As at 31 December 2016	(1)	(7)	(8)
Net carrying value			
As at 1 January 2016	1,416	687	2,103
As at 31 December 2016	1,836	763	2,599

(Expressed in millions of RMB, unless otherwise stated)

34 INTANGIBLE ASSETS (CONTINUED)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2015	6,124	1,000	7,124
Additions	384	48	432
Disposals	(73)	(89)	(162)
As at 31 December 2015	6,435	959	7,394
Amortisation			
As at 1 January 2015	(4,525)	(156)	(4,681)
Charge for the year	(545)	(124)	(669)
Disposals	52	15	67
As at 31 December 2015	(5,018)	(265)	(5,283)
Allowances for impairment losses (Note 38)			
As at 1 January 2015	(1)	(7)	(8)
As at 31 December 2015	(1)	(7)	(8)
Net carrying value			
As at 1 January 2015	1,598	837	2,435
As at 31 December 2015	1,416	687	2,103

35 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 listed as follows:

	2016	2015
As at 1 January	**2,140**	2,253
Additions through acquisitions	**566**	–
Effect of exchange difference	**241**	(113)
As at 31 December	**2,947**	2,140

(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.

Based on the result of the impairment test, no impairment losses on goodwill of the Group were recognised as at 31 December 2016 (as at 31 December 2015: nil).

(Expressed in millions of RMB, unless otherwise stated)

36 DEFERRED TAX

	2016	2015
Deferred tax assets	**31,062**	25,379
Deferred tax liabilities	**(570)**	(624)
Total	**30,492**	24,755

(1) Analysed by nature

	2016		2015	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**1,899**	**458**	(31,962)	(7,892)
– Allowances for impairment losses	**111,883**	**27,952**	123,244	31,428
– Early retirement benefits and accrued salaries	**24,749**	**6,188**	23,779	5,945
– Others	**(17,429)**	**(3,536)**	(18,211)	(4,102)
Total	**121,102**	**31,062**	96,850	25,379
Deferred tax liabilities				
– Fair value adjustments	**(2,115)**	**(501)**	(2,754)	(637)
– Allowances for impairment losses	**28**	**7**	464	79
– Others	**(447)**	**(76)**	(128)	(66)
Total	**(2,534)**	**(570)**	(2,418)	(624)

(2) Movements of deferred tax

	Fair value adjustments	**Allowances for impairment losses**	**Early retirement benefits and accrued salaries**	**Others**	**Total**
As at 1 January 2016	**(8,529)**	**31,507**	**5,945**	**(4,168)**	**24,755**
Recognised in profit or loss	**121**	**(3,548)**	**243**	**556**	**(2,628)**
Recognised in other comprehensive income	**8,365**	**–**	**–**	**–**	**8,365**
As at 31 December 2016	**(43)**	**27,959**	**6,188**	**(3,612)**	**30,492**
As at 1 January 2015	(1,737)	38,283	6,298	(3,751)	39,093
Recognised in profit or loss	(313)	(6,776)	(353)	(417)	(7,859)
Recognised in other comprehensive income	(6,479)	–	–	–	(6,479)
As at 31 December 2015	(8,529)	31,507	5,945	(4,168)	24,755

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

(Expressed in millions of RMB, unless otherwise stated)

37 OTHER ASSETS

	Note	2016	2015
Repossessed assets	(1)		
– Buildings		**1,773**	1,686
– Land use rights		**745**	314
– Others		**955**	762
		3,473	2,762
Clearing and settlement accounts		**23,494**	2,984
Fee and commission receivables		**7,782**	5,475
Insurance business related assets		**5,803**	7,976
Leasehold improvements		**3,489**	3,167
Deferred expenses		**3,297**	3,477
Others		**33,000**	22,255
Gross balance		**80,338**	48,096
Allowances for impairment losses (Note 38)			
– Repossessed assets		**(1,062)**	(644)
– Others		**(3,278)**	(3,938)
Total		**75,998**	43,514

Note:

(1) For the year ended 31 December 2016, the original cost of repossessed assets disposed of by the Group amounted to RMB161 million (for the year ended 31 December 2015: RMB935 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

		2016				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer (out)/in	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	**7**	**59**	**–**	**–**	**66**
Placements with banks and non-bank financial institutions	20	**36**	**90**	**–**	**(3)**	**123**
Interest receivable	24	**1**	**–**	**–**	**(1)**	**–**
Loans and advances to customers	25(3)	**250,617**	**89,588**	**(37,881)**	**(33,647)**	**268,677**
Available for sale debt securities		**1,051**	**217**	**41**	**–**	**1,309**
Available for sale equity instrument		**4,317**	**89**	**(330)**	**–**	**4,076**
Held-to-maturity investments	27	**2,033**	**970**	**46**	**–**	**3,049**
Investment classified as receivables	28	**1,908**	**(586)**	**29**	**–**	**1,351**
Fixed assets	32	**501**	**46**	**(51)**	**–**	**496**
Land use rights	33	**142**	**–**	**–**	**–**	**142**
Intangible assets	34	**8**	**–**	**–**	**–**	**8**
Other assets	37	**4,582**	**752**	**–**	**(994)**	**4,340**
Total		**265,203**	**91,225**	**(38,146)**	**(34,645)**	**283,637**

(Expressed in millions of RMB, unless otherwise stated)

38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

		2015				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer (out)/in	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	–	–	–	7
Placements with banks and non-bank financial institutions	20	27	10	–	(1)	36
Interest receivable	24	1	–	–	–	1
Loans and advances to customers	25(3)	251,613	92,610	(58,755)	(34,851)	250,617
Available for sale debt securities		1,409	(402)	53	(9)	1,051
Available for sale equity instrument		4,413	28	(120)	(4)	4,317
Held-to-maturity investments	27	3,644	(1,633)	24	(2)	2,033
Investment classified as receivables	28	945	927	36	–	1,908
Fixed assets	32	504	–	(3)	–	501
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	3,693	1,334	–	(445)	4,582
Total		266,406	92,874	(58,765)	(35,312)	265,203

Transfer (out)/in includes the exchange differences.

39 THE TRANSACTION BALANCE BETWEEN THE BANK AND SUBSIDIARIES

The balances between the Bank and subsidiaries are analysed by assets category as follows:

	2016	2015
Deposits with banks and non-bank financial institutions	**11,254**	21,023
Placements with banks and non-bank financial institutions	**86,820**	93,305
Positive fair value of derivatives	**1,087**	1,795
Interest receivable	**81**	114
Loans and advances to customers	**6,259**	5,659
Available-for-sale financial assets	**2,271**	60
Held-to-maturity investments	**690**	–
Investment classified as receivables	**486**	–
Other assets	**49,931**	40,415
Total	**158,879**	162,371

The balances between the Bank and subsidiaries are analysed by liabilities category as follows:

	2016	2015
Deposits from banks and non-bank financial institutions	**9,315**	11,199
Placements from banks and non-bank financial institutions	**105,653**	63,580
Negative fair value of derivatives	**3,715**	1,237
Deposits from customers	**3,974**	2,371
Interest payable	**611**	505
Debt securities issued	**890**	1,910
Other liabilities	**110**	367
Total	**124,268**	81,169

(Expressed in millions of RMB, unless otherwise stated)

40 BORROWINGS FROM CENTRAL BANKS

	2016	2015
Mainland China	**385,375**	898
Overseas	**53,964**	41,150
Total	**439,339**	42,048

41 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	2016	2015
Banks	**413,150**	160,367
Non-bank financial institutions	**1,199,845**	1,279,028
Total	**1,612,995**	1,439,395

(2) Analysed by geographical sectors

	2016	2015
Mainland China	**1,442,126**	1,342,935
Overseas	**170,869**	96,460
Total	**1,612,995**	1,439,395

42 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	2016	2015
Banks	**297,639**	300,937
Non-bank financial institutions	**24,907**	20,775
Total	**322,546**	321,712

(2) Analysed by geographical sectors

	2016	2015
Mainland China	**118,944**	150,518
Overseas	**203,602**	171,194
Total	**322,546**	321,712

43 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
Principal guaranteed wealth management products	**324,443**	248,680
Financial liabilities related to precious metals	**31,313**	33,225
Structured financial instruments	**40,835**	20,744
Total	**396,591**	302,649

The Group's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2016 and 2015.

(Expressed in millions of RMB, unless otherwise stated)

44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

	2016	2015
Securities		
– Bills issued by the PBOC	–	35,000
– Government bonds	167,088	200,409
– Debt securities issued by banks and non-bank financial institutions	15,640	32,376
Subtotal	182,728	267,785
Discounted bills	5,500	227
Others	2,352	–
Total	190,580	268,012

45 DEPOSITS FROM CUSTOMERS

	2016	2015
Demand deposits		
– Corporate customers	5,206,395	4,261,474
– Personal customers	3,022,447	2,611,873
Subtotal	8,228,842	6,873,347
Time deposits (including call deposits)		
– Corporate customers	3,120,699	2,918,679
– Personal customers	4,053,374	3,876,507
Subtotal	7,174,073	6,795,186
Total	15,402,915	13,668,533

Deposits from customers include:

		2016	2015
(1)	Pledged deposits		
	– Deposits for acceptance	99,822	118,897
	– Deposits for guarantee	80,930	49,143
	– Deposits for letter of credit	28,264	24,811
	– Others	313,110	256,033
	Total	522,126	448,884
(2)	Outward remittance and remittance payables	14,121	11,969

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS

	Note	2016			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		25,291	62,093	(62,571)	24,813
Other social insurance and welfare		2,288	8,997	(8,550)	2,735
Housing funds		135	6,296	(6,238)	193
Union running costs and employee education costs		2,123	2,567	(2,438)	2,252
Post-employment benefits	(1)				
– Defined contribution plans		906	12,846	(12,788)	964
– Defined benefit plans		128	842	–	970
Early retirement benefits		2,315	91	(466)	1,940
Compensation to employees for termination of employment relationship		4	3	(4)	3
Total		33,190	93,735	(93,055)	33,870

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

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

(1) Post-employment benefits

(a) Defined contribution plans

	2016			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	635	9,429	(9,400)	664
Unemployment insurance	33	485	(476)	42
Annuity contribution	238	2,932	(2,912)	258
Total	906	12,846	(12,788)	964

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

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net liabilities of defined benefit plans	
	2016	2015	**2016**	2015	**2016**	2015
As at 1 January	**6,664**	6,654	**6,536**	5,734	**128**	920
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**186**	233	**183**	219	**3**	14
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses	**919**	428	**–**	–	**919**	428
– Returns on plan assets	**–**	–	**80**	479	**(80)**	(479)
Other changes						
– Benefits paid	**(638)**	(651)	**(638)**	(651)	**–**	–
– Contribution to plan assets	**–**	–	**–**	755	**–**	(755)
As at 31 December	**7,131**	6,664	**6,161**	6,536	**970**	128

Interest cost was recognised in other general and administrative expenses.

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

	2016	2015
Discount rate	**3.00%**	3.00%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**12.8 years**	11.6 years

Mortality assumptions of 2016 are based on China Life Insurance Mortality Table (2010-2013), (2015: 2000-2003). The Table below 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	(152)	158
Health care cost increase rate	57	(55)

(iii) As at 31 December 2016, the weighted average duration of supplementary retirement benefit obligations of the Group is 8.7 years (As at 31 December 2015: 8.0 years).

(Expressed in millions of RMB, unless otherwise stated)

46 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

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

	2016	2015
Cash and cash equivalents	**1,185**	1,064
Equity instruments	**359**	383
Debt instruments	**4,522**	4,967
Others	**95**	122
Total	**6,161**	6,536

47 TAXES PAYABLE

	2016	2015
Income tax	**35,526**	40,596
Business tax	**68**	7,723
Value added tax	**7,039**	(1,315)
Others	**2,267**	2,407
Total	**44,900**	49,411

48 INTEREST PAYABLE

	2016	2015
Deposits from customers	**185,018**	190,236
Deposits from banks and non-bank financial institutions	**15,801**	9,941
Debts securities issued	**2,312**	2,256
Others	**8,199**	3,251
Total	**211,330**	205,684

49 PROVISIONS

	2016	2015
Litigation provisions	**2,292**	1,655
Others	**6,984**	5,453
Total	**9,276**	7,108

50 DEBT SECURITIES ISSUED

	Note	**2016**	2015
Certificates of deposit issued	(1)	**199,008**	170,796
Bonds issued	(2)	**47,163**	40,916
Subordinated bonds issued	(3)	**145,599**	144,979
Eligible Tier 2 capital bonds issued	(4)	**59,784**	58,853
Total		**451,554**	415,544

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

Notes:

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

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	2016	2015
2013-12-10	2016-12-12	3.25%	Taiwan	RMB	–	2,000
2014-03-13	2016-03-13	3.25%	Hong Kong	RMB	–	4,000
2014-04-01	2017-04-01	2.375%	Hong Kong	USD	**2,085**	1,948
2014-04-25	2016-04-25	3 months LIBOR+1.35%	Hong Kong	USD	–	130
2014-05-28	2016-05-30	3.38%	Frankfurt	RMB	–	1,500
2014-05-28	2019-05-28	1.375%	Switzerland	CHF	**2,047**	1,968
2014-06-27	2017-06-27	3.45%	Switzerland	RMB	**1,250**	1,250
2014-07-02	2019-07-02	3.25%	Hong Kong	USD	**4,170**	3,896
2014-09-05	2017-09-05	3.35%	Taiwan	RMB	**800**	800
2014-09-05	2019-09-05	3.75%	Taiwan	RMB	**600**	600
2014-09-05	2021-09-05	4.00%	Taiwan	RMB	**600**	600
2014-11-18	2016-11-18	3.30%	Taiwan	RMB	–	700
2014-11-18	2019-11-18	3.75%	Taiwan	RMB	**1,000**	1,000
2014-11-18	2021-11-18	3.95%	Taiwan	RMB	**1,000**	1,000
2014-11-18	2024-11-18	4.08%	Taiwan	RMB	**600**	600
2014-11-27	2016-12-06	3.45%	Hong Kong	RMB	–	120
2015-01-20	2020-01-20	3.125%	Hong Kong	USD	**4,865**	4,546
2015-02-11	2020-02-11	1.50%	Luxembourg	EUR	**3,655**	3,545
2015-03-31	2016-03-29	0.33%	Hong Kong	EUR	–	213
2015-04-29	2016-04-29	3.80%	Hong Kong	RMB	–	400
2015-06-18	2018-06-18	4.317%	Auckland	NZD	**241**	222
2015-06-18	2019-06-18	4.30%	Auckland	NZD	**7**	7
2015-06-18	2020-06-18	3 month New Zealand benchmark interest rate +1.2%	Auckland	NZD	**120**	111
2015-07-16	2018-06-18	3.935%	Auckland	NZD	**72**	67
2015-07-28	2020-07-28	3.25%	Hong Kong	USD	**3,475**	3,247
2015-08-31	2016-03-03	0.70%	Hong Kong	USD	–	185
2015-09-09	2016-03-07	0.75%	Hong Kong	USD	–	130
2015-09-09	2016-03-10	0.70%	Hong Kong	USD	–	162
2015-09-10	2019-09-10	3.945%	Auckland	NZD	**59**	55
2015-09-14	2016-03-10	0.75%	Hong Kong	USD	–	108
2015-09-15	2016-03-17	0.75%	Hong Kong	USD	–	130
2015-09-18	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	**2,003**	1,900
2015-09-22	2016-03-24	0.73%	Hong Kong	USD	–	130
2015-09-29	2016-03-31	0.72%	Hong Kong	USD	–	338
2015-10-19	2017-10-19	4.30%	London	RMB	**990**	990
2015-10-27	2016-04-28	0.82%	Hong Kong	USD	–	878
2015-10-27	2016-04-28	0.80%	Hong Kong	USD	–	130
2015-11-02	2016-05-04	0.75%	Hong Kong	USD	–	200
2015-11-12	2016-05-11	0.88%	Hong Kong	USD	–	130
2015-11-12	2016-05-11	0.85%	Hong Kong	USD	–	130
2015-11-26	2017-11-26	4.00%	Hong Kong	RMB	**1,000**	1,000
2015-12-07	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	**15**	14
2015-12-29	2020-01-27	3.80%	Auckland	NZD	**96**	89
2016-03-30	2026-03-30	4.08%	Mainland China	RMB	**3,500**	–
2016-05-16	2019-05-16	3.10%	Auckland	NZD	**48**	–
2016-05-31	2019-05-31	2.38%	Hong Kong	USD	**757**	–
2016-05-31	2021-05-31	2.75%	Hong Kong	USD	**1,934**	–
2016-08-18	2020-09-18	2.95%	Auckland	NZD	**496**	–
2016-10-18	2020-10-18	3.05%	Auckland	NZD	**7**	–
2016-10-21	2021-10-21	2.25%	Hong Kong	USD	**4,865**	–
2016-11-09	2019-11-09	3.05%	Mainland China	RMB	**4,000**	–
2016-11-09	2021-11-09	3.05%	Mainland China	RMB	**1,000**	–
2016-12-22	2019-12-22	3.35%	Auckland	NZD	**48**	–
Total nominal value					**47,405**	41,169
Less: unamortised issuance costs					**(242)**	(253)
Carrying value as at 31 December					**47,163**	40,916

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

(3) Subordinated bonds issued

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

Issue date	Maturity date	Interest rate per annum	Currency	Note	2016	2015
2009-02-24	2024-02-26	4.00%	RMB	(a)	**28,000**	28,000
2009-08-07	2024-08-11	4.04%	RMB	(b)	**10,000**	10,000
2009-11-03	2019-11-04	Benchmark rate released by Brazil Central Bank	BRL	(c)	**427**	328
2009-12-18	2024-12-22	4.80%	RMB	(d)	**20,000**	20,000
2010-04-27	2020-04-27	8.50%	USD	(c)	**1,883**	1,736
2010-07-30	2017-10-15	7.31%	USD	(c)	**222**	208
2011-11-03	2026-11-07	5.70%	RMB	(e)	**40,000**	40,000
2012-11-20	2027-11-22	4.99%	RMB	(f)	**40,000**	40,000
2014-08-20	2024-08-20	4.25%	USD	(g)	**5,212**	4,870
Total nominal value					**145,744**	145,142
Less: Unamortised issuance cost					**(145)**	(163)
Carrying value as at 31 December					**145,599**	144,979

Notes:

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

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

(c) The subordinated bonds were issued by BIC.

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

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

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

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

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	2016	2015
2014-08-15	2029-08-18	5.98%	RMB	(a)	**20,000**	20,000
2014-11-12	2024-11-12	4.90%	RMB	(b)	**2,000**	2,000
2015-05-13	2025-05-13	3.875%	USD	(c)	**13,899**	12,987
2015-12-18	2025-12-21	4.00%	RMB	(d)	**24,000**	24,000
Total nominal value					**59,899**	58,987
Less: Unamortised issuance cost					**(115)**	(134)
Carrying value as at 31 December					**59,784**	58,853

Notes:

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be paid, either.

(b) The Group has an option to redeem the bonds on 12 November 2019, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate per annum will increase by 1.538% on the basis of twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019 for the next five years.These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be paid, either.

(Expressed in millions of RMB, unless otherwise stated)

50 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued (continued)

(c) The Group has an option to redeem the bonds on 13 May 2020, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate 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 trigger 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 an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be paid, either.

51 OTHER LIABILITIES

	2016	2015
Insurance business related liabilities	**95,892**	58,540
Deferred income	**11,473**	14,089
Capital expenditure payable	**10,388**	8,951
Leasing business related liabilities	**7,821**	5,853
Dormant accounts	**4,501**	3,535
Payment and collection clearance accounts	**3,190**	2,049
Accrued expenses	**3,074**	3,019
Securities underwriting and redemption payable	**1,100**	2,060
Clearing and settlement Accounts	**966**	4,003
Others	**28,847**	20,455
Total	**167,252**	122,554

52 SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

(1) Share capital

	2016	2015
Listed in Hong Kong (H share)	**240,417**	240,417
Listed in Mainland China (A share)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

(2) Other equity instruments

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

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

(Expressed in millions of RMB, unless otherwise stated)

52 SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Other equity instruments (continued)

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

The key terms are as below:

(1) Dividend

The initial annual dividend rate is 4.65% and is subsequently subject to reset per agreement, but in no case shall exceed 20.4850%. 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.

(2) Redemption

Subject to receiving the prior approval of CBRC and satisfaction of the redemption conditions precedent, all or some only of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 16 December 2020 or on any dividend payment date thereafter at the redemption price which is equal to issue price plus dividends payable but not yet distributed in current period.

(3) Compulsory conversion of preference shares

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

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

(b) Changes in Preference shares outstanding

	1 January 2016		Increase		31 December 2016	
Preference Shares	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value
2015 off shore preference shares	152.5	19,659	–	–	**152.5**	**19,659**

(c) Interests attributable to the holders of equity instruments

Items	2016	2015
1. Total equity attributable to equity holders of the Bank	**1,576,500**	1,434,020
(1) Equity attributable to ordinary equity holders of the Bank	**1,556,841**	1,414,361
(2) Equity attributable to other equity holders of the Bank	**19,659**	19,659
Of which: net profit	**1,067**	–
dividends received	**1,067**	–
2. Total equity attributable to non-controlling interests	**13,154**	11,063
(1) Equity attributable to non-controlling interests of ordinary shares	**13,154**	11,063

(Expressed in millions of RMB, unless otherwise stated)

53 CAPITAL RESERVE

	2016	2015
Share premium	134,543	134,911
Cash flow hedge reserve	(150)	–
Others	(433)	338
Total	133,960	135,249

54 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in “investment revaluation reserve”. Movements of investment revaluation reserve are as follows:

	2016		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January	30,791	(7,733)	23,058
Losses during the year			
– Debt securities	(20,531)	5,228	(15,303)
– Equity instruments and funds	(6,401)	1,600	(4,801)
	(26,932)	6,828	(20,104)
Reclassification adjustments			
– Impairment	306	(77)	229
– Disposals	(5,546)	1,387	(4,159)
	(5,240)	1,310	(3,930)
As at 31 December	(1,381)	405	(976)

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

Note:

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

(Expressed in millions of RMB, unless otherwise stated)

55 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 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.

56 GENERAL RESERVE

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

	Note	2016	2015
MOF	(1)	**205,933**	181,686
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in Mainland China	(3)	**2,546**	2,152
Other overseas regulatory bodies		**590**	460
Total		**211,193**	186,422

Notes:

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the Ministry of Finance on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

57 PROFIT DISTRIBUTION

In the Annual General Meeting held on 17 June 2016, the shareholders approved the profit distribution for the year ended 31 December 2015. The Bank appropriated cash dividend for the year ended 31 December 2015 in an aggregate amount of RMB68,503 million.

In the Board of Directors' Meeting held on 27 October 2016, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first call date which is in according with the terms and conditions of the offshore preference shares and equals to 4.65% (after tax), the dividends payments amounted to 1,067 million yuan (including tax). The dividend payment date was 16 December 2016.

On 29 March 2017, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2016:

(1) Appropriate statutory surplus reserve amounted to RMB224,128 million, based on 10% of the net profit of the Bank amounted to RMB22,413 million for the year 2016 (2015: RMB22,517 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB34,228 million, pursuant to relevant regulations issued by MOF (2015: RMB24,247 million).

(3) Appropriate cash dividend RMB0.278 per share before tax (2015: RMB0.274 per share) and in aggregation amount of RMB69,503 million to all shareholders. Proposed dividends as at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(Expressed in millions of RMB, unless otherwise stated)

58 NOTES TO CASH FLOW STATEMENT

(1) Cash and cash equivalents

	2016	2015
Cash	**73,296**	77,678
Surplus deposit reserves with central banks	**183,764**	140,511
Demand deposits with banks and non-bank financial institutions	**60,921**	58,320
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**229,622**	13,193
Placements with banks and non-bank financial institutions with original maturity with or within three months	**51,521**	98,219
Total	**599,124**	387,921

(2) Acquisition of CCB Indonesia

To acquire CCB Indonesia, the Bank paid RMB1,169 million, and acquired cash and cash equivalents of RMB1,146 million. The net cash outflow arising from the aforesaid acquisition was RMB23 million, which is analysed as follows:

	Acquisition date Recognised values	Acquisition date Carrying amounts
Cash and deposits with central banks	892	892
Placements with banks and non-bank financial institutions	254	254
Financial assets at fair value through profit or loss	144	144
Financial assets purchased under resale agreements	610	610
Loans and advances to customers	4,017	4,017
Available-for-sale financial assets	43	43
Held-to-maturity investments	386	386
Fixed assets	352	259
Goodwill	–	92
Other assets	154	154
Deposits from banks and non-bank financial institutions	139	139
Deposits from customers	5,115	5,115
Debt securities issued	253	253
Other liabilities	119	96
Net assets	1,226	
Non-controlling interests	601	
Identifiable net assets attributable to the shareholders of the Bank	625	
Goodwill on acquisition	544	
Consideration transferred	1,169	
Acquisition of cash and cash equivalents	1,146	
Acquisition net cash outflow	23	

The goodwill on acquisition is attributable to the significant synergies expected to arise.

Operating income and net profit of CCB Indonesia contributed to the Group since the acquisition date did not result in any significant impact to the consolidated statement of comprehensive income for the year ended 31 December 2016. The Group's operating income and net profit for the year ended 31 December 2016 would not have been materially different if the acquisition had occurred on 1 January 2016.

As at 31 December 2016, the Bank has acquired 60% interests in CCB Indonesia and has taken control of CCB Indonesia.

59 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 derecognized them. As at 31 December 2016, the carrying value of debt securities lent to counterparties was RMB36,577 million (as at 31 December 2015: RMB9,804 million).

Credit Assets Securitisation Transactions

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 31 December 2016, loans with an original carrying amount of RMB69,530 million (as at 31 December 2015: RMB16,841 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2016, the carrying amount of assets that the Group continued to recognise was RMB5,156 million (as at 31 December 2015: RMB1,138 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB5,216 million as at 31 December 2016 (as at 31 December 2015: RMB1,177 million).

60 OPERATING SEGMENTS

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

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

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

60 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 and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur.

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)

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2016								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	40,351	36,855	34,408	45,352	49,218	11,517	191,503	8,595	417,799
Internal net interest income/(expense)	28,147	22,638	36,501	30,117	25,491	12,653	(153,546)	(2,001)	–
Net interest income	68,498	59,493	70,909	75,469	74,709	24,170	37,957	6,594	417,799
Net fee and commission income	17,974	16,352	19,581	17,983	13,301	5,821	24,865	2,632	118,509
Net trading gain/(loss)	388	517	(686)	122	44	46	1,051	2,493	3,975
Dividend income	1,908	5	1	278	2	–	87	277	2,558
Net gain arising from investment securities	759	–	29	501	254	–	8,780	775	11,098
Other operating income/(expense), net	173	709	1,812	522	2,987	221	(3,202)	2,699	5,921
Operating income	89,700	77,076	91,646	94,875	91,297	30,258	69,538	15,470	559,860
Operating expenses	(26,634)	(21,740)	(27,905)	(31,221)	(29,002)	(11,658)	(16,683)	(6,672)	(171,515)
Impairment losses	(23,181)	(18,363)	(16,112)	(17,404)	(9,517)	(4,949)	(1,612)	(2,066)	(93,204)
Share of profit of associates and joint ventures	–	–	–	30	–	–	–	39	69
Profit before tax	39,885	36,973	47,629	46,280	52,778	13,651	51,243	6,771	295,210
Capital expenditure	2,351	1,873	7,896	3,110	2,533	1,209	2,233	5,935	27,140
Depreciation and amortisation	2,433	1,639	2,731	3,032	2,483	1,280	1,674	745	16,017
	2016								
Segment assets	3,287,924	2,248,437	2,341,529	3,223,419	2,745,765	966,670	8,456,699	1,663,306	24,933,749
Interests in associates and joint ventures	–	–	31	4,184	–	–	–	3,103	7,318
	3,287,924	2,248,437	2,341,560	3,227,603	2,745,765	966,670	8,456,699	1,666,409	24,941,067
Deferred tax assets									31,062
Elimination									(4,008,424)
Total assets									20,963,705
Segment liabilities	3,292,293	2,252,473	2,325,284	3,220,764	2,742,194	966,764	7,020,522	1,561,611	23,381,905
Deferred tax liabilities									570
Elimination									(4,008,424)
Total liabilities									19,374,051
Off-balance sheet credit commitments	570,239	403,398	699,060	418,924	318,757	151,838	2,800	159,510	2,724,526

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	2015								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	55,092	35,989	42,840	54,038	59,323	17,135	186,749	6,586	457,752
Internal net interest income/(expense)	17,014	23,628	30,196	22,276	17,479	9,803	(122,393)	1,997	–
Net interest income	72,106	59,617	73,036	76,314	76,802	26,938	64,356	8,583	457,752
Net fee and commission income	17,470	16,120	18,435	17,348	13,778	5,877	22,652	1,850	113,530
Net trading gain/(loss)	439	343	(105)	188	234	56	1,859	899	3,913
Dividend income	252	4	8	301	12	–	9	147	733
Net gain arising from investment securities	1,279	–	20	375	398	298	1,373	1,332	5,075
Other operating income, net	29	79	979	329	2,848	178	128	1,114	5,684
Operating income	91,575	76,163	92,373	94,855	94,072	33,347	90,377	13,925	586,687
Operating expenses	(32,210)	(25,536)	(31,506)	(36,720)	(34,056)	(13,781)	(15,265)	(5,752)	(194,826)
Impairment losses	(32,332)	(20,358)	(12,618)	(7,720)	(8,335)	(7,161)	(2,177)	(2,938)	(93,639)
Share of profit of associates and joint ventures	–	–	–	200	–	–	–	75	275
Profit before tax	27,033	30,269	48,249	50,615	51,681	12,405	72,935	5,310	298,497
Capital expenditure	2,429	2,605	6,034	5,143	3,185	1,733	3,204	795	25,128
Depreciation and amortisation	3,044	2,006	3,019	3,692	3,110	1,651	2,691	523	19,736

	2015								
Segment assets	2,565,723	1,756,844	1,988,554	2,855,335	2,798,176	1,056,288	5,835,333	1,149,541	20,005,794
Interests in associates and joint ventures	–	–	–	2,196	–	–	–	2,790	4,986
	2,565,723	1,756,844	1,988,554	2,857,531	2,798,176	1,056,288	5,835,333	1,152,331	20,010,780
Deferred tax assets									25,379
Elimination									(1,686,670)
Total assets									18,349,489
Segment liabilities	2,571,710	1,766,077	1,972,961	2,846,741	2,795,577	1,058,505	4,506,665	1,072,216	18,590,452
Deferred tax liabilities									624
Elimination									(1,686,670)
Total liabilities									16,904,406
Off-balance sheet credit commitments	497,837	385,693	611,674	356,079	305,375	116,537	3,500	125,589	2,402,284

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2016				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	165,280	62,914	171,382	18,223	417,799
Internal net interest income/(expense)	52,430	95,564	(141,946)	(6,048)	–
Net interest income	217,710	158,478	29,436	12,175	417,799
Net fee and commission income	33,038	60,426	21,352	3,693	118,509
Net trading (loss)/gain	(7,075)	673	8,801	1,576	3,975
Dividend income	–	–	–	2,558	2,558
Net gain arising from investment securities	–	–	9,066	2,032	11,098
Other operating (expense)/income, net	(58)	(256)	9,998	(3,763)	5,921
Operating income	243,615	219,321	78,653	18,271	559,860
Operating expenses	(59,923)	(88,569)	(10,179)	(12,844)	(171,515)
Impairment losses	(85,363)	(1,483)	(2,466)	(3,892)	(93,204)
Share of profit of associates and joint ventures	–	–	–	69	69
Profit before tax	98,329	129,269	66,008	1,604	295,210
Capital expenditure	5,376	9,040	1,095	11,629	27,140
Depreciation and amortisation	5,014	8,433	1,021	1,549	16,017

	2016				
Segment assets	7,064,795	4,522,379	8,195,103	1,564,749	21,347,026
Interests in associates and joint ventures	–	–	–	7,318	7,318
	7,064,795	4,522,379	8,195,103	1,572,067	21,354,344
Deferred tax assets					31,062
Elimination					(421,701)
Total assets					20,963,705
Segment liabilities	9,780,961	7,169,317	834,943	2,009,961	19,795,182
Deferred tax liabilities					570
Elimination					(421,701)
Total liabilities					19,374,051
Off-balance sheet credit commitments	1,917,363	647,498	–	159,665	2,724,526

(Expressed in millions of RMB, unless otherwise stated)

60 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	2015				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	244,837	26,725	171,724	14,466	457,752
Internal net interest (expense)/income	(4,278)	130,274	(118,845)	(7,151)	–
Net interest income	240,559	156,999	52,879	7,315	457,752
Net fee and commission income	35,497	56,306	17,892	3,835	113,530
Net trading (loss)/gain	(4,593)	(127)	7,728	905	3,913
Dividend income	–	–	–	733	733
Net gain arising from investment securities	–	–	331	4,744	5,075
Other operating (expense)/income, net	(186)	(350)	2,785	3,435	5,684
Operating income	271,277	212,828	81,615	20,967	586,687
Operating expenses	(75,665)	(96,466)	(11,435)	(11,260)	(194,826)
Impairment losses	(87,428)	(1,178)	208	(5,241)	(93,639)
Share of profit of associates and joint ventures	–	–	–	275	275
Profit before tax	108,184	115,184	70,388	4,741	298,497
Capital expenditure	7,305	11,937	1,615	4,271	25,128
Depreciation and amortisation	6,556	10,713	1,449	1,018	19,736
	2015				
Segment assets	7,036,556	3,626,845	6,748,218	1,031,726	18,443,345
Interests in associates and joint ventures	–	–	–	4,986	4,986
	7,036,556	3,626,845	6,748,218	1,036,712	18,448,331
Deferred tax assets					25,379
Elimination					(124,221)
Total assets					18,349,489
Segment liabilities	7,841,404	7,203,232	547,997	1,435,370	17,028,003
Deferred tax liabilities					624
Elimination					(124,221)
Total liabilities					16,904,406
Off-balance sheet credit commitments	1,737,208	539,283	–	125,793	2,402,284

(Expressed in millions of RMB, unless otherwise stated)

61 ENTRUSTED LENDING BUSINESS

At the balance sheet date, the amounts of the entrusted loans and funds were as follows:

	2016	2015
Entrusted loans	2,398,103	1,932,138
Entrusted funds	2,398,103	1,932,138

62 PLEDGED ASSETS

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by asset type

	2016	2015
Discounted bills	5,500	227
Bonds	655,915	268,279
Others	2,352	–
Total	663,767	268,506

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

	2016	2015
Loans and advances to customers	6,506	227
Financial assets at fair value through profit or loss	9,810	–
Available-for-sale financial assets	9,558	3,888
Held-to-maturity investments	566,474	264,391
Investment classified as receivables	71,100	–
Other assets	319	–
Total	663,767	268,506

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2016 and 2015, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

63 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

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

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

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

	2016	2015
Loan commitments		
– with an original maturity within one year	509,828	149,566
– with an original maturity of one year or over	64,779	312,872
Credit card commitments	690,144	577,047
	1,264,751	1,039,485
Bank acceptances	296,606	324,963
Financing guarantees	107,160	141,604
Non-financing guarantees	776,775	649,326
Sight letters of credit	37,383	20,383
Usance letters of credit	160,141	175,860
Others	81,710	50,663
Total	2,724,526	2,402,284

(2) Credit risk-weighted amount

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

	2016	2015
Credit risk-weighted amount of contingent liabilities and commitments	1,073,108	993,117

(3) Operating lease commitments

The Group leases certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	2016	2015
Within one year	5,717	5,650
After one year but within two years	4,396	4,387
After two years but within three years	3,194	3,177
After three years but within five years	5,076	3,469
After five years	2,756	2,737
Total	21,139	19,420

(4) Capital commitments

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

	2016	2015
Contracted for	4,930	4,049

63 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(5) Underwriting obligations

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

(6) Government bonds redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2016, were RMB75,695 million (as at 31 December 2015: RMB73,647 million).

(7) Outstanding litigation and disputes

As at 31 December 2016, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB7,783 million (as at 31 December 2015: RMB6,501 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 49). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies (Note 4 (14)).

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2016, Huijin directly held 57.11% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB145,744 million (as at 31 December 2015: RMB145,142 million). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

64 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

	2016		2015	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**460**	**0.07%**	460	0.06%
Interest expense	**106**	**0.04%**	451	0.14%

Balances outstanding as at the end of the reporting period

	2016		2015	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable	**151**	**0.15%**	150	0.16%
Held-to-maturity investments	**12,770**	**0.52%**	12,770	0.50%
Deposits from customers	**865**	**0.01%**	2,339	0.02%
Interest payable	**6**	**0.00%**	19	0.01%
Credit commitments	**288**	**0.01%**	288	0.02%

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		2016		2015	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**28,755**	**4.13%**	45,602	5.92%
Interest expense		**2,528**	**0.91%**	2,179	0.70%
Fee and commission income		**228**	**0.18%**	241	0.20%
Fee and commission expense		**295**	**3.15%**	79	1.00%
Operating expenses	(i)	**612**	**0.40%**	1,120	0.71%

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

Balances outstanding as at the end of the reporting period

		2016		2015	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**72,746**	**14.71%**	24,251	6.87%
Placements with banks and non-bank financial institutions		**69,487**	**26.66%**	30,668	9.87%
Financial assets at fair value through profit or loss		**8,111**	**1.66%**	1,987	0.73%
Positive fair value of derivatives		**3,581**	**3.99%**	186	0.59%
Financial assets held under resale agreements		**10,897**	**10.56%**	22,871	7.36%
Interest receivable		**14,606**	**14.37%**	16,462	17.04%
Loans and advances to customers		**53,297**	**0.46%**	100,256	0.98%
Available-for-sale financial assets		**234,915**	**14.38%**	240,539	22.55%
Held-to-maturity investments		**419,087**	**17.19%**	509,481	19.87%
Investment classified as receivables		**46,959**	**9.24%**	63,442	17.17%
Other assets	(ii)	**80**	**0.11%**	–	–
Deposits from banks and non-bank financial institutions	(iii)	**34,485**	**2.14%**	116,218	8.07%
Placements from banks and non-bank financial institutions		**68,722**	**21.31%**	63,911	19.87%
Financial liabilities at fair value through profit or loss		**–**	**–**	2,246	0.74%
Negative fair value of derivatives		**7,332**	**8.12%**	38	0.14%
Financial assets sold under repurchase agreements		**15,904**	**8.35%**	141,189	52.68%
Deposits from customers		**18,471**	**0.12%**	22,940	0.17%
Interest payable		**3,058**	**1.45%**	308	0.15%
Credit commitments		**23,159**	**1.18%**	22,104	1.46%

Notes:

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2016	2015
Interest income	12	18
Interest expense	4	7
Operating expenses	7	–

Balances outstanding as at the end of the reporting period

	2016	2015
Loans and advances to customers	680	741
Financial liabilities at fair value through profit or loss	448	–
Deposits from customers	1,547	1,007

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

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

Amounts

	2016	2015
Interest income	1,154	2,259
Interest expense	1,651	509
Fee and commission income	3,421	903
Fee and commission expense	646	335
Net trading loss	–	(23)
Dividend income	50	28
Net gain arising from investment securities	315	–
Other operating expense, net	(370)	(139)

Balances outstanding as at the end of the reporting period are presented in Note 39.

As at 31 December 2016, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB44,793 million (as at 31 December 2015: RMB36,284 million).

For the year ended 31 December 2016, the transactions between subsidiaries of the Group are mainly deposits from banks and non-bank financial institutions and placements from banks and non-bank financial institutions. As at 31 December 2016, the balances of the above transactions were RMB4,478 million (as at 31 December 2015: RMB1,775 million) and RMB3,928 million (as at 31 December 2015: RMB1,346 million) respectively.

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the years ended 31 December 2016 and 2015.

As at 31 December 2016, RMB2,950 million of the Group's supplementary retirement benefit plan assets (as at 31 December 2015: RMB3,280 million) were managed by CCB Principal and management fees from the Bank was RMB8.73 million (as at 31 December 2015: RMB30.07 million).

(6) Key management personnel

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

The compensation of directors and supervisors is disclosed in Note 14. The senior executives' annual compensation before individual income tax during the year is as follows:

	2016			
	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				
Yang Wensheng	436	47	102	585
Huang Yi	436	47	102	585
Yu Jingbo	436	47	102	585
Chief Disciplinary Officer				
Zhu Kepeng	436	47	102	585
Chief Risk Officer				
Liao Lin (note iii)	–	–	–	–
Chief Financial Officer				
Xu Yiming	788	47	122	957
Secretary to the Board				
Chen Caihong	788	47	122	957
Former Chief Risk Officer				
Zeng Jianhua	788	47	122	957
	4,108	329	774	5,211

(Expressed in millions of RMB, unless otherwise stated)

64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2015			
	Accrued cost	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank	Other monetary income	Total (note (iv))
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Vice President				
Yang Wensheng	586	162	–	748
Huang Yi	586	162	–	748
Yu Jingbo	586	157	–	743
Chief Disciplinary Officer				
Zhu Kepeng	195	56	–	251
Chief Risk Officer				
Zeng Jianhua	1,823	154	–	1,977
Chief Financial Officer				
Xu Yiming	1,823	154	–	1,977
Secretary to the Board				
Chen Caihong	1,823	154	–	1,977
	7,422	999	–	8,421

Notes:

(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 2016 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 2016. The final compensation will be disclosed in a separate announcement when determined.

(iii) Upon appointment at the first session of the Bank's Board Meeting in 2017 and upon approval of the CBRC, Mr. Liao Lin commenced his position as chief risk officer of the Bank from March 2017.

(iv) The total compensation package for certain key management personnel for the year ended 31 December 2015 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2015 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2015 was the final amount.

(v) 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.

65 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

– credit risk
– market risk
– liquidity risk
– operational risk
– insurance risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carry out their responsibilities according to Articles of Association and other related regulatory requirements. The Board of Directors of the Bank has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities. Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is the overall business risk management department. Credit Management Department is the overall credit risk management department. Credit Approval Department is the overall credit business approval department. Internal Control and Compliance Department is the coordination department for operating risk management and internal control and compliance risk management. Other departments are responsible for various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control and Compliance Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading and is responsible for the special assets resolutions. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Credit Approval Department is responsible for the group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Strategic Client Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors credit businesses, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Credit grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information there on is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	2016	2015
Deposits with central banks	**2,775,965**	2,323,866
Deposits with banks and non-bank financial institutions	**494,618**	352,966
Placements with banks and non-bank financial institutions	**260,670**	310,779
Debt investments at fair value through profit or loss	**469,992**	266,871
Positive fair value of derivatives	**89,786**	31,499
Financial assets held under resale agreements	**103,174**	310,727
Interest receivable	**101,645**	96,612
Loans and advances to customers	**11,488,355**	10,234,523
Available-for-sale debt securities	**1,348,814**	1,035,332
Held-to-maturity investments	**2,438,417**	2,563,980
Investment classified as receivables	**507,963**	369,501
Other financial assets	**69,405**	37,324
Total	**20,148,804**	17,933,980
Off-balance sheet credit commitments	**2,724,526**	2,402,284
Maximum credit risk exposure	**22,873,330**	20,336,264

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	Note	2016	2015
Gross impaired loans			
– Individually assessed and impaired gross amount		**156,436**	147,506
– Allowances for impairment losses		**(99,453)**	(82,196)
Subtotal		**56,983**	65,310
– Collectively assessed and impaired gross amount		**22,254**	18,474
– Allowances for impairment losses		**(13,275)**	(10,789)
Subtotal		**8,979**	7,685
Overdue but not impaired			
– between 1 day and 90 days		**31,522**	31,443
– between 91 days and 180 days		**4**	4
– more than 180 days		**21**	–
Gross amount		**31,547**	31,447
Allowances for impairment losses	(i)	**(6,804)**	(4,424)
Subtotal		**24,743**	27,023
Neither overdue nor impaired			
– Unsecured loans		**3,442,193**	3,019,394
– Guaranteed loans		**1,880,508**	1,771,076
– Loans secured by tangible assets other than monetary assets		**5,002,018**	4,493,357
– Loans secured by monetary assets		**1,222,076**	1,003,886
Gross amount		**11,546,795**	10,287,713
Allowances for impairment losses	(i)	**(149,145)**	(153,208)
Subtotal		**11,397,650**	10,134,505
Total		**11,488,355**	10,234,523

Note:

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

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2016		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Portion covered	**3,632**	**15,005**	**27,773**
Portion not covered	**5,644**	**7,266**	**128,663**
Total	**9,276**	**22,271**	**156,436**

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

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	2016			2015		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,323,238**	**11.24%**	**464,514**	1,389,829	13.24%	489,547
– Transportation, storage and postal services	**1,287,693**	**10.95%**	**520,293**	1,221,103	11.64%	464,515
– Leasing and commercial services	**826,410**	**7.03%**	**309,203**	658,284	6.28%	286,263
– Production and supply of electric power, heat, gas and water	**726,706**	**6.18%**	**192,922**	671,632	6.41%	194,565
– Wholesale and retail trade	**492,343**	**4.19%**	**252,177**	502,129	4.79%	234,835
– Real estate	**448,576**	**3.82%**	**316,657**	522,916	4.99%	410,355
– Water, environment and public utility management	**324,204**	**2.76%**	**167,715**	316,480	3.02%	166,754
– Construction	**259,268**	**2.21%**	**76,772**	272,991	2.60%	90,796
– Mining	**250,530**	**2.13%**	**29,755**	258,323	2.46%	36,724
– Public management, social securities and social organisation	**130,037**	**1.11%**	**33,862**	122,773	1.17%	52,413
– Agriculture, forestry, farming, fishing	**90,685**	**0.77%**	**34,986**	110,861	1.06%	42,553
– Education	**77,445**	**0.66%**	**21,415**	79,275	0.76%	22,026
– Others	**586,803**	**4.99%**	**80,183**	366,466	3.50%	86,177
Total corporate loans and advances	**6,823,938**	**58.04%**	**2,500,454**	6,493,062	61.92%	2,577,523
Personal loans and advances	**4,420,939**	**37.60%**	**3,820,851**	3,531,983	33.69%	3,038,719
Discounted bills	**512,155**	**4.36%**	**–**	460,095	4.39%	12
Total loans and advances to customers	**11,757,032**	**100.00%**	**6,321,305**	10,485,140	100.00%	5,616,254

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2016				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the year**	**Written off during the year**
Manufacturing	**71,443**	**(44,348)**	**(29,902)**	**(44,859)**	**14,272**
Transportation, storage and postal services	**6,004**	**(3,935)**	**(21,943)**	**(2,412)**	**250**

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

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	2016			2015		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**2,117,133**	**18.02%**	**1,360,362**	1,968,394	18.76%	1,269,793
Central	**1,982,785**	**16.86%**	**1,197,869**	1,768,362	16.87%	1,075,030
Western	**1,953,377**	**16.61%**	**1,124,332**	1,803,236	17.20%	1,035,556
Bohai Rim	**1,946,622**	**16.56%**	**892,618**	1,812,640	17.29%	811,161
Pearl River Delta	**1,762,963**	**14.99%**	**1,312,827**	1,432,094	13.66%	1,026,685
Northeastern	**643,515**	**5.47%**	**296,115**	612,441	5.84%	295,842
Head office	**452,941**	**3.85%**	**–**	402,733	3.84%	–
Overseas	**897,696**	**7.64%**	**137,182**	685,240	6.54%	102,187
Gross loans and advances to customers	**11,757,032**	**100.00%**	**6,321,305**	10,485,140	100.00%	5,616,254

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2016		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**41,539**	**(27,423)**	**(32,173)**
Western	**29,435**	**(14,557)**	**(30,102)**
Pearl River Delta	**29,426**	**(18,429)**	**(24,124)**
Bohai Rim	**29,199**	**(15,573)**	**(31,505)**
Central	**26,654**	**(14,557)**	**(28,012)**
Northeastern	**14,794**	**(7,885)**	**(10,423)**
Head Office	**4,296**	**–**	**(9,471)**
Overseas	**3,347**	**(1,029)**	**(3,414)**
Total	**178,690**	**(99,453)**	**(169,224)**

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

The definitions of geographical segments are set out in Note 60(1).

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

	2016	2015
Unsecured loans	3,471,042	3,034,953
Guaranteed loans	1,964,685	1,833,933
Loans secured by tangible assets other than monetary assets	5,095,325	4,591,009
Loans secured by monetary assets	1,225,980	1,025,245
Gross loans and advances to customers	11,757,032	10,485,140

(f) Rescheduled loans and advances to customers

	2016		2015	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	5,020	0.04%	6,466	0.06%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	2,321	0.02%	1,940	0.02%

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Note	2016	2015
Impaired			
– Individually assessed and impaired gross amount		29	76
– Allowances for impairment losses		(29)	(43)
Subtotal		–	33
Neither overdue nor impaired			
– Grade A to AAA		815,896	883,645
– Grade B to BBB		5,238	3,161
– Unrated		37,488	87,633
Total		858,622	974,439
Allowances for impairment losses	(i)	(160)	–
Subtotal		858,462	974,439
Total		858,462	974,472

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group have not assigned an internal credit rating.

Note:

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

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

		2016					
	Note	Unrated	AAA	AA	A	Lower than A	Total
Impaired							
Individually assessed and impaired gross amount							
– Banks and non-bank financial institutions		347	–	–	–	–	347
– Enterprises		718	–	–	–	120	838
– Others		200	–	–	200	–	400
Total		1,265	–	–	200	120	1,585
Allowances for impairment losses							(878)
Subtotal							707
Neither overdue nor impaired							
– Government		1,892,081	728,643	21,717	6,253	21,988	2,670,682
– Central banks		12,087	–	9,681	–	–	21,768
– Policy banks		359,789	50	1,735	–	–	361,574
– Banks and non-bank financial institutions		865,663	166,698	30,002	36,798	6,701	1,105,862
– Enterprises		137,574	290,981	16,148	11,610	6,092	462,405
– Others		115,341	15,941	13,237	2,500	–	147,019
Total		3,382,535	1,202,313	92,520	57,161	34,781	4,769,310
Allowances for impairment losses	(i)						(4,831)
Subtotal							4,764,479
Total							4,765,186

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

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

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

Note:

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

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk

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

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

		2016			
	Note	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio		**106**	**157**	**265**	**91**
Of which:					
– Interest rate risk		**61**	**52**	**144**	**20**
– Foreign exchange risk	(i)	**97**	**156**	**253**	**64**
– Commodity risk		**6**	**13**	**60**	**–**

		2015			
		As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio		149	83	200	48
Of which:					
– Interest rate risk		46	38	172	17
– Foreign exchange risk	(i)	142	71	206	13
– Commodity risk		1	3	12	–

Note:

(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 do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group for the year by RMB48,500 million (as at 31 December 2015: RMB40,586 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group for the year would decrease or increase by RMB43,566 million (as at 31 December 2015: RMB40,443 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the department who manages the interest related risk or related business departments to mitigate interest rate risk have not been taken into account. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in repricing risk and basis risk.

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

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

The following tables indicate the average interest rate ("AIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		2016						
	Note	Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.51%	110,050	2,739,211	–	–	–	2,849,261
Deposits and placements with banks and non-bank financial institutions		2.76%	–	599,855	153,084	2,349	–	755,288
Financial assets held under resale agreements		2.60%	–	101,581	1,593	–	–	103,174
Loans and advances to customers	(ii)	4.26%	–	6,682,710	4,406,772	320,988	77,885	11,488,355
Investments	(iii)	3.65%	310,718	534,360	583,313	2,004,704	1,642,807	5,075,902
Other assets			691,725	–	–	–	–	691,725
Total assets		3.67%	1,112,493	10,657,717	5,144,762	2,328,041	1,720,692	20,963,705
Liabilities								
Borrowings from central banks		2.76%	–	142,591	296,602	146	–	439,339
Deposits and placements from banks and non-bank financial institutions		2.09%	–	1,447,097	450,354	36,010	2,080	1,935,541
Financial liabilities at fair value through profit or loss		2.88%	19,947	247,942	128,702	–	–	396,591
Financial assets sold under repurchase agreements		2.72%	–	187,932	1,008	1,574	66	190,580
Deposits from customers		1.45%	110,999	10,313,397	3,377,431	1,593,009	8,079	15,402,915
Debt securities issued		4.04%	–	158,133	71,781	131,577	90,063	451,554
Other liabilities			557,531	–	–	–	–	557,531
Total liabilities		1.61%	688,477	12,497,092	4,325,878	1,762,316	100,288	19,374,051
Asset-liability gap		2.07%	424,016	(1,839,375)	818,884	565,725	1,620,404	1,589,654

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

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

Notes:

(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 RMB76,096 million as at 31 December 2016 (as at 31 December 2015: RMB85,374 million).

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

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

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

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

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

		2016			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,627,642	132,659	88,960	2,849,261
Deposits and placements with banks and non-bank financial institutions	(i)	677,609	164,499	16,354	858,462
Loans and advances to customers		10,318,156	815,966	354,233	11,488,355
Investments		4,874,843	122,967	78,092	5,075,902
Other assets		508,602	153,120	30,003	691,725
Total assets		19,006,852	1,389,211	567,642	20,963,705
Liabilities					
Borrowings from central banks		385,374	28,964	25,001	439,339
Deposits and placements from banks and non-bank financial institutions	(ii)	1,740,191	275,673	110,257	2,126,121
Financial liabilities at fair value through profit or loss		380,632	15,162	797	396,591
Deposits from customers		14,539,781	568,294	294,840	15,402,915
Debt securities issued		213,579	213,937	24,038	451,554
Other liabilities		512,886	28,376	16,269	557,531
Total liabilities		17,772,443	1,130,406	471,202	19,374,051
Net position		1,234,409	258,805	96,440	1,589,654
Net notional amount of derivatives		93,770	(105,995)	500,673	488,448
Credit commitments		2,461,840	88,183	174,503	2,724,526

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

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

Notes:

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

Liquidity risk is the risk that occurs when the Group cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet the other funding needs in regular business development. Major factors and events affecting liquidity risks include: massive outflow of wholesale or retail deposits, increase in wholesale or retail financing cost, debtor defaults, decrease in the liquidity of assets, and decrease in the financing ability etc.

In managing liquidity risks, the decision-making system consists of the Bank's Board of Directors and its sub-committee, and the senior management. The Head Office's Asset and Liability Management Department takes the lead in the daily management of the Bank's liquidity risks, and works along with the Financial Market Department, Channel and Operation Management Department, Data Management Department, Public Relations & Corporate Culture Department, Board of Directors' Office, management arms of business lines, and relevant divisions of the branches and subsidiaries to ensure proper execution of liquidity risk management actions. The Board of Supervisors and Audit Department complete the triangle as the supervisory component. These three units perform decision-making, execution and supervisory functions respectively in the Bank's liquidity risk management as per their roles and responsibilities.

The Group's objective for liquidity risk management is to guarantee the Group's payment and settlement security, and maintain an optimal balance between the Bank's liquidity position and profitability. Liquidity risks are managed on a consolidated basis, where the Head Office centrally manages the Bank's overall liquidity risks, and in light of regulatory requirements, external macro environment and the Bank's business development status, formulates liquidity risk management policies, including limit management, intraday liquidity risk management, stress testing and contingency planning. Subsidiaries are the primary owners of their own liquidity risk management.

The Group conducts stress testing on its liquidity risk position on a quarterly basis in order to gauge its risk tolerance in adverse situations, including improbable extreme scenarios. The results have shown that under stress scenarios, the Bank's liquidity risk increases but remains manageable.

The Group uses a variety of methods to measure its liquidity risks, including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis

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

	2016							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,592,203	257,058	–	–	–	–	–	2,849,261
Deposits and placements with banks and non-bank financial institutions	–	85,218	306,393	138,820	218,544	6,313	–	755,288
Financial assets held under resale agreements	–	–	78,001	23,580	1,593	–	–	103,174
Loans and advances to customers	75,438	484,321	401,828	709,215	2,644,332	2,901,246	4,271,975	11,488,355
Investments								
– Financial assets at fair value through profit or loss	18,378	–	62,282	133,374	152,097	107,723	14,516	488,370
– Available-for-sale financial assets	285,020	–	29,090	66,362	168,110	783,090	302,162	1,633,834
– Held-to-maturity investments	–	–	5,318	44,950	200,830	1,053,776	1,133,543	2,438,417
– Investment classified as receivables	–	–	45,048	26,747	53,056	178,486	204,626	507,963
– Investments in associates and joint ventures	7,318	–	–	–	–	–	–	7,318
Other assets	229,069	89,276	34,077	79,502	173,739	55,946	30,116	691,725
Total assets	3,207,426	915,873	962,037	1,222,550	3,612,301	5,086,580	5,956,938	20,963,705
Liabilities								
Borrowings from central banks	–	–	83,176	59,415	296,602	146	–	439,339
Deposits and placements from banks and non-bank financial institutions	–	982,735	226,509	167,189	491,880	61,488	5,740	1,935,541
Financial liabilities at fair value through profit or loss	–	19,947	131,301	116,642	128,701	–	–	396,591
Financial assets sold under repurchase agreements	–	–	184,074	3,858	1,008	1,574	66	190,580
Deposits from customers	–	8,336,446	966,975	1,113,365	2,723,870	2,244,258	18,001	15,402,915
Debt securities issued								
– Certificates of deposit issued	–	–	61,274	65,381	57,153	15,037	163	199,008
– Bonds issued	–	–	–	2,084	4,023	36,959	4,097	47,163
– Subordinated bonds issued	–	–	–	–	218	100,230	45,151	145,599
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	13,828	45,956	59,784
Other liabilities	582	116,506	52,697	67,710	234,456	78,943	6,637	557,531
Total liabilities	582	9,455,634	1,706,006	1,595,644	3,937,911	2,552,463	125,811	19,374,051
Net gaps	3,206,844	(8,539,761)	(743,969)	(373,094)	(325,610)	2,534,117	5,831,127	1,589,654
Notional amount of derivatives								
– Interest rate contracts	–	–	70,611	77,418	204,710	106,484	11,586	470,809
– Exchange rate contracts	–	–	771,445	782,146	2,949,614	140,260	6,750	4,650,215
– Other contracts	–	–	47,553	98,665	177,124	10,177	34	333,553
Total	–	–	889,609	958,229	3,331,448	256,921	18,370	5,454,577

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

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

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet credit commitments of the Group as at the end of reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	2016							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	439,339	448,505	–	84,409	59,995	303,955	146	–
Deposits and placements from banks and non-bank financial institutions	1,935,541	1,971,240	982,986	230,278	168,537	512,184	69,621	7,634
Financial liabilities at fair value through profit or loss	396,591	399,304	19,947	132,354	117,192	129,811	–	–
Financial assets sold under repurchase agreements	190,580	190,852	–	184,290	3,903	1,019	1,574	66
Deposits from customers	15,402,915	15,773,027	8,337,879	978,905	1,142,665	2,829,974	2,462,243	21,361
Debt securities issued								
– Certificates of deposit issued	199,008	201,424	–	61,772	65,817	58,028	15,639	168
– Bond issued	47,163	53,205	–	208	2,196	5,196	40,721	4,884
– Subordinated bonds issued	145,599	179,558	–	–	1,231	6,185	124,329	47,813
– Eligible Tier 2 capital bonds issued	59,784	80,834	–	–	–	2,814	24,277	53,743
Other financial liabilities	189,807	189,807	67,124	12,538	19,252	85,665	–	5,228
Total	19,006,327	19,487,756	9,407,936	1,684,754	1,580,788	3,934,831	2,738,550	140,897
Off-balance sheet loan commitments and credit card commitments (Note)		1,264,751	1,043,081	71,231	15,313	70,347	52,127	12,652
Guarantees, acceptances and other credit commitments (Note)		1,459,775	–	317,599	163,731	367,089	566,264	45,092

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

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

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

65 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk is the risk of loss due to inadequate or flawed internal processes, people, systems or external events. In 2016, the Group continued to strengthen its operational risk management, optimize operational risk management tools and deepen and expand the applications of these tools.

– Using a variety of means and methods, including special self-assessments, entity-level comprehensive self-assessments and project re-visits, the Bank took anticipatory actions to identify and assess operational risks and strengthen and improve internal controls.

– It also strengthened its operational risk monitoring and early-warning capability, including establishing tailored key risk indicator monitoring systems in tier-one branches, overseas institutions and subsidiaries, improving the head office-level key risk indicator system, and reinforcing risk management and control over key areas and components.

– As part of its efforts to strengthen the business continuity management system, the Bank harmonized the emergency management and disaster recovery strategy in the New Generation Core System, and followed the implementation of the New Generation Core System with timely development of relevant supporting rules and procedures as well as special action plans.

(5) Fair value of financial instruments

(a) Valuation technique, input and process

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Board of Supervisors, Senior Management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

The major valuation techniques and inputs used by the Group are set out in Note 4(3)(g) and Note 4(24)(c). For the year ended 31 December 2016, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2015.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

– Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(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:

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	3,134	138,196	–	141,330
– Equity instruments and funds	1,825	–	–	1,825
Financial assets designated as at fair value through profit or loss				
– Debt securities	–	–	8,690	8,690
– Equity instruments and funds	421	–	16,132	16,553
– Other debt instruments	–	55,116	264,856	319,972
Positive fair value of derivatives	–	89,320	466	89,786
Available-for-sale financial assets				
– Debt securities	59,380	1,283,715	5,719	1,348,814
– Equity instruments and funds	40,617	231,378	9,349	281,344
Total	105,377	1,797,725	305,212	2,208,314
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	395,883	708	396,591
Negative fair value of derivatives	–	89,788	545	90,333
Total	–	485,671	1,253	486,924

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

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

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed 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 is the underlying assets of principal guaranteed wealth management products. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate.

As at 31 December 2016 and 2015, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

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

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2016									
	Financial assets designated as at fair value through profit or loss				Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Other debt instruments	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2016	586	2,326	208,204	883	9,604	5,027	226,630	(519)	(864)	(1,383)
Total gains or losses:										
In profit or loss	(19)	(113)	7,600	(361)	275	(19)	7,363	55	275	330
In other comprehensive income	–	–	–	–	424	(34)	390	–	–	–
Purchases	8,221	20,155	397,871	–	690	9,837	436,774	(369)	–	(369)
Sales and settlements	(98)	(6,236)	(348,819)	(56)	(5,274)	(5,462)	(365,945)	125	44	169
As at 31 December 2016	8,690	16,132	264,856	466	5,719	9,349	305,212	(708)	(545)	(1,253)

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

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

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

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2016			2015		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(losses)	**7,782**	**(89)**	**7,693**	5,899	(486)	5,413

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments and investment classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

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

	2016					2015				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Investment classified as receivables	**507,963**	**512,409**	**–**	**358,488**	**153,921**	369,501	373,854	–	285,262	88,592
Held-to-maturity investments	**2,438,417**	**2,494,243**	**1,351**	**2,492,892**	**–**	2,563,980	2,665,423	1,099	2,661,813	2,511
Total	**2,946,380**	**3,006,652**	**1,351**	**2,851,380**	**153,921**	2,933,481	3,039,277	1,099	2,947,075	91,103

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 31 December 2016 was RMB212,166 million (as at 31 December 2015: RMB217,554 million), and their carrying value was RMB205,383 million (as at 31 December 2015: RMB203,832 million). The carrying values of other financial liabilities approximated their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified as the Level 2 of the fair value hierarchy.

65 RISK MANAGEMENT (CONTINUED)

(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 2016, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(7) Insurance Risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognizes insurance contract liabilities accordingly. Insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions of mortality, expenses and interest rates.

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policies design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitor 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 CBRC's "Measures for Capital Management of Commercial Banks (Trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systematically important domestic banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (Trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure.

(Expressed in millions of RMB, unless otherwise stated)

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Measures for Capital Management of Commercial Banks (Trial)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	2016	2015
Common Equity Tier 1 ratio	(a)(b)(c)	**12.98%**	13.13%
Tier 1 ratio	(a)(b)(c)	**13.15%**	13.32%
Total capital ratio	(a)(b)(c)	**14.94%**	15.39%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve	(d)	**132,800**	157,613
– Surplus reserve		**175,445**	153,032
– General reserve		**211,134**	186,383
– Retained earnings		**784,164**	669,802
– Non-controlling interest recognised in Common Equity Tier 1 capital		**4,069**	4,121
– Others	(e)	**798**	(5,330)
Deductions for Common Equity Tier 1 capital			
– Goodwill	(f)	**2,752**	1,946
– Other intangible assets (excluding land use rights)	(f)	**2,083**	1,657
– Cash-flow hedge reserve		**(150)**	–
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,902**	3,902
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**19,659**	19,659
– Non-controlling interest recognised in Additional Tier 1 capital		**82**	61
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**155,684**	170,147
– Provisions in Tier 2	(g)	**58,281**	50,014
– Non-controlling interest recognised in Tier 2 capital		**375**	2,165
Common Equity Tier 1 capital after deduction	(h)	**1,549,834**	1,408,127
Tier 1 capital after deduction	(h)	**1,569,575**	1,427,847
Total capital after deduction	(h)	**1,783,915**	1,650,173
Risk-weighted assets	(i)	**11,937,774**	10,722,082

65 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) Since the Half Year report of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total Capital ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(d) Capital reserve includes investment revaluation reserve.

(e) Others mainly include foreign exchange reserve.

(f) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(g) Since the Half Year report of 2014, eligible excessive loan provisions was measured based on the advanced approach and implemented parallel period rules.

(h) Common Equity Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

(i) At 31 December 2016, according to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excessive risk-weighted assets due to the application of capital floor.

(Expressed in millions of RMB, unless otherwise stated)

66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	2016	2015
Assets:		
Cash and deposits with central banks	**2,842,072**	2,383,573
Deposits with banks and non-bank financial institutions	**389,062**	361,141
Precious metals	**202,851**	86,549
Placements with banks and non-bank financial institutions	**318,511**	333,398
Financial assets at fair value through profit or loss	**360,628**	260,207
Positive fair value of derivatives	**81,425**	24,396
Financial assets held under resale agreements	**67,391**	309,539
Interest receivable	**98,040**	93,988
Loans and advances to customers	**11,084,938**	9,899,993
Available-for-sale financial assets	**1,473,168**	945,797
Held-to-maturity investments	**2,410,110**	2,554,049
Investment classified as receivables	**508,363**	350,966
Investments in subsidiaries	**37,024**	32,885
Investment in consolidated structured entities	**211,908**	–
Fixed assets	**145,421**	144,363
Land use rights	**14,277**	14,795
Intangible assets	**1,588**	1,359
Deferred tax assets	**28,281**	24,298
Other assets	**106,344**	69,437
Total assets	**20,381,402**	17,890,733

	2016	2015
Liabilities:		
Borrowings from central banks	**438,660**	41,154
Deposits from banks and non-bank financial institutions	**1,582,881**	1,442,259
Placements from banks and non-bank financial institutions	**311,095**	304,195
Financial liabilities at fair value through profit or loss	**395,769**	301,778
Negative fair value of derivatives	**83,332**	23,320
Financial assets sold under repurchase agreements	**170,067**	264,569
Deposits from customers	**15,114,993**	13,393,246
Accrued staff costs	**31,779**	31,593
Taxes payable	**43,653**	48,515
Interest payable	**210,035**	204,336
Provisions	**7,336**	5,813
Debt securities issued	**386,491**	356,711
Deferred tax liabilities	**53**	81
Other liabilities	**54,015**	53,067
Total liabilities	**18,830,159**	16,470,637

(Expressed in millions of RMB, unless otherwise stated)

66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	2016	2015
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference Shares	**19,659**	19,659
Capital reserve	**134,520**	135,441
Investment revaluation reserve	**(1,213)**	22,549
Surplus reserve	**175,445**	153,032
General reserve	**206,697**	182,319
Retained earnings	**766,312**	658,545
Exchange reserve	**(188)**	(1,460)
Total equity	**1,551,243**	1,420,096
Total liabilities and equity	**20,381,402**	17,890,733

Approved and authorised for issue by the Board of Directors 29 March 2017.

Wang Zuji
Vice chairman, executive director and president

Chung Shui Ming Timpson
Independent non-executive director

Murray Horn
Independent non-executive director

(Expressed in millions of RMB, unless otherwise stated)

66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	Share capital	Other equity instruments- preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2015	250,011	19,659	135,441	22,549	153,032	182,319	658,545	(1,460)	1,420,096
Movements during the year	–	–	(921)	(23,762)	22,413	24,378	107,767	1,272	131,147
(1) Total comprehensive income for the year	–	–	(921)	(23,762)	–	–	224,128	1,272	200,717
(2) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	22,413	–	(22,413)	–	–
ii Appropriation to general reserve	–	–	–	–	–	24,378	(24,378)	–	–
iii Dividends paid to ordinary shareholders	–	–	–	–	–	–	(68,503)	–	(68,503)
iv Dividends paid to preference shareholders	–	–	–	–	–	–	(1,067)	–	(1,067)
As at 31 December 2016	250,011	19,659	134,520	(1,213)	175,445	206,697	766,312	(188)	1,551,243

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

67 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

68 COMPARATIVE FIGURES

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

69 ULTIMATE PARENT

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

(Expressed in millions of RMB, unless otherwise stated)

70 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 2016 and have not been adopted in the financial statements.

Standards		Effective for annual periods beginning on or after
(1)	Amendments to IAS 7, "Statement of Cash Flows", disclosure initiative	1 January 2017
(2)	Amendments to IAS 12, "Income Taxes"	1 January 2017
(3)	IFRS 9, "Financial Instruments"	1 January 2018
(4)	IFRS 15, "Revenue from Contracts with Customers"	1 January 2018
(5)	IFRS 16, "Leases"	1 January 2019

(1) Amendments to IAS 7, "Statement of Cash Flows"

The amendments require to disclose information that will allow financial information users to understand changes in liabilities arising from financing activities. The amendments is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(2) Amendments to IAS 12, "Income Taxes"

The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(3) IFRS 9, "Financial Instruments"

IFRS 9 was issued in July 2014. It will replace the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 has three financial asset classifications categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classifications categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS39.

70 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(3) IFRS 9, "Financial Instruments" (continued)

IFRS 9 will have an impact on the Group's financial statements. The Group has set up a project team to carry out preparatory work in phases. The Group will establish new financial asset classification standards, revise the financial asset impairment model and related disclosures in the financial statements in accordance with IFRS 9. The Group will also update the internal controls and policies and upgrade the relevant IT system to meet the IFRS 9 implementation requirements. The Group anticipates the overall implementation preparation to be completed by the end of 2017. Currently the Group is carrying out the preparatory work as planned, and in the process of evaluating the impact of IFRS 9 implementation on the Group's consolidated financial statements.

(4) IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes to an "asset-liability" approach based on transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition.

The Group anticipates that adoption of IFRS 15 will not have a significant impact on the Group's consolidated financial statements.

(5) IFRS 16, "Leases"

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces IAS 17 "Leases", and related interpretations. The Group is currently assessing the impact of IFRS 16 upon initial application.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB, unless otherwise stated)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2016 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2016 or total equity as at 31 December 2016 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

2 LIQUIDITY COVERAGE RATIO

	Fourth quarter of 2016	Third quarter of 2016	Second quarter of 2016	First quarter of 2016
Liquidity coverage ratio	120.27%	117.08%	122.39%	133.09%

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

3 CURRENCY CONCENTRATIONS

	2016			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**1,306,232**	**327,955**	**264,686**	**1,898,873**
Spot liabilities	**(1,087,356)**	**(351,161)**	**(227,688)**	**(1,666,205)**
Forward purchases	**2,621,532**	**98,488**	**230,706**	**2,950,726**
Forward sales	**(2,824,058)**	**(39,253)**	**(261,184)**	**(3,124,495)**
Net options position	**(4,012)**	**–**	**–**	**(4,012)**
Net long position	**12,338**	**36,029**	**6,520**	**54,887**
Net structural position	**29,785**	**258**	**(6,453)**	**23,590**

(Expressed in millions of RMB, unless otherwise stated)

3 CURRENCY CONCENTRATIONS (CONTINUED)

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

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

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

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

4 INTERNATIONAL CLAIMS

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

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

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

	2016				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	188,101	90,991	1,037,518	85,452	1,402,062
– of which attributed to Hong Kong	43,286	25,919	347,324	1,904	418,433
Europe	29,742	15,499	47,330	–	92,571
North and South America	32,377	99,318	76,207	–	207,902
Total	250,220	205,808	1,161,055	85,452	1,702,535

(Expressed in millions of RMB, unless otherwise stated)

5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	2016	2015
Yangtze River Delta	**27,322**	25,515
Pearl River Delta	**21,097**	20,348
Western	**20,351**	15,385
Bohai Rim	**19,458**	12,591
Central	**17,737**	12,388
Northeastern	**10,496**	10,547
Head office	**4,339**	4,669
Overseas	**1,125**	1,246
Total	**121,925**	102,689

According to regulation requirements, the above analysis represents the gross amount of loans and advances overdue for more than three months.

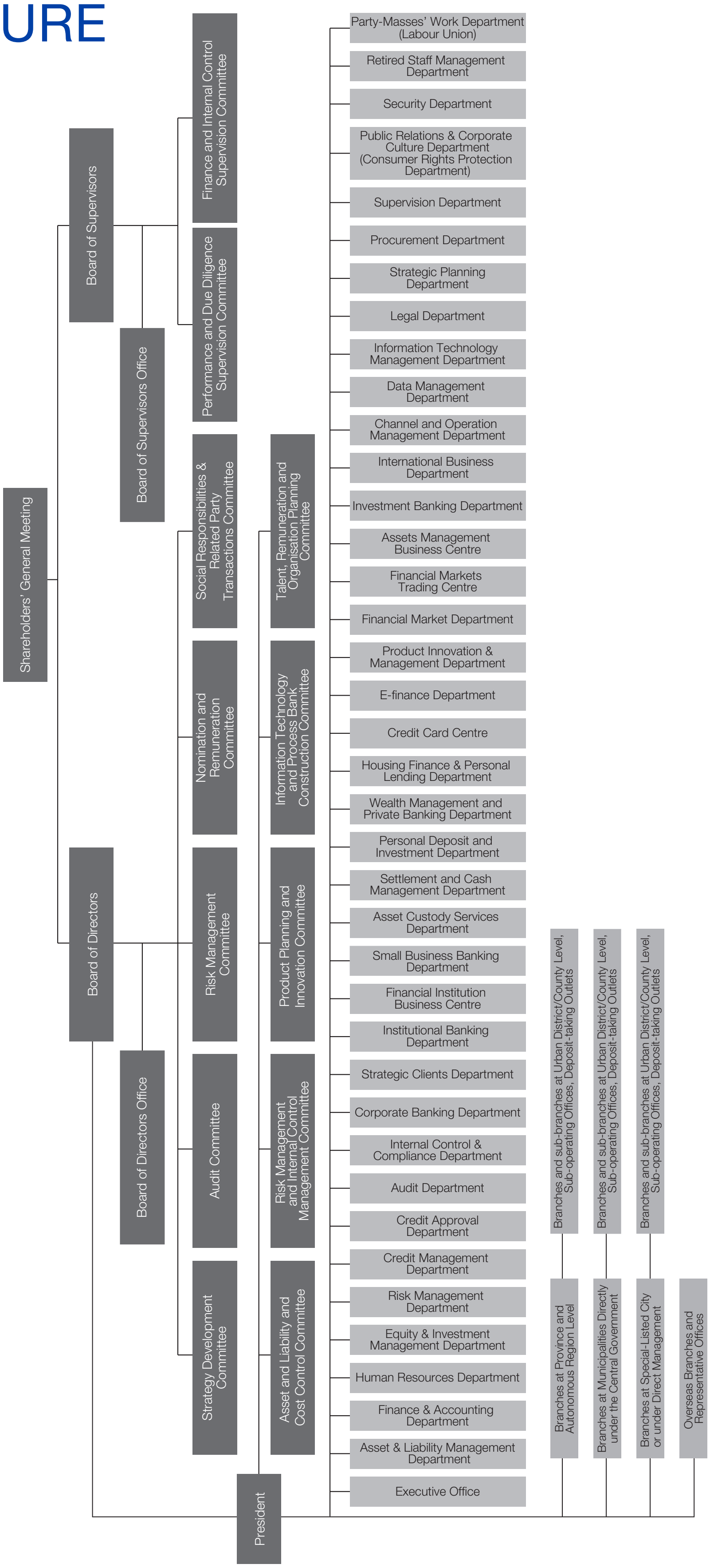
Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

6 EXPOSURES TO NON-BANKS IN MAINLAND CHINA

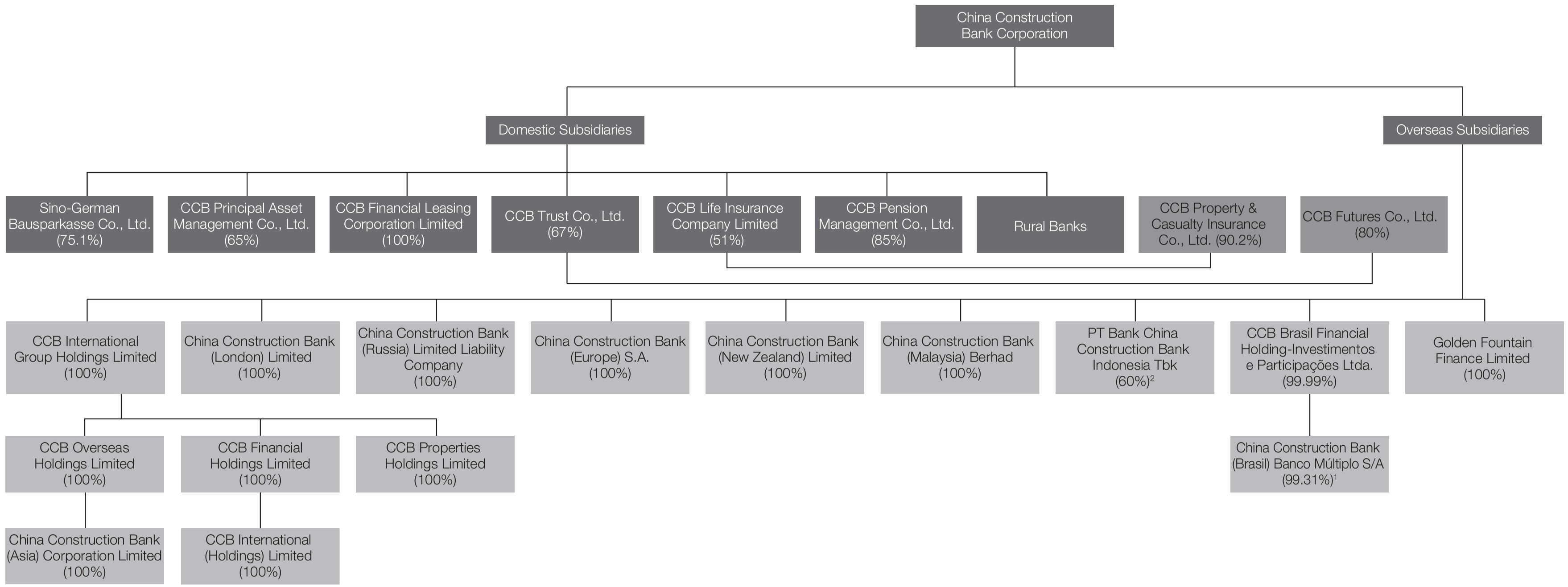
The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2016, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

ORGANISATIONAL STRUCTURE



CCB'S MANAGEMENT STRUCTURE

CCB'S EQUITY INVESTMENT STRUCTURE



1. As at 31 December 2016, the Bank held 99.31% of the total share capital of China Construction Bank (Brasil) Banco Múltiplo S/A, and held 99.75% of its total issued voting shares.

2. As at 31 December 2016, the Bank held 60% of the total share capital of PT Bank China Construction Bank Indonesia Tbk.

BRANCHES AND SUBSIDIARIES

TIER-ONE BRANCHES IN MAINLAND CHINA

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 255, Huizhou Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
Beijing Branch	Entry. 4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No. 142, Guping Road, Fuzhou Postcode: 350003	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 90 Minzu Avenue, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 148, Zhonghua North Road, Guiyang Postcode: 550001	(0851) 86696000	(0851) 86696377
Hainan Branch	CCB Plaza, No. 8,Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 87888866	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 53619009	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
Hunan Branch	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419910	(0731) 84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 80835310	(0431) 88988748
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316

Branches	Address	Telephone	Facsimile
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
Liaoning Branch	No. 176, Zhongshan Road, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22856915
Inner Mongolia Branch	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593751	(0471) 4593890
Ningbo Branch	No. 31, Guangji Street, Ningbo Postcode: 315010	(0574) 87313888	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Street, Yinchuan Postcode: 750001	(0951) 4126111	(0951) 4106165
Qingdao Branch	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261333	(0971) 8261549
Shandong Branch	No. 178, Luoyuan Street, Jinan Postcode: 250012	(0531) 82088108	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87617515	(029) 87606014
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No. 900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	Block A, Rongchao Business Centre, No. 6003 Yitian Road, Futian District, Shenzhen Postcode: 518026	(0755) 23828888	(0755) 23828111
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suzhou Road West, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No.19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 23401166	(022) 23401811
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6836818
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
Yunnan Branch	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060858	(0871) 63060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

BRANCHES OUTSIDE MAINLAND CHINA

Chile Branch	Isidora Goyenechea 2800, 30/F, Santiago, Chile Telephone: (56) 9-227289100
DIFC Branch	31/F, Tower 2, A1 Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE Telephone: (971) 4-5674888 Facsimile: (971) 4-5674777
Frankfurt Branch	Bockenheimer Landstrasse 75, 60325 Frankfurt am Main, Germany Telephone: (49) 69-9714950 Facsimile: (49) 69-97149588, 97149577
Ho Chi Minh City Branch	1105-1106 Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam Telephone: (84) 8-38295533 Facsimile: (84) 8-38275533
Hong Kong Branch	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39186939 Facsimile: (852) 39186001
Johannesburg Branch	95 Grayston Drive, Morningside, Sandton, South Africa 2196 Telephone: (27) 11-5209400 Facsimile: (27) 11-5209411
Cape Town Branch	15/F, Portside Building, 4 Bree Street, Cape Town, South Africa Telephone: (27) 21-4197300 Facsimile: (27) 21-4433671
London Branch	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: (44) 20-70386000 Facsimile: (44) 20-70386001
Luxembourg Branch	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: (352) 286688 Facsimile: (352) 28668801
Macau Branch	5/F, Circle Square, 61 Avenida de Almeida Ribeiro, Macau Telephone: (853) 82911880 Facsimile: (853) 82911804
New York Branch	33/F, 1095 Avenue of the Americas, New York, USA NY 10036 Telephone: (1) 646-7812400 Facsimile: (1) 212-2078288
Seoul Branch	China Construction Bank Tower, 24 Myeongdong 11-gil, Jung-gu, Seoul 04538, Korea Telephone: (82) 2-67303600 Facsimile: (82) 2-67303601
Singapore Branch	9 Raffles Place, #33-01/02, Republic Plaza, Singapore 048619 Telephone: (65) 65358133 Facsimile: (65) 65356533
Sydney Branch	Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia Telephone: (61) 2-80316100 Facsimile: (61) 2-92522779

Brisbane Branch	340 Queen Street, Brisbane, QLD 4000, Australia Telephone: (61) 7-30691900 Facsimile: (61) 7-31721633
Melbourne Branch	410 Collins Street, Melbourne VIC 3000, Australia Telephone: (61) 3-94528500 Facsimile: (61) 3-96706608
Taipei Branch	1/F, No.108, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan Telephone: (886) 2-87292008 Facsimile: (886) 2-27235399
Tokyo Branch	13F/1F, West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004, Japan Telephone: (81) 3-52935218 Facsimile: (81) 3-32145157
Osaka Branch	1/F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan Telephone: (81) 6-61209080 Facsimile: (81) 6-62439080
Toronto Branch	181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3 Telephone: (1) 647-7777700 Facsimile: (1) 647-7777739
Zurich Branch	Beethovenstrasse 33, 8002 Zurich, Switzerland Telephone: (41) 43-5558800 Facsimile: (41) 43-5558898

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CCB Futures Co., Ltd.	5/F, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: (021) 60635551 Facsimile: (021) 60635520 Website: www.ccbfutures.com
CCB International (Holdings) Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39118000 Facsimile: (852) 25301496 Website: www.ccbintl.com.hk
CCB Life Insurance Company Limited	32/F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: (021) 60638288 Facsimile: (021) 60638204 Website: www.ccb-life.com.cn
CCB Pension Management Co., Ltd.	11/F, A Section, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing Postcode: 100191 Telephone: (010) 56731294 Website: www.ccbpension.com
CCB Principal Asset Management Co., Ltd.	16/F, Winland International Finance Centre, No.7, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: (010) 66228888 Facsimile: (010) 66228889 Website: www.ccbfund.cn
CCB Property & Casualty Insurance Co., Ltd.	1/F and 2/F, Podium of Building 2 and Northern Half of 15/F, Luqiao Building, No.142, Wanshou Road, Jinfeng District, Yinchuan, Ningxia Postcode: 750002 Telephone: (0951) 7819298 Website: www.ccbpi.com.cn
CCB Trust Co., Ltd.	No. 45, Jiushiqiao Street, Hefei, Anhui Province Postcode: 230001 Telephone: (0551) 65295516 Facsimile: (0551) 62679542 Website: www.ccbtrust.com.cn
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China Construction Bank (Brasil) Banco Múltiplo S/A	Avenida Brigadeiro Faria Lima, 4440, 2/F, Itaim Bibi – São Paulo – SP – 04538-132 Postcode: 04538-132 Telephone: (55) 11-21739190 Facsimile: (55) 11-32668951 Website: www.br.ccb.com

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China Construction Bank (New Zealand) Limited	Level 16, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: (64) 9-3388200 Facsimile: (64) 9-3744275
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Jiangsu Xishan Jianxin Rural Bank Company Limited
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Ningbo Ninghai Jianxin Rural Bank Company Limited	No. 600, Qixiang North Road, Ninghai County, Ningbo City, Zhejiang Province Postcode: 315600 Telephone: (0574) 82535268 Facsimile: (0574) 82535268
Shaanxi Ansai Jianxin Rural Bank Company Limited	Chengbei District, Ansai County, Shaanxi Province Postcode: 717400 Telephone: (0911) 6211077 Facsimile: (0911) 6211077
Shandong Tengzhou Jianxin Rural Bank Company Limited	No. 42, North Shanguo Road, Tengzhou City, Shandong Province Postcode: 277500 Telephone: (0632) 3598159 Facsimile: (0632) 3598159
Shandong Wendeng Jianxin Rural Bank Company Limited	No. 29, Wenshan East Road, Wendeng City, Shandong Province Postcode: 264400 Telephone: (0631) 8360189 Facsimile: (0631) 8450346
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Shandong Zhucheng Jianxin Rural Bank Company Limited	No. 39, Xinghua East Road, Zhucheng City, Shandong Province Postcode: 262200 Telephone: (0536) 2160601 Facsimile: (0536) 2160625
Shandong Zoucheng Jianxin Rural Bank Company Limited	No. 518, Taiping East Road, Zoucheng City, Jining City, Shandong Province Postcode: 273500 Telephone: (0537) 5219109 Facsimile: (0537) 5219109
Shanghai Pudong Jianxin Rural Bank Company Limited	No. 26, Beishi Street, Chuansha Town, Pudong New District, Shanghai Postcode: 201299 Telephone: (021) 58385876 Facsimile: (021) 58385938
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APPENDIX: INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF THE BANK

In accordance with the *Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks* issued by the CBRC, the following table sets forth the Group's indicators for assessing global systemic importance.

(In billions of RMB)		As at 31 December 2016
No.	**Indicator**	**Amount[3]**
1	Total on and off balance sheet assets after adjustments[1]	22,321.6
2	Intra-financial system assets	1,592.4
3	Intra-financial system liabilities	2,007.9
4	Securities outstanding and other financing tools	1,796.4
5	Total payments through payment system and as a correspondent for other banks	309,214.7
6	Assets under custody	7,100.9
7	Securities underwriting activity	1,577.1
8	Notional amount of over-the-counter (OTC) derivatives	5,454.6
9	Trading and available-for-sale securities[2]	524.3
10	Level 3 assets	282.7
11	Cross-jurisdictional claims	706.4
12	Cross-jurisdictional liabilities	764.2

1. On-balance sheet assets after adjustments include derivatives using the current exposure approach and other on-balance sheet assets. Off-balance sheet items after adjustments include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet assets.

2. Trading and available-for-sale securities are calculated by netting off the level 1 and level 2 assets, in accordance with the CBRC requirements. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks (Trial)* issued by the CBRC.

3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under regulatory scope of consolidation, which are different from the data under accounting scope of consolidation.

DEFINITIONS

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

"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Basis Point"	A unit that measures the changes of interest and exchange rates, 1% of one percentage point
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Dubai"	China Construction Bank (Dubai) Limited
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Life"	CCB Life Insurance Company Limited
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited Liability Company
"CCB Trust"	CCB Trust Co., Ltd.
"CIC"	China Investment Corporation
"Company Law"	The Company Law of the People's Republic of China
"Cost Advisory Service"	The professional advisory services, provided by the project cost advisory agency when entrusted, on the investment of construction projects and the determination and control of project cost
"CSRC"	China Securities Regulatory Commission

"Financial Services for Housing Reform"	A general term for credit activities of money collection, financing, etc., in connection with the reform of housing system
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	Ministry of Finance of the People's Republic of China
"PBC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi
"SAFE"	State Administration of Foreign Exchange
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Council"	State Council of the People's Republic of China
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited

IMPORTANT NOTICE

The Board and the board of supervisors of the Bank and its directors, supervisors and senior management warrant that the information contained in this report is truthful, accurate and complete and there are no false presentations or misleading statements contained in, or material omissions from, this report, and that they assume severally and jointly legal liability.

This annual report and results announcement have been reviewed and approved at the Board meeting of the Bank held on 29 March 2017. All 13 directors of the Bank attended the meeting in person.

The Board proposed a cash dividend of RMB0.278 per share (including tax) for 2016 to all the shareholders.

The financial report of the Group prepared in accordance with PRC GAAP for the year of 2016 has been audited by PricewaterhouseCoopers Zhong Tian LLP, and the financial report of the Group prepared under IFRS has been audited by PricewaterhouseCoopers. Both of them have provided audit report with unqualified audit opinion.

Mr. Wang Hongzhang, legal representative of the Bank, Mr. Xu Yiming, chief financial officer, and Mr. Fang Qiuyue, general manager of finance & accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, liquidity risk, market risk, operational risk, reputational risk and country risk. We proactively took measures to manage various risks effectively. For more information, please refer to “Risk Management” in the “Management Discussion and Analysis”.

China Construction Bank Corporation
(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code : 939 (Ordinary H-Share)
4606 (Offshore Preference Share)

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China Construction Bank

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