



INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602

Annual Report **2016**

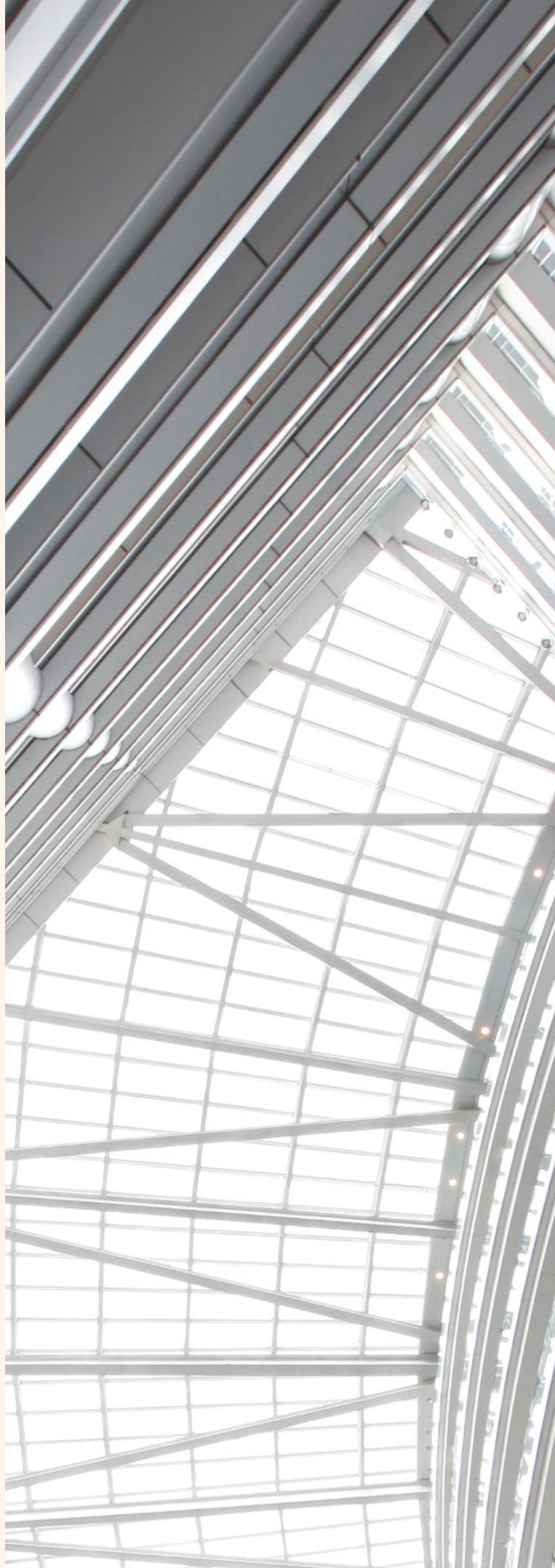
Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and has made efforts to build a "bank to the satisfaction of customers" while providing a wide range of financial products and services to 5,784 thousand corporate customers and 530 million personal customers.

Taking the provision of service to the real economy as the starting point and the ultimate goal, the Bank remains steadfast in new finance and new service under the guidance of new concept, has supported the supply-side structural reform and the economic transformation and upgrading and has realized healthy and sustainable development. Through deepening of reform, innovation and operation transformation, retail banking, asset management and financial market business emerged as the important growth engines of profit. The pattern of internationalized and diversified operation was further improved, covering 42 countries and regions, contributing more to the Bank's profit-making.

The Bank consciously unified the social responsibilities to its development strategy and operation and management activities, gaining wide social recognition in the aspects of supporting targeted poverty relief, protecting environment and resources, participating in social and public welfare undertakings and promoting inclusive finance. The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, ranked 1st place in the Global 2000 listed by *Forbes*, topped the sub-list of commercial banks of the Global 500 in *Fortune* for the fourth consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance*.





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Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC in June 2012
CBRC	China Banking Regulatory Commission
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
Global Systemically Important Banks	Banks undertaking key functions with global features in the financial markets as released by the Financial Stability Board
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
MOF	Ministry of Finance of the People's Republic of China
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by the Ministry of Finance
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
the Bank/the Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2016 Annual Report of the Bank and its abstract have been considered and approved at the meeting of the Board of Directors of the Bank held on 30 March 2017. All directors of the Bank attended the meeting.

The 2016 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors' reports being issued.

The Board of Directors of the Bank proposed distributing cash dividends for ordinary shares of RMB2.343 (pre-tax) for each ten shares for 2016. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2016. The Bank did not convert capital reserve to share capital.

The Board of Directors of Industrial and Commercial Bank of China Limited

30 March 2017

Mr. Yi Huiman, Legal Representative of the Bank, Mr. Gu Shu, President in charge of finance of the Bank, and Mr. Zhang Wenwu, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in the Annual Report are authentic, accurate and complete.

Notes on Material Risks

During the reporting period, the Bank did not identify any material risks that exerted negative impact on the Bank's development strategy and business objectives in the future. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

The report contains forward-looking statements on the Bank's financial positions, business performance and development. The statements are made based on existing plans, estimates and forecasts, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司 ("中國工商銀行")

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED ("ICBC")

Legal representative

Yi Huiman

Registered address and office address

55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140

Telephone: 86-10-66106114

Business enquiry and compliant hotline: 86-95588

Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong

33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Gu Shu and Guan Xueqing

Board Secretary and Company Secretary

Guan Xueqing

Address: 55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Telephone: 86-10-66108608

Faxsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Selected newspapers for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publication of the annual report in respect of A shares

www.sse.com.cn

The "HKExnews" website of SEHK for publication of the annual report in respect of H shares

www.hkexnews.hk

Legal advisors

Mainland China:

King & Wood Mallesons

40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing, PRC

Jun He Law Offices

20/F, China Resources Building, 8 Jianguomen North Street, Dongcheng District, Beijing, PRC

Hong Kong, China

Allen & Overy

9/F, Three Exchange Square, Central, Hong Kong

Linklaters

10/F, Alexandra House, Chater Road, Central, Hong Kong

Share Registrars

A Share:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch

3/F China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC

Telephone: 86-4008058058

H Share:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Telephone: 852-28628555

Faxsimile: 852-28650990

Location where copies of this annual report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, and their names and codes

A Share:

Shanghai Stock Exchange

Stock name: 工商銀行

Stock code: 601398

H Share:

The Stock Exchange of Hong Kong Limited

Stock name: ICBC

Stock code: 1398

Offshore Preference Share:

The Stock Exchange of Hong Kong Limited

Stock name: ICBC USDPREF1

Stock code: 4603

Stock name: ICBC EURPREF1

Stock code: 4604

Stock name: ICBC CNHPREF1-R

Stock code: 84602

Domestic Preference Share:

Shanghai Stock Exchange

Stock name: 工行優1

Stock code: 360011

Sponsor of domestic preference shares:

Guotai Junan Investment Management Co., Ltd.

618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone

Sponsor representatives: Zhang Jianhua and Wu Guomei

Continuous inspection and supervision period:

11 December 2015 to 31 December 2016

Name and office address of auditors

Domestic auditors:

KPMG Huazhen LLP

8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC

CPAs (Practicing): Song Chenyang and He Qi

International auditors:

KPMG

8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Financial Highlights

(Financial data and indicators in this annual report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	2016	2015	2014	2013	2012
Annual operating results (in RMB millions)					
Net interest income	471,846	507,867	493,522	443,335	417,828
Net fee and commission income	144,973	143,391	132,497	122,326	106,064
Operating income	641,681	668,733	634,858	578,901	529,720
Operating expenses	193,112	220,835	218,674	204,140	189,940
Impairment losses	87,894	86,993	56,729	38,321	33,745
Operating profit	360,675	360,905	359,455	336,440	306,035
Profit before taxation	363,279	363,235	361,612	338,537	308,687
Net profit	279,106	277,720	276,286	262,965	238,691
Net profit attributable to equity holders of the parent company	278,249	277,131	275,811	262,649	238,532
Net cash flows from operating activities	239,221	1,131,764	201,457	(1,947)	533,508
As at the end of reporting period					
(in RMB millions)					
Total assets	24,137,265	22,209,780	20,609,953	18,917,752	17,542,217
Total loans and advances to customers	13,056,846	11,933,466	11,026,331	9,922,374	8,803,692
Allowance for impairment losses on loans	289,512	280,654	257,581	240,959	220,403
Investment	5,481,174	5,009,963	4,433,237	4,322,244	4,083,887
Total liabilities	22,156,102	20,409,261	19,072,649	17,639,289	16,413,758
Due to customers	17,825,302	16,281,939	15,556,601	14,620,825	13,642,910
Due to banks and other financial institutions	2,016,799	2,265,860	1,539,239	1,269,255	1,486,805
Equity attributable to equity holders of the parent company	1,969,751	1,789,474	1,530,859	1,274,134	1,124,997
Share capital	356,407	356,407	353,495	351,390	349,620
Net core tier 1 capital ⁽¹⁾	1,874,976	1,701,495	1,486,733	1,266,841	—
Net tier 1 capital ⁽¹⁾	1,954,770	1,781,062	1,521,233	1,266,859	—
Net capital base ⁽¹⁾	2,127,462	2,012,103	1,812,137	1,572,265	1,299,014
Risk-weighted assets ⁽¹⁾	14,564,617	13,216,687	12,475,939	11,982,187	9,511,205
Per share data (in RMB yuan)					
Net asset value per share ⁽²⁾	5.29	4.80	4.23	3.63	3.22
Basic earnings per share	0.77	0.77	0.78	0.75	0.68
Diluted earnings per share	0.77	0.77	0.78	0.74	0.67
Credit rating					
S&P ⁽³⁾	A	A	A	A	A
Moody's ⁽³⁾	A1	A1	A1	A1	A1

- Notes: (1) Data for period since 2013 were calculated in accordance with the Capital Regulation and those for 2012 were calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.
(2) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.
(3) The rating results are in the form of "long-term foreign currency deposits rating".

Financial Highlights

Financial Indicators

	2016	2015	2014	2013	2012
Profitability (%)					
Return on average total assets ⁽¹⁾	1.20	1.30	1.40	1.44	1.45
Return on weighted average equity ⁽²⁾	15.24	17.10	19.96	21.92	23.02
Net interest spread ⁽³⁾	2.02	2.30	2.46	2.40	2.49
Net interest margin ⁽⁴⁾	2.16	2.47	2.66	2.57	2.66
Return on risk-weighted assets ⁽⁵⁾	2.01	2.16	2.26	2.45	2.66
Ratio of net fee and commission income to operating income	22.59	21.44	20.87	21.13	20.02
Cost-to-income ratio ⁽⁶⁾	27.40	26.69	27.93	28.80	29.24
Asset quality (%)					
Non-performing loans ("NPL") ratio ⁽⁷⁾	1.62	1.50	1.13	0.94	0.85
Allowance to NPL ⁽⁸⁾	136.69	156.34	206.90	257.19	295.55
Allowance to total loans ratio ⁽⁹⁾	2.22	2.35	2.34	2.43	2.50
Capital adequacy (%)					
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	12.87	12.87	11.92	10.57	—
Tier 1 capital adequacy ratio ⁽¹⁰⁾	13.42	13.48	12.19	10.57	—
Capital adequacy ratio ⁽¹⁰⁾	14.61	15.22	14.53	13.12	13.66
Total equity to total assets ratio	8.21	8.11	7.46	6.76	6.43
Risk-weighted assets to total assets ratio	60.34	59.51	60.53	63.34	54.22

Notes: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

(5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expense (less taxes and surcharges) by operating income.

(7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.

(9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.

(10) Data for period since 2013 were calculated in accordance with the Capital Regulation and those for 2012 were calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

Quarterly Financial Data

(In RMB millions)	2016				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating income	168,992	159,989	155,034	157,666	165,808	170,929	167,096	164,900
Net profit attributable to equity holders of the parent company	74,764	75,453	72,575	55,457	74,324	74,697	72,740	55,370
Net cash flows from operating activities	199,614	98,018	(13,829)	(44,582)	518,295	565,554	(331,219)	379,134

Chairman's Statement



Chairman Yi Huiman

Chairman's Statement

In 2016, the recovery of world economy remained weak while economic complexity, instability and uncertainty became more conspicuous. Domestic economy operated steadily in general but was facing downward pressure and many difficulties. In face of the severe challenges such as overlapping conflicts and intertwined risks and hidden hazards at home and abroad, the Bank managed to make progress while maintaining stability, steered towards the right direction by keeping our eyes on the broader picture, implemented reform and innovation, and overcame difficulties in a responsible manner. By carrying on our good traditions and developing innovations, we attained performance results which exceeded the expectation of many and which comprised many highlights in the past year.

Stability is the priority in our performance results. Stability is the cornerstone and is important in serving the overall interest. Focused on stabilizing benefits, quality and risks, the Bank implemented targeted measures and maintained generally stable operation and development. We maintained stable profits. In face of three main factors of rising expenditure and reduced income, namely the increased credit cost, narrowing interest margin and fee cuts to the real economy, the Bank actively tapped into potential, improved efficiency, expanded sources of income and cut back on expenses. In 2016, we realized a net profit of RMB279.1 billion, up 0.5% from the previous year and continuing to hold the largest net profit base in the global banking industry. We maintained stable asset quality. In face of the downward pressure on asset quality, the Bank strengthened credit foundation management and credit quality management under the new normal, and adopted multi-pronged approaches to tackle both symptoms and root causes, focusing on the control of new loans, management and control of existing loans and disposal of non-performing loans. As at the end of 2016, the Bank's NPL ratio was controlled at 1.62%, asset quality remained stable with positive changes, the ratio of loan deterioration decreased, NPL balance and ratio increased at a rate lower than the same period of last year, and allowance to NPL increased over the previous quarter in the fourth quarter. We steadily controlled risks. In face of spreading primary, crossover and imported risks, the Bank intensified enterprise risk management and improved risk management measures in the aspects of strategy, system, instrument and mechanism, striving to cement the dam against risks and fully exert the role of a market stabilizer and risk reducing valve as a leading bank.

Progress is the main theme of our performance results. While maintaining stability, the Bank made active efforts and explorations for progress.

We gained new ground in serving the real economy. The real economy is the ultimate driver of growth of finance. The Bank followed the economic laws and trends, and improved the operating quality by seizing the opportunities presented by the supply-side structural reform and revitalization of the real economy. We improved the full-process and integrated management of incremental and existing credits as well as credit financing and non-credit financing. New loans actually granted by domestic branches in 2016 totaled RMB3 trillion, including RMB844.6 billion of new RMB and foreign-currency loans and RMB2.16 trillion loans that were recovered and relent. New non-credit financing and new investment in local government debts amounted to RMB989.8 billion, exceeding the loan increment and becoming an important source of capital for supporting the real economy. In terms of direction and structure, we dovetailed with a string of strategies such as "the 13th Five-Year Plan", the "four regions", "three supporting belts" and "Made in China 2025", and stepped up support to key projects. We steadfastly developed small and micro enterprise financial businesses and provided innovative services in that area that combined professional offline operation with standardized online operation, and became the first commercial bank in the country with a small and micro enterprise loan balance of more than RMB2 trillion. Adapting to the trend of expanded and upgraded personal consumption, the Bank saw steady rise in the proportion of residential mortgages and consumption loans in total loans. Our services for enterprises' "Going Global" drive became deeper and broader. The Bank took the lead in establishing Sino-CEE Financial Holding Corporation and Fund to participate in infrastructure and capacity cooperation under the "Belt and Road" initiative in the form of a multilateral financial company. We also gave stronger support to the merger and restructuring of enterprises, and pushed for market-based debt-for-equity swaps and asset securitization in an orderly manner, not only providing more flexible and diverse financial service options for enterprises to lower the cost and deleverage, but also helping ourselves to prevent and control risks and boost the real economy at the same time.

We made new progress in operational transformation and structural adjustment. Taking active steps to adapt to new changes during the economic transformation and upgrade, the Bank followed and studied new trends in the strategic development of international banking industry, well balanced current operation with long-term development, guided operational transformation, and boosted the strengthening of new drives of growth and rejuvenation of traditional ones. We implemented in depth strategy of mega retail, mega asset management and mega investment banking, proactively built the asset-liability management system that suited interest rate liberalization, and promoted international and diversified development. As a result, a new landscape of profit growth featuring multiple drivers and pillars has taken shape, which

enhanced our competitiveness, developing capability, and sustainable profit growth. We earnestly carried out the "two focus" strategy to guide and support branches in key cities to become better and stronger and focus on winning key markets of competition. We perfected the operating and management system at profitability units, consolidated their capability of professional operation, value creation and profit contribution, and fully invigorated transformation and development at all levels and in all fields.

We achieved new breakthroughs in reform and innovation. The Bank deliberated and implemented reform and innovation measures in such areas as governance structure, management system, operating mechanism and information technology. We fully realized that FinTech innovation is reshaping the operating and developing model of banks and their competition landscape. Spearheading industrial revolution with technological innovation has been the traditional advantage of the Bank and the key to our successful transformation. We set up "seven innovation labs" covering internet-based finance, big data and artificial intelligence, cloud computing, block chain and biological identification, established the corporate-level data application system across the board, and optimized the IT architecture from a high starting point, striving to build more open, flexible and powerful technological systems. We accelerated the combination of technology and business, strongly promoted the e-ICBC internet-based finance strategy, and ramped up efforts on building the three platforms of ICBC Mobile, ICBC Mall and ICBC Link, the online financing center and the payment product line. We renovated our outlets to be more intelligent and lighter at a faster speed, formed an online-offline integrated service system, and raised our service capability through technological and service model innovations. We launched a series of reform measures in a coordinated way, including the institutional and mechanism reform of credit operation and management, bills and interbank business reform, optimization of personnel structure, and the "last mile" of performance assessment. With these efforts, we established a new structure and new mechanism which are conducive to enhancing our competitiveness and developing capability, strengthening enterprise risk management, raising resource allocation efficiency, and motivating innovation and creativity.

2016 was a tough year after our joint-stock reform and listing. Despite the complex situations, the Bank maintained a stable performance with good momentum for high-quality growth, which responded to concerns expressed by others and stabilized market expectations. The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker* and the Global 2000 listed by *Forbes*, and topped the sub-list of commercial banks of the Global 500 in *Fortune* for the fourth consecutive year, indicating a big advancement on our international competitiveness and market image.

2016 was also a year that oversaw substantial changes in the composition of the Bank's Board of Directors and the Senior Management. Several board members and senior management members joined the Bank in 2016 and the transitional progress was smooth, maintaining a scientific and efficient level of operation within the corporate governance structure of the Bank.

Only those who try will know how hard things can be; only those who travel will know how dangerous the path is. Standing at a new historical starting point, we are fully aware that the way ahead will not be easy. Compared with our joint-stock reform and listing in the past, the reform and development today is equally pioneering, arduous and complicated albeit significant changes in the environment, conditions and tasks. Only the persistent innovators and practical achievers will embrace a bright future. We will observe the laws governing the operation of commercial banks, adhere to our strategy, fulfill our responsibilities and progress with a view to overcoming different challenges ahead. With new visions, new measures and new agendas, we will take our transformation and development efforts into a new realm and write a proud and glorious chapter in the new year.



Chairman: Yi Huiman

30 March 2017

President's Statement



President **Gu Shu**

In 2016, ICBC focused on its principal businesses, defended the bottom line and maintained a solid and steady development in spite of complicated changes in both internal and external environments. Our net profit for the year reached RMB279.1 billion, showing an increase of 0.5% as compared with the previous year. Return on weighted average equity, basic earnings per share and cost-to-income ratio met the targets set by the Board of Directors in its operation plan. Those results did not come easily. In particular, there are three encouraging developments.

First, the decline in net interest margin (NIM) was well contained. The Group's NIM was 2.16%, showing a decrease of 21 bps from last year if the replacement of business tax with VAT is not factored into the same. The decrease is basically the same as that of last year. That result is attributable mainly to our proactive efforts to improve the asset and liability structure, to enhance pricing management and to increase the efficiency of fund operation, which suppressed the decreasing trend in net interest income to a certain degree and ensured profit stability. Second, income structure was improved continuously. Net fee and commission income was RMB145.0 billion, showing an increase of 4.7% if the replacement of business tax with VAT is not factored into the same, accounting for 22.6% of operating income, an increase of 1.15 percentage points. Third, new driving forces became stronger. Domestic mega retail sector contributed RMB196.1 billion to the operating income, occupying 39.66% of the domestic institutions' revenue, which is an increase of 0.67 percentage points. Mega asset management and mega investment banking saw their driving forces becoming stronger, with income growth rate of asset custody, asset management and pension business exceeding or coming close to 10%. Overseas institutions and domestic comprehensive subsidiaries generated RMB21.13 billion of net profit, accounting for 7.6% of the Group's net profit, an increase of 0.7 percentage points. This gives a steady and strong impetus to profit growth of the Group.

Last year, we encountered grave challenges as evidenced by the number of problems and interwoven risks that were involved in operating the business, coupled with interest rate liberalization, financial disintermediation and cross-sector competition. Pursuant to the strategic objectives and tasks set by the Board of Directors and adhering to the general principle of making progress while stabilising performance, the Management transformed the development model on the one hand and guarded against risk on the other hand in a bid to enhance the steadiness, coordinateness and sustainability of development.

We were better positioned to proactively cater for the new normal in economic development and made continuous improvement on the quality of financing development. The Bank upholds the fundamental logic of adaptation, seizing the opportunity, and steering the new normal in economic development throughout our business development and the Bank focused our efforts on supporting economic transformation and upgrading the supply-side structural reform. We endeavored to transform the credit expansion mode by relying more on re-allocation of existing credit assets and increasing the turnover of assets to seize structural opportunities and prevent and control structural risks. Domestic branches granted RMB3 trillion of loans in 2016, of which new loans amounted to RMB844.6 billion and relending of recovered loans reached RMB2.16 trillion. In terms of lending structure, RMB946.6 billion of project loans were granted accumulatively, representing an increase of RMB129.8 billion year-on-year. This was mainly applied to key fields such as transportation, public facilities, functional upgrading of key cities, high-quality government-purchased services and advanced manufacturing. Retail loans, which are less capital intensive, grew faster. Domestic residential mortgages have increased by RMB717.0 billion, representing an increase of 28.8%. Loans to small and micro enterprises have also increased by RMB150.8 billion, growing faster than all other types of loans in the same period. In terms of geographical mix, large and medium-sized cities had a faster growth in loans, with first-tier cities and provincial capital cities contributing 69% of total new loans. USD23.5 billion of loans were granted to countries or regions along the "Belt and Road", showing an increase of 35.8%. Non-credit financing continued to expand. As at the end of the year, the balance of enterprise bond investment, equity financing, wealth management investment and entrusted loans amounted to RMB2.5 trillion. The increase in non-credit financing and new local government bond investment together were 1.17 times total new loans. Signed framework agreements on cooperation in debt-for-equity swap amounted to RMB55.0 billion. The integrated credit and non-credit financing services have improved our structure and quality of financing and met the diverse needs for funding caused by development of the real economy.

We were more responsive to changes in market and customer needs through faster business transformation. In a new and changing situation, sustainable banking cannot go without keeping pace with the market and customers and making demand-oriented moves. Riding on the trend of cross-market integrated development in the context of financial disintermediation and the trend of growing diversity of customer needs, we made full use of the Group's licenses and synergies to continuously improve the full-value-chain service and create greater market room for transformation of the conventional driving forces and growth of the new ones. In the mega retail field, financial assets of individual customers broke the mark of RMB12 trillion, maintaining a leading position in the market; 120 million credit cards were also issued. In the fields of mega asset management and mega investment banking, balance of wealth management products was RMB2.7

President's Statement

trillion and income from asset custody was RMB6.89 billion, representing an increase of 24.3%. Both products were leading in their respective market segments. Investment banking business income was RMB25.0 billion, with the M&A financial advisory service having a leading position in the Asia Pacific region. Meanwhile, we maintained our leading position in strategic and fundamental businesses. As always, we have treated deposits as our fundamental resources for development transformation and domestic new RMB deposits was RMB1,280.2 billion, representing a year-on-year increase of RMB610.2 billion, hence achieving the highest of the last three years.

We broadened innovative service with greater farsightedness in the trends of financial technology development. We continued to deepen the big data and informatization strategy, consolidated technological innovation resources and launched nearly one thousand application innovation projects to accelerate integrated innovation in technology and business. In particular, e-ICBC Internet-based finance was advanced in such dimensions as products, scenarios and channels. As at the end of 2016, the open online banking platform ICBC Mobile had 253 million customers, including 66.05 million active mobile terminal users, representing an increase of 64.2%. The e-commerce platform ICBC Mall reached an annual transaction volume of RMB1.27 trillion. The instant messaging platform ICBC Link had 66.49 million customers, 12.4 times that at the beginning of the year. Internet financing increased by RMB105.7 billion to RMB629.3 billion, making us the largest internet financing bank. In addition, we combined our strengths in technological innovation with our strengths in offline outlet services, improved our efforts to optimize the network of smarter and smaller outlets and established a system of integrated online and office services in an effort to enhance service capabilities and create greater value for customers at lower costs.

We pressed further ahead with comprehensive risk management to ensure all risks are under control. Risk management is the largest variable affecting our profit growth, and places the biggest pressure on business development. Challenged by the ongoing pressure on asset quality and interwoven risks, we put substantive emphasis on the core of risk management, governed loans with an iron hand, strengthened credit risk prevention and control, and strictly controlled the floodgate for new loans. We strengthened efforts to monitor outstanding loans and resolve non-performing loans (NPLs) and created a mechanism for NPL recovery and disposal to ensure stability of asset quality. As at the end of 2016, the Group's NPL ratio was 1.62%, representing an increase of 0.12 percentage points from the end of last year and a year-on-year decrease of 0.25 percentage points. The divergence between overdue loans and NPLs fell by RMB18.9 billion, representing a year-on-year decrease of RMB86.0 billion. Credit risk management showed signs of positive changes. We strengthened global market research, developed early risk prevention strategy and mitigation plan and focused on enhancing the management of off-balance-sheet risk, liquidity risk and foreign exchange risk. Risk preventions were better targeted and more effective. We strengthened internal control and compliance management, improved risk management in key areas and, in particular, intensified the compliance and anti-money laundering management of overseas institutions. We also established an information technology-assisted, automatic and smart risk management platform with the big data technology that identified and blocked 63,400 telecom frauds and protected customer funds worth of RMB930 million from risk. Thanks to these efforts, we have not only safeguarded customer funds and our own reputation, but we have also fulfilled the responsibility for fostering a sound financial ecosystem as a large bank.

With growing grasses, one can tell spring is not far away. Faced with the increasingly complex economic situation and business environment at home and abroad, the Management will stay true to the development strategy set by the Board of Directors and keep to the ultimate mission of serving the real economy with diligence. By expanding our market share via transformation and innovation, and deriving value from risk management, we will spare no efforts to pursue healthy, sustainable development of ICBC while delivering better services to our customers and creating greater return to our shareholders and the society.



President: Gu Shu

30 March 2017



Chairman of the Board of Supervisors **Qian Wenhui**

Discussion and Analysis

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

The world economy maintained a grueling recovery in 2016, despite the impacts of a series of events, including Britain's severance from the EU, the US presidential election and Italy's constitutional referendum. The US realized a steady economic growth, the European economy recovered moderately and emerging market economies stabilized and improved, with Japan still mired in economic recession. International financial markets convulsed violently, with the dollar remaining strong, global stock markets collectively rising, commodity prices picking up generally, and bond markets falling in choppy trading.

In 2016, the Chinese economy registered a slower but stable performance with good momentum for growth. China's gross domestic product (GDP), consumer price index (CPI), retail sales of consumer goods, fixed asset investment and industrial added value of above-scale enterprises rose by 6.7%, 2.0%, 10.4%, 8.1% and 6.0% respectively, while total imports and exports fell by 0.9%.

PBC continued to follow a prudent monetary policy while keeping the policy moderate and flexible, creating an appropriate monetary and financial climate for the task of stabilizing growth and supply-side structural reform. First, it further enhanced the purposefulness and effectiveness of prudent monetary policy through applying open market operations to keep liquidity moderate. Second, it effectively facilitated the innovation, opening up and standardization of financial markets by improving the bond market maker management regulations and issuing administrative measures for bill transactions. Third, it pressed ahead with the risk prevention of cross-border capital flows and trade and investment facilitation.

Money supply maintained stable growth in 2016. At the end of December, the M2 balance was RMB155.01 trillion, representing an increase of 11.3%. The outstanding RMB loans reached RMB106.6 trillion, representing an increase of 13.5%. The balance of RMB deposits registered RMB150.59 trillion, up 11.0%. The social financing scale was RMB17.8 trillion in 2016, RMB2.4 trillion more than the previous year. Stock indexes swung up and down at the beginning of the year, then steadied in general and declined at the end of the year, with a decline of 12.3% and 19.6% in the Shanghai Composite Index and the Shenzhen Component Index respectively. The capitalization of the free float stocks on the Shanghai and Shenzhen stock markets decreased by 5.9%. The accumulative issuance amount of bonds in the bond market reached RMB35.6 trillion, up 55.5%. The central parity of RMB against the US dollar was RMB6.9370, representing a depreciation of 6.39% from the end of the previous year.

Asset scale of the banking industry grew steadily, with the quality of credit assets remaining stable overall. At the end of 2016, the total assets of banking financial institutions (corporate) in China were RMB232.25 trillion, representing an increase of 15.8%. The balance of NPLs of commercial banks reached RMB1,512.3 billion; NPL ratio was 1.74%; allowance to NPL was 176.40%; core tier 1 capital adequacy ratio (CAR), tier 1 CAR and CAR were 10.75%, 11.25% and 13.28% respectively.

Looking ahead to 2017, the world economy will grow at a slow pace at large, with greater uncertainty. The improving US economy is likely to keep leading developed markets, while the European and Japanese economies will subject to higher downward pressure. Emerging markets should guard against the impacts of capital flight and trade protectionism. International financial markets will remain turbulent as a result of brewing political risks in developed countries and a persistently weak recovery of the world economy. 2017 is a critical year for the implementation of China's "13th Five-Year Plan", as well as for deepening of the supply-side structural reform. The Chinese central bank will maintain a prudent and neutral monetary policy, ensure fundamentally steady liquidity by employing various types of monetary policy instruments, implement the monetary policy in optimizing credit structure, and guide financial institutions to provide further support to key sectors and weak areas. In the meantime, it will continue to conduct the supply-side structural reform of the financial services sector, offer greater support to the government's major strategies including the initiative to cut overcapacity, promoting "mass entrepreneurship and innovation" and strategic emerging industries, and adhere to differentiated housing credit policies. It will practically prevent and eliminate financial risks and stay clear of systemic risks.

FINANCIAL STATEMENT ANALYSIS

Income Statement Analysis

In 2016, in response to a severe external business environment, with a focus on serving the real economy and meeting the financial requirements of consumers, the Bank committed to seeking progress while ensuring stability, adhered to inheritance while striving for innovation, worked to increase income while cutting expenditure, implemented strict risk prevention and control and achieved a stable performance in making profit. In 2016, the Bank realized a net profit of RMB279,106 million, representing an increase of RMB1,386 million or 0.5% as compared to the previous year. Return on average total assets stood at 1.20%, and return on weighted average equity was 15.24%. Operating income amounted to RMB641,681 million, representing a decrease of 4.0%. This was mainly due to the decrease of net interest income by 7.1% to RMB471,846 million as affected by the fall of interest margin. Non-interest income reached RMB169,835 million, representing an increase of 5.6%. Operating expenses amounted to RMB193,112 million, representing a decrease of 12.6%, and the cost-to-income ratio was 27.40%. Allowance for impairment losses was RMB87,894 million, representing an increase of 1.0%. Income tax expense reduced by 1.6% to RMB84,173 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2016	2015	Increase/ (decrease)	Growth rate (%)
Net interest income	471,846	507,867	(36,021)	(7.1)
Non-interest income	169,835	160,866	8,969	5.6
Operating income	641,681	668,733	(27,052)	(4.0)
Less: Operating expenses	193,112	220,835	(27,723)	(12.6)
Less: Impairment losses	87,894	86,993	901	1.0
Operating profit	360,675	360,905	(230)	(0.1)
Shares of profits of associates and joint ventures	2,604	2,330	274	11.8
Profit before taxation	363,279	363,235	44	0.0
Less: Income tax expense	84,173	85,515	(1,342)	(1.6)
Profit for the year	279,106	277,720	1,386	0.5
Attributable to: Equity holders of the parent company	278,249	277,131	1,118	0.4
Non-controlling interests	857	589	268	45.5

Discussion and Analysis

Net Interest Income

In 2016, net interest income was RMB471,846 million, RMB36,021 million or 7.1% lower than that of last year, accounting for 73.5% of the Bank's operating income. Interest income dropped by RMB80,299 million or 9.2% to RMB791,480 million and interest expenses decreased by RMB44,278 million or 12.2% to RMB319,634 million. Net interest spread and interest margin came at 2.02% and 2.16%, 28 basis points and 31 basis points lower than those of the previous year, respectively. During the reporting period, net interest income dropped, due to multiple factors such as the emerging influence of the five interest rate cuts and the removal of deposit interest caps by PBC in 2015, the fall of interest rates and the complete launch of the pilot programme in the financial sector with regard to the policy of "replacement of business tax with VAT" by MOF on 1 May 2016.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	2016			2015		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	12,658,686	538,219	4.25	11,607,327	616,541	5.31
Investment	4,855,583	177,298	3.65	4,333,202	170,833	3.94
Investment in bonds not related to restructuring	4,664,712	173,106	3.71	4,136,085	166,399	4.02
Investment in bonds related to restructuring ⁽²⁾	190,871	4,192	2.20	197,117	4,434	2.25
Due from central banks ⁽³⁾	2,915,005	44,678	1.53	3,161,562	47,867	1.51
Due from banks and other financial institutions ⁽⁴⁾	1,412,253	31,285	2.22	1,448,398	36,538	2.52
Total interest-generating assets	21,841,527	791,480	3.62	20,550,489	871,779	4.24
Non-interest-generating assets	1,708,483			1,515,899		
Allowance for impairment losses	(290,892)			(273,612)		
Total assets	23,259,118			21,792,776		
Liabilities						
Deposits	16,878,531	257,850	1.53	15,579,271	298,010	1.91
Due to banks and other financial institutions ⁽⁴⁾	2,595,974	44,314	1.71	2,744,339	49,801	1.81
Debt securities issued	521,697	17,470	3.35	435,460	16,101	3.70
Total interest-bearing liabilities	19,996,202	319,634	1.60	18,759,070	363,912	1.94
Non-interest-bearing liabilities	1,363,841			1,383,096		
Total Liabilities	21,360,043			20,142,166		
Net interest income		471,846			507,867	
Net interest spread			2.02			2.30
Net interest margin			2.16			2.47

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the year and that at the end of the year.

(2) Investment in bonds related to restructuring includes Huarong bonds and special government bond. Please see "Note 27. (a) to the Financial Statements: Receivables" for details.

(3) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(4) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between 2016 and 2015		
	Volume	Interest rate	Net increase/ (decrease)
Assets			
Loans and advances to customers	44,716	(123,038)	(78,322)
Investment	19,386	(12,921)	6,465
Investment in bonds not related to restructuring	19,529	(12,822)	6,707
Investment in bonds related to restructuring	(143)	(99)	(242)
Due from central banks	(3,821)	632	(3,189)
Due from banks and other financial institutions	(908)	(4,345)	(5,253)
Changes in interest income	59,373	(139,672)	(80,299)
Liabilities			
Deposits	19,041	(59,201)	(40,160)
Due to banks and other financial institutions	(2,743)	(2,744)	(5,487)
Debt securities issued	2,893	(1,524)	1,369
Changes in interest expenses	19,191	(63,469)	(44,278)
Impact on net interest income	40,182	(76,203)	(36,021)

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

Interest Income

- ♦ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB538,219 million, RMB78,322 million or 12.7% lower than those of the previous year. The interest rates of new loans and repriced existing loans during the reporting period were largely lower than those of last year, as affected by the fact that PBC cut benchmark interest rates on RMB loans five times in 2015. The policy of "replacement of business tax with VAT" launched on 1 May 2016 also resulted in the decrease of interest income on loans and advances to customers as the VAT of interest income is detached from the selling price.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	2016			2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	4,043,710	144,349	3.57	3,944,455	176,248	4.47
Medium to long-term loans	8,614,976	393,870	4.57	7,662,872	440,293	5.75
Total loans and advances to customers	12,658,686	538,219	4.25	11,607,327	616,541	5.31

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	2016			2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	7,077,009	323,952	4.58	7,060,495	394,299	5.58
Discounted bills	678,019	22,107	3.26	432,191	19,593	4.53
Personal loans	3,786,442	156,658	4.14	3,228,124	171,894	5.32
Overseas business	1,117,216	35,502	3.18	886,517	30,755	3.47
Total loans and advances to customers	12,658,686	538,219	4.25	11,607,327	616,541	5.31

Discussion and Analysis

◆ Interest Income on Investment

Interest income on investment was RMB177,298 million, RMB6,465 million or 3.8% higher than that of the previous year. Specifically, interest income on investment in bonds not related to restructuring was RMB173,106 million, representing an increase of RMB6,707 million or 4.0%, mainly because the Bank increased bond investment during the reporting period, resulting in a rise of RMB528,627 million in the average balance of investment in bonds not related to restructuring. In 2016 the market interest rate declined, and the average yield of investment in bonds not related to restructuring dropped by 31 basis points.

Interest income on investment in bonds related to restructuring arrived at RMB4,192 million, down RMB242 million or 5.5% from the previous year, mainly because advance repayment of part of the Huarong bonds resulted in a decrease in the average balance during the reporting period.

◆ Interest Income on Due from Central Banks

Interest income on due from central banks was RMB44,678 million, RMB3,189 million or 6.7% lower than that of the previous year, mainly because PBC cut deposit reserve ratio many times in 2015 and the daily average balance of due from central banks reduced by RMB246,557 million.

◆ Interest Income on Due from Banks and Other Financial Institutions

Interest income on due from banks and other financial institutions was RMB31,285 million, representing a decrease of RMB5,253 million or 14.4% as compared to that of last year, principally due to the drop of 30 basis points in the average yield of due from banks and other financial institutions as affected by the fall of interest rates during the reporting period.

Interest Expense

◆ Interest Expense on Deposits

Interest expense on deposits amounted to RMB257,850 million, representing a decrease of RMB40,160 million or 13.5% as compared to that of last year, principally due to PBC lowering the RMB benchmark deposit interest rates five times in 2015, resulting in a decrease of 38 basis points in the average cost.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2016			2015		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	3,674,017	91,153	2.48	3,655,043	115,366	3.16
Demand deposits ⁽¹⁾	4,807,607	31,855	0.66	4,114,568	30,170	0.73
Subtotal	8,481,624	123,008	1.45	7,769,611	145,536	1.87
Personal deposits						
Time deposits	4,263,288	114,513	2.69	4,074,196	132,964	3.26
Demand deposits	3,440,581	10,597	0.31	3,131,445	10,439	0.33
Subtotal	7,703,869	125,110	1.62	7,205,641	143,403	1.99
Overseas business	693,038	9,732	1.40	604,019	9,071	1.50
Total deposits	16,878,531	257,850	1.53	15,579,271	298,010	1.91

Note: (1) Includes outward remittance and remittance payables.

◆ *Interest Expense on Due to Banks and Other Financial Institutions*

Interest expense on due to banks and other financial institutions was RMB44,314 million, RMB5,487 million or 11.0% lower than the previous year, principally attributable to a decrease of RMB148,365 million in average balance of due to banks and other financial institutions.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB17,470 million, RMB1,369 million or 8.5% higher than that of last year, mainly attributable to the increase in the issuance of corporate bonds and bills by overseas institutions. Please refer to "Note 38. to the Financial Statements: Debt Securities Issued" for the debt securities issued by the Bank.

Non-interest Income

The Bank actively optimized income structure. In 2016, the Bank realized non-interest income of RMB169,835 million, RMB8,969 million or 5.6% higher than that of the previous year. The non-interest income took up 26.5% of the operating income, up 2.4 percentage points. Specifically, net fee and commission income grew by 1.1% to RMB144,973 million, and other non-interest income grew by 42.3% to RMB24,862 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2016	2015	Increase/ (decrease)	Growth rate (%)
Bank card business	37,670	37,684	(14)	0.0
Personal wealth management and private banking services	37,625	35,910	1,715	4.8
Settlement, clearing business and cash management	26,108	27,986	(1,878)	(6.7)
Investment banking business	25,024	26,791	(1,767)	(6.6)
Corporate wealth management services	20,440	18,305	2,135	11.7
Asset custody business	6,893	5,544	1,349	24.3
Guarantee and commitment business	5,950	4,687	1,263	26.9
Trust and agency services	1,907	1,979	(72)	(3.6)
Others	3,097	2,784	313	11.2
Fee and commission income	164,714	161,670	3,044	1.9
Less: Fee and commission expense	19,741	18,279	1,462	8.0
Net fee and commission income	144,973	143,391	1,582	1.1

Continuously centered on customer demands, the Bank promoted innovation in products, services and channels, offered greater discounts for settlement business, and propelled strategic transformation and development of retail, asset management, investment banking and other businesses. In 2016, the Bank realized fee and commission income of RMB164,714 million, RMB3,044 million or 1.9% higher than that of the previous year. Specifically, income from personal wealth management and private banking services increased by RMB1,715 million, mainly due to the increase of income from personal insurance brokerage business. Income from corporate wealth management services rose by RMB2,135 million, mainly due to the increase in investment management fee of corporate wealth management products, income from corporate foreign exchange business and income from agency bond issuance and underwriting. Income from asset custody business increased by RMB1,349 million, mainly because of the increase of custody assets. Income from guarantee and commitment business recorded an increase of RMB1,263 million, mainly due to the growth of income from commitment business.

Income from settlement, clearing business and cash management services and investment banking business was lowered compared to the previous year because of a series of factors, including voluntary lowering or exemption of certain business fees in order to reduce fees and share profits with the real economy and consumers, greater discounts for settlement business, lowered income from personal RMB settlement business, as well as decreased income from international settlement business and investment banking advisory services due to external economic environment.

Discussion and Analysis

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	2016	2015	Increase/ (decrease)	Growth rate (%)
Net trading income	6,457	4,227	2,230	52.8
Net loss on financial assets and liabilities designated at fair value through profit or loss	(104)	(5,953)	5,849	N/A
Net gain on financial investments	4,545	4,920	(375)	(7.6)
Other operating income, net	13,964	14,281	(317)	(2.2)
Total	24,862	17,475	7,387	42.3

Other non-interest related gain was RMB24,862 million, RMB7,387 million or 42.3% higher than that of the previous year. Specifically, net loss on financial assets and liabilities designated at fair value through profit or loss declined by RMB5,849 million, mainly because of a decrease in the Bank's expenses in payment to customers related to structural deposits due to the changes of wealth management product structure. Net trading income increased by RMB2,230 million, mainly driven by the increasing income from derivative valuation.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2016	2015	Increase/ (decrease)	Growth rate (%)
Staff costs	113,354	114,173	(819)	(0.7)
Premises and equipment expenses	28,414	28,114	300	1.1
Taxes and surcharges	17,319	42,320	(25,001)	(59.1)
Amortisation	2,059	2,295	(236)	(10.3)
Others	31,966	33,933	(1,967)	(5.8)
Total	193,112	220,835	(27,723)	(12.6)

The Bank continued to exercise strict cost control and management. Operating expenses recorded at RMB193,112 million, RMB27,723 million or 12.6% lower than that of the previous year. Specifically, taxes and surcharges dropped by RMB25,001 million, principally because the Bank replaced the business tax with VAT since 1 May 2016, resulting in the decrease of business tax expense. Staff costs decreased by 0.7% to RMB113,354 million. Other operating expenses decreased by 5.8% to RMB31,966 million, mainly because the tax originally included in the operating expenses was adjusted to taxes and surcharges and expenses on electricity, printing, purchase of low-value consumables and other items dropped relatively significantly.

Impairment Losses

In 2016, the Bank set aside an allowance for impairment losses of RMB87,894 million, an increase of RMB901 million or 1.0% as compared to that of last year. Specifically, the allowance for impairment losses on loans was RMB86,138 million, indicating an increase of RMB116 million or 0.1%. Please refer to "Note 26. to the Financial Statements: Loans and Advances to Customers" and "Note 15. to the Financial Statements: Impairment Losses on Assets Other than Loans and Advances to Customers" for details.

Income Tax Expense

Income tax expense was RMB84,173 million, RMB1,342 million or 1.6% lower than that of the previous year. The effective tax rate stood at 23.17%. Please see "Note 16. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.

Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the MOVA (Management of Value Accounting) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2016		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	314,398	49.0	325,914	48.7
Personal banking	238,133	37.1	244,445	36.6
Treasury operations	84,488	13.2	92,612	13.8
Others	4,662	0.7	5,762	0.9
Total operating income	641,681	100.0	668,733	100.0

Please refer to the section headed "Discussion and Analysis — Business Overview" for the details on the development of each of these operating segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2016		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	70,265	11.0	76,854	11.5
Yangtze River Delta	113,430	17.7	117,661	17.6
Pearl River Delta	79,974	12.5	81,307	12.2
Bohai Rim	123,491	19.2	131,004	19.6
Central China	79,703	12.4	84,447	12.6
Western China	97,032	15.1	104,258	15.6
Northeastern China	28,451	4.4	30,897	4.6
Overseas and others	49,335	7.7	42,305	6.3
Total operating income	641,681	100.0	668,733	100.0

Note: Please see "Note 53. to the Financial Statements: Segment Information" for the Bank's classification of geographic regions.

Balance Sheet Analysis

In 2016, the Bank timely adjusted its business strategy based on the external macroeconomic environment, improved the asset and liability structure, maintained coordinated development of deposit and loan business, and enhanced the efficiency of resource allocation for assets and liabilities. Taking development needs of the real economy into account, the Bank reasonably controlled the aggregate amount, direction and pace of lending. Closely monitoring the trends of the domestic and international financial markets, the Bank appropriately expanded its investment scale and optimized the structure of investment portfolios. Furthermore, the Bank actively adopted measures to promote steady growth in due to customers, and refined the liability period structure, thereby ensuring a stable and sustainable growth of funding sources.

Discussion and Analysis

Assets Deployment

As at the end of 2016, total assets of the Bank amounted to RMB24,137,265 million, RMB1,927,485 million or 8.7% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as "total loans") increased by RMB1,123,380 million or 9.4%, investment increased by RMB471,211 million or 9.4%, and cash and balances with central banks increased by RMB291,155 million or 9.5%. In terms of structure, net loans and advances to customers accounted for 52.9% of total assets; investment accounted for 22.7%; and cash and balances with central banks accounted for 13.9%.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

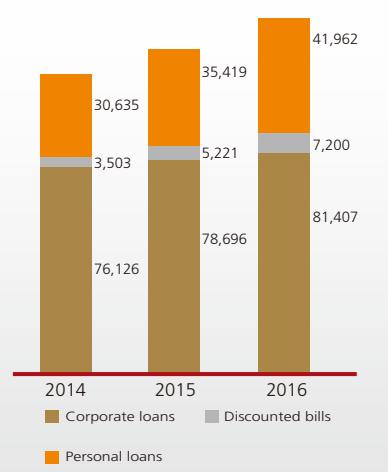
Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	13,056,846	—	11,933,466	—
Less: Allowance for impairment losses on loans	289,512	—	280,654	—
Loans and advances to customers, net	12,767,334	52.9	11,652,812	52.5
Investment	5,481,174	22.7	5,009,963	22.5
Cash and balances with central banks	3,350,788	13.9	3,059,633	13.8
Due from banks and other financial institutions	797,473	3.3	683,793	3.1
Reverse repurchase agreements	755,627	3.1	996,333	4.5
Others	984,869	4.1	807,246	3.6
Total assets	24,137,265	100.0	22,209,780	100.0

Loan

In 2016, in response to the changes in macroeconomic environment and financial regulatory requirements, the Bank actively implemented national policies, further supported the supply-side structural reform, continued to improve the credit structure and worked hard to enhance its quality and efficiency in serving the real economy. The Bank continued to bolster the government's key programs and significant construction projects, and proactively aligned with the national development strategies on the "four regions" (western regions, northeastern regions, eastern regions and central regions) and the "three supporting belts" (the "Belt and Road" initiative, the coordinated development of the Beijing-Tianjin-Hebei region and the development of the Yangtze River Economic Zone). In addition, it strove to promote the innovative small and micro enterprises financial service model and took initiatives to back up the citizens' reasonable credit requirement and consumption upgrading. As at the end of 2016, total loans amounted to RMB13,056,846 million, RMB1,123,380 million or 9.4% higher compared with the end of the previous year, of which, RMB-denominated loans of domestic branches were RMB11,442,941 million, RMB844,905 million or 8.0% higher than that at the end of 2015.

Composition of Loan

Unit: RMB100 millions



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	8,140,684	62.4	7,869,552	65.9
Discounted bills	719,993	5.5	522,052	4.4
Personal loans	4,196,169	32.1	3,541,862	29.7
Total	13,056,846	100.0	11,933,466	100.0

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	2,729,873	33.5	2,885,948	36.7
Medium to long-term corporate loans	5,410,811	66.5	4,983,604	63.3
Total	8,140,684	100.0	7,869,552	100.0

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	3,420,387	42.0	3,454,731	43.9
Including: Trade finance	601,526	7.4	670,325	8.5
Project loans	4,209,340	51.7	3,936,017	50.0
Property loans	510,957	6.3	478,804	6.1
Total	8,140,684	100.0	7,869,552	100.0

Corporate loans rose by RMB271,132 million or 3.4% from the end of last year. In terms of product type, working capital loans reduced by RMB34,344 million, mainly because of the decrease in enterprises' credit demands for working capital as affected by economic structural adjustment and industry transformation and upgrading and decrease in import and export values. Project loans increased by RMB273,323 million or 6.9%, mainly due to the continuous support for national key programs and significant projects and the strengthened support for development of real economy and industry transformation and upgrading.

Discounted bills rose by RMB197,941 million or 37.9% compared with the end of last year, principally because the Bank moderately increased its asset allocation to discounted bills to satisfy the management requirements of asset-liability portfolios.

Discussion and Analysis

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgages	3,240,838	77.2	2,516,197	71.1
Personal consumption loans	247,020	5.9	311,075	8.8
Personal business loans	256,272	6.1	295,091	8.3
Credit card overdrafts	452,039	10.8	419,499	11.8
Total	4,196,169	100.0	3,541,862	100.0

Personal loans increased by RMB654,307 million or 18.5% than that at the end of last year. Specifically, residential mortgages grew by RMB724,641 million or 28.8%, mainly because the Bank actively supported the citizens' borrowing need for owner-occupied houses in line with the adjustment of governmental property policy. Personal consumption loans dropped by RMB64,055 million or 20.6%, principally because the Bank strengthened management on the purposes of personal consumption loans and personal consumption financing demand declined as Internet-based finance was becoming more competitive. Personal business loans declined by RMB38,819 million or 13.2%, mainly dragged down by the decreasing demand of some small and micro business owners for effective financing. Credit card overdrafts grew by RMB32,540 million or 7.8%, primarily attributable to a stable growth in the number of credit cards issued and their consumption volume as well as the development of credit card installment business.

Please see "Discussion and Analysis — Risk Management" for detailed analysis of the Bank's loans and their quality.

Investment

In 2016, the Bank continued to improve the bond portfolio investment structure, strongly supported the development of real economy, and appropriately expanded its investment scale on the basis of guaranteeing liquidity and controllable risk. As at the end of 2016, investment amounted to RMB5,481,174 million, RMB471,211 million or 9.4% higher compared with the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	5,196,535	94.8	4,775,767	95.3
Investment in bonds not related to restructuring	4,982,776	90.9	4,548,687	90.8
Investment in bonds related to restructuring	179,249	3.3	193,187	3.9
Other debt instruments	34,510	0.6	33,893	0.6
Equity instruments and others	284,639	5.2	234,196	4.7
Total	5,481,174	100.0	5,009,963	100.0

Investment in bonds not related to restructuring amounted to RMB4,982,776 million, representing an increase of RMB434,089 million or 9.5% as compared to the end of last year. Investment in bonds related to restructuring amounted to RMB179,249 million, representing a decrease of RMB13,938 million, mainly due to advance repayment of part of the Huarong bonds. For details of the investment in bonds related to restructuring, please refer to "Note 27.(a) to the Financial Statements: Receivables".

Discussion and Analysis

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	2,399,463	48.1	1,468,674	32.3
Central bank bills	58,024	1.2	356,425	7.8
Policy bank bonds	1,319,450	26.5	1,513,092	33.3
Other bonds	1,205,839	24.2	1,210,496	26.6
Total	4,982,776	100.0	4,548,687	100.0

In terms of distribution by issuers, government bonds increased by RMB930,789 million or 63.4%; central bank bills decreased by RMB298,401 million or 83.7%; policy bank bonds went down by RMB193,642 million or 12.8%; and other bonds dropped by RMB4,657 million or 0.4%. The Bank stepped up the investment in local government bonds and treasury bonds in order to support the development of real economy under the influence of changes in normal maturity of bonds and supply structure of the bond market, the balances of central bank bills, policy bank bonds and other bonds declined by different extent during the reporting period.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated ⁽¹⁾	150	0.0	141	0.0
Less than 3 months	328,648	6.6	330,174	7.3
3 to 12 months	729,375	14.6	873,122	19.2
1 to 5 years	2,415,432	48.5	2,243,337	49.3
Over 5 years	1,509,171	30.3	1,101,913	24.2
Total	4,982,776	100.0	4,548,687	100.0

Note: (1) Refers to impaired bonds.

In terms of remaining maturity structure, bonds not related to restructuring within 1-year maturity decreased by RMB145,264 million from the end of the previous year and their percentage decreased by 5.2 percentage points; and bonds not related to restructuring beyond 5-year maturity increased by RMB407,258 million or 6.1 percentage points. This is mainly due to the increase of medium and long term bonds resulted from the relatively longer maturity of new investment in local government bonds.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	4,641,121	93.1	4,290,104	94.3
USD-denominated bonds	246,275	5.0	176,607	3.9
Other foreign currency bonds	95,380	1.9	81,976	1.8
Total	4,982,776	100.0	4,548,687	100.0

Discussion and Analysis

In terms of currency structure, RMB-denominated bonds rose by RMB351,017 million or 8.2%; USD-denominated bonds increased by the equivalent of RMB69,668 million or 39.4%; and other foreign currency bonds increased by an equivalent of RMB13,404 million or 16.4%. During the reporting period, the Bank adjusted the currency structure of its foreign currency bond portfolios, increased the percentage of USD-denominated bonds and enhanced the liquidity.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss ⁽¹⁾	474,475	8.7	343,272	6.9
Available-for-sale financial assets ⁽²⁾	1,742,287	31.8	1,444,195	28.8
Held-to-maturity investments ⁽²⁾	2,973,042	54.2	2,870,353	57.3
Receivables ⁽²⁾	291,370	5.3	352,143	7.0
Total	5,481,174	100.0	5,009,963	100.0

Notes: (1) Includes financial assets held for trading and financial assets designated at fair value through profit or loss.

(2) Please see "Note 27. to the Financial Statements: Financial Investments" for details.

As at the end of 2016, the Group held RMB2,000,925 million of financial bonds¹, including RMB1,319,450 million of policy bank bonds and RMB681,475 million of bonds issued by banks and non-bank financial institutions, accounting for 65.9% and 34.1% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity	Impairment loss
Policy bank bonds 2007	17,300	5.07%	29 November 2017	–
Policy bank bonds 2008	16,228	4.95%	11 March 2018	–
Policy bank bonds 2011	14,018	4.49%	25 August 2018	–
Policy bank bonds 2011	11,430	4.25%	24 March 2018	–
Policy bank bonds 2012	11,420	3.94%	21 August 2019	–
Policy bank bonds 2012	11,300	4.04%	25 June 2022	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–
Policy bank bonds 2012	10,993	3.76%	13 July 2019	–
Policy bank bonds 2011	10,505	4.62%	22 February 2021	–
Policy bank bonds 2014	10,410	5.75%	14 January 2019	–

¹ Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bills.

Liabilities

As at the end of 2016, total liabilities of the Bank amounted to RMB22,156,102 million, RMB1,746,841 million or 8.6% higher than that at the end of the previous year.

LIABILITIES

In RMB millions, except for percentages

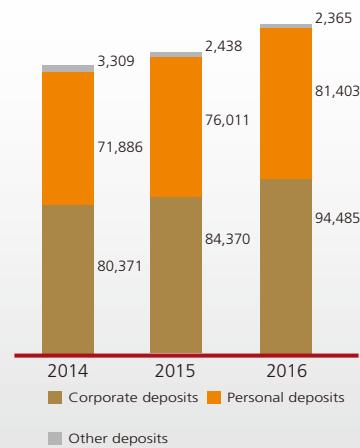
Item	At December 31, 2016		At December 31, 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	17,825,302	80.5	16,281,939	79.8
Due to banks and other financial institutions	2,016,799	9.1	2,265,860	11.1
Repurchase agreements	589,306	2.7	337,191	1.7
Debt securities issued	357,937	1.6	306,622	1.5
Others	1,366,758	6.1	1,217,649	5.9
Total liabilities	22,156,102	100.0	20,409,261	100.0

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of 2016, due to customers was RMB17,825,302 million, RMB1,543,363 million or 9.5% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB1,011,506 million or 12.0%; and the balance of personal deposits increased by RMB539,167 million or 7.1%. In terms of maturity structure, the balance of time deposits increased by RMB456,788 million or 5.6%, while the balance of demand deposits increased by RMB1,093,885 million or 13.8%.

Composition of Due to Customers

Unit: RMB100 millions



Discussion and Analysis

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	4,176,834	23.4	3,929,353	24.1
Demand deposits	5,271,686	29.6	4,507,661	27.7
Subtotal	9,448,520	53.0	8,437,014	51.8
Personal deposits				
Time deposits	4,419,907	24.8	4,210,600	25.9
Demand deposits	3,720,374	20.9	3,390,514	20.8
Subtotal	8,140,281	45.7	7,601,114	46.7
Other deposits⁽¹⁾	236,501	1.3	243,811	1.5
Total	17,825,302	100.0	16,281,939	100.0

Note: (1) Includes outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	69,210	0.4	74,081	0.5
Yangtze River Delta	3,456,697	19.4	3,185,840	19.5
Pearl River Delta	2,397,059	13.4	2,086,992	12.8
Bohai Rim	4,795,528	26.9	4,339,841	26.6
Central China	2,561,772	14.4	2,374,052	14.6
Western China	2,881,274	16.2	2,717,941	16.7
Northeastern China	986,703	5.5	938,199	5.8
Overseas and others	677,059	3.8	564,993	3.5
Total	17,825,302	100.0	16,281,939	100.0

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits ⁽¹⁾	9,783,195	54.9	8,515,746	52.3
Less than 3 months	2,145,423	12.0	2,133,439	13.1
3 to 12 months	3,705,472	20.8	3,574,017	22.0
1 to 5 years	2,185,850	12.3	2,055,662	12.6
Over 5 years	5,362	0.0	3,075	0.0
Total	17,825,302	100.0	16,281,939	100.0

Note: (1) Includes time deposits payable on demand.

In terms of the currency structure, the balance of RMB deposits amounted to RMB16,722,751 million, which accounted for 93.8% of the total balance of due to customers, RMB1,286,765 million or 8.3% higher than that at the end of the previous year. The balance of foreign currency deposits was equivalent to RMB1,102,551 million, an increase of RMB256,598 million or 30.3%.

Repurchase Agreements

Repurchase agreements were RMB589,306 million, representing an increase of RMB252,115 million or 74.8% from the end of the previous year, mainly because the Bank appropriately increased funds raised from the public market based on its internal and external liquidity status.

Shareholders' Equity

As at the end of 2016, shareholders' equity amounted to RMB1,981,163 million in aggregate, RMB180,644 million or 10.0% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB180,277 million or 10.1% to RMB1,969,751 million. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

For details on off-balance sheet items, please refer to "Note 48. to the Financial Statements: Commitments and Contingent Liabilities; Note 49. to the Financial Statements: Designated Funds and Loans".

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB239,221 million, representing a decrease of RMB892,543 million as compared to the previous year, mainly due to the cash outflows as a result of lower deposits from banks and other financial institutions instead of cash inflows in the previous year and cash outflows caused by increased cash and balances with central banks instead of cash inflows in the previous year. Specifically, net cash outflows of operating assets increased by RMB584,785 million and net cash inflows of operating liabilities dropped by RMB295,639 million.

Net cash outflows from investing activities amounted to RMB468,932 million. Specifically, cash inflows were RMB2,064,415 million, representing an increase of RMB681,761 million, mainly due to the increased proceeds from the recovery of investment assets; and cash outflows were RMB2,533,347 million, representing a growth of RMB483,732 million from the previous year, mainly due to the increase in cash payment generated from bond investment.

Net cash outflows from financing activities amounted to RMB50,786 million, of which, cash inflows were RMB904,876 million, mainly due to the issuance of debt securities by overseas institutions; and cash outflows were RMB955,662 million, mainly due to the repayment of debt securities.

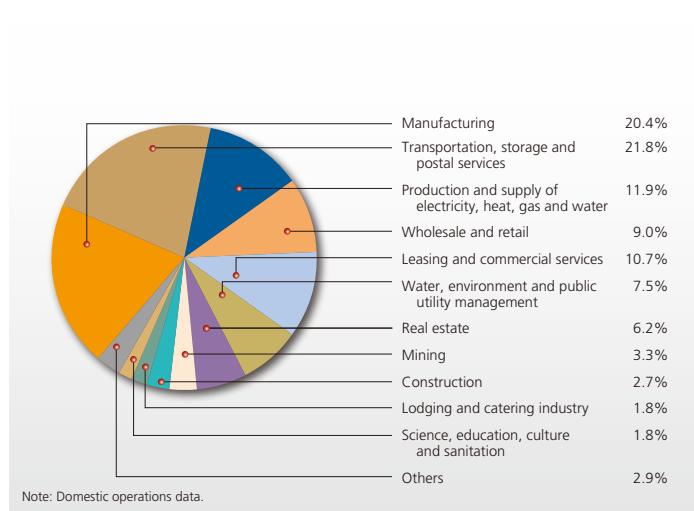
BUSINESS OVERVIEW

Corporate Banking

Facing the new normal of economic development, the Bank strove to develop its corporate banking business by continuing to support the growth of the real economy and facilitate the supply-side structural reform. Through innovation, the Bank tapped into new markets.

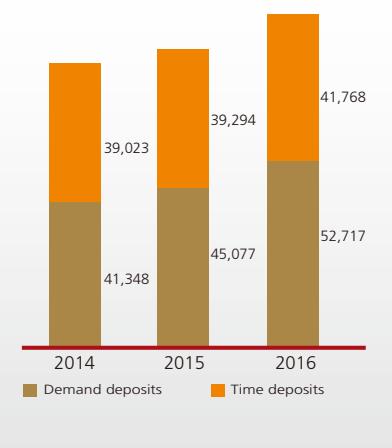
- ❖ In line with the national strategies such as the “three supporting belts” and the “four regions”, the Bank supported national key construction projects as a priority and also actively supported vital industries including infrastructure construction, transportation and logistics, modern services and energy, thereby facilitating the economic restructuring and upgrade.
- ❖ In response to the tendency of financial disintermediation, the Bank attached great importance to restructuring and reasonably deployed overall financing. With moderate growth in financing aggregate, it optimized the tenure arrangement and the investment strategies in terms of regions, industries, in- and off- balance sheet businesses and other products.
- ❖ For global development, the Bank pooled efforts from all dimensions and served cross-border customers with global syndicated loans and cross-border project pool. Capitalizing on the opportunities in overseas bond issuing, it successfully underwrote bonds in USD and EUR for a number of major customers via its marketing initiatives.
- ❖ To tackle with the impact from the internet, the Bank sped up the expansion of internet financing. It rolled out two types of products, “Quick Loan” and “Micro Loan” and launched such innovative products as internet unsecured loan for corporate customers, financing pledged with the assets in the online bill pool of corporate customers and online issuing of acceptance drafts under E-banking.
- ❖ The Bank was awarded the title of the “Best Corporate Bank in China” by *Global Finance* for seven years in a row. It was ranked first in the Asia Pacific region in terms of the aggregated amount of syndicated loans as lead arranger by Thomson Reuters.
- ❖ At the end of 2016, the number of the Bank’s corporate customers increased by 463 thousand over the end of the previous year to 5,784 thousand. The balance of corporate loans reached RMB8,140,684 million, representing an increase of RMB271,132 million or 3.4% over the end of the previous year. The balance of corporate deposits hit RMB9,448,520 million, representing an increase of RMB1,011,506 million or 12.0%.

Breakdown of Corporate Loans by Industry



Growth of Corporate Deposits

Unit: RMB100 millions



Small and Medium-Sized Enterprise Business

- ❖ The Bank promoted its specialized business model of micro and small enterprise banking centers, and established 198 such centers. The centers boasted higher efficiency and better service quality with their batch-based, standardized and one-stop services.
- ❖ The Bank constantly innovated new products. It launched the petty secured loan to micro customers, the fixed asset procurement and construction loan to small and micro enterprises, the unsecured loan for tax payment of small and micro enterprises and the start-up secured loan, among other new products. Besides, it put more efforts to market the Government Subsidies loan, petty unsecured loan to small and micro enterprises, business property loan, standard plant mortgage loan and other key products.
- ❖ The Bank was honored with the “SME Business Bank with Excellent Competitiveness” by China Business Journal. The “ICBC Small and Micro Enterprise Banking” brand won the “Excellent Banking Service Award of the Year” in the China International Financial Exhibition.

LOANS TO DOMESTIC SMALL (MICRO) AND MEDIUM-SIZED ENTERPRISES

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans to small (micro) and medium-sized enterprises	4,803,727	41.0	4,738,830	43.5
Medium-sized enterprises	2,769,684	23.7	2,855,622	26.2
Small and micro enterprises	2,034,043	17.3	1,883,208	17.3

Notes: (1) “Percentage” refers to the proportion against domestic branch loans.

(2) Small and micro enterprises loans include loans granted to small and micro enterprises, loans to privately or individually-owned business and loans to small and micro enterprise owners.

Institutional Banking

- ❖ The Bank gave impetus to innovation via cooperation with other financial institutions. The Bank kept leading the market in the amount of funds under custody for seven consecutive years.
- ❖ The Bank ranked first in the banking industry in terms of the amount of central finance and the number of government business cards issued under agency service, the amount of payments from pooled social security funds, as well as the number and investment volume of local government bonds for which it was the underwriter.
- ❖ The Bank stepped up efforts to promote the electronic systems for payment of cross-province traffic fines and centralized payment of local national treasury, with the business volume and transaction amount at the top of its peers. Moreover, it launched the electronic collection and payment of local non-tax revenue, making it the only pilot bank which launched all the payment channels at one go.

Settlement and Cash Management

- ❖ Exploring internet-based finance, the Bank actively rolled out new products and services. It expanded the customer size and cemented customer base via five platforms, namely, Industrial and Commercial Enterprise Link, Small and Micro Enterprise Platform, ICBC e-Trade, ICBC e-Payment and Large-amount Fund Monitoring.
- ❖ The Bank innovated global cash management services in an effort to help Chinese enterprises go global. It actively marketed comprehensive financial solutions for cash management. In line with the policy on centralized operation of cross-border RMB and foreign exchange of multinational companies and the policy on financial reform pilot zones, the Bank provided customers with a full package of financial solutions covering six business lines, namely, account information, collection and payment, liquidity management, investment and financing and risk management.

Discussion and Analysis

- ❖ At the end of 2016, the Bank maintained 6,960 thousand corporate settlement accounts, representing an increase of 8.8% over the end of the previous year, and the volume of settlements reached RMB2,430 trillion, up 7.3% over the previous year. The Bank maintained its leading position in the business size. The number of cash management customers grew by 12.7% to 1,431 thousand, including 5,764 global cash management customers, representing an increase by 17.3% from last year.

International Settlement and Trade Finance

- ❖ Against the backdrop of ongoing sluggish foreign trade and more volatile RMB exchange rate, the Bank expanded its export business through product innovation, credit policies, approval procedures, green channels and other methods.
- ❖ The Bank kept enlarging the pilot coverage of the Bolero electronic document presentation business and signed a headquarter-level cooperation agreement with ESS DOCS. It also further diversified its cross-border remittance products.
- ❖ In 2016, domestic branches disbursed an aggregate of USD70.2 billion in international trade finance. International settlements registered USD2.5 trillion, of which USD897.3 billion were handled by overseas institutions.

Investment Banking

- ❖ The Bank promoted its equity financing businesses in funds portfolio, government investment funds, mixed ownership reform, public-private-partnership (PPP) projects, industry funds and market-based funds, successfully operated influential fund businesses including China Government-Enterprise Cooperation Fund, China Internet Investment Fund, Guizhou Poverty Alleviation Fund and SDIC Advanced Manufacturing Investment Fund, and offered equity financing advisory service for almost 100 companies.
- ❖ The Bank actively expanded its merger and acquisition (M&A) advisory business. It engaged in various domestic and overseas M&A projects including Sunac China's acquisition of Raycom's equities, Yunnan City Investment's acquisition of Chengdu New International Convention and Exhibition Center, Joyson Electronics' acquisition of KSS, the fourth largest global producer of automotive security systems, Biostime's acquisition of Swisse, a leading health care brand in Australia and Midea Group's acquisition of German KUKA Roboter GmbH.
- ❖ The Bank developed a new business line of investment banking – debt advisory service, with focus on infrastructure and emerging industries and other important industries, and engaged in a number of structured financing projects with Yunnan Provincial Railway Investment Corporation, Transport Department of Shanxi Province, China Reform Investment, Jiangsu Tianpu Hongxin Scientific Park and Chengdu Financing Holding Group, etc.
- ❖ The Bank actively expanded its bond underwriting business and underwrote various debt financing instruments with a total value of RMB1,522.4 billion as the lead underwriter throughout 2016. Implementing the concept of "green finance", the Bank supported financing of projects via bond underwriting and other direct financing products in areas such as energy conservation and environment protection, pollution prevention and control, resource conservation and recycling. The volume of the green bonds it underwrote amounted to RMB38.3 billion, making the Bank the largest green bond underwriter in China.
- ❖ In 2016, fee income from investment banking was RMB25,024 million.

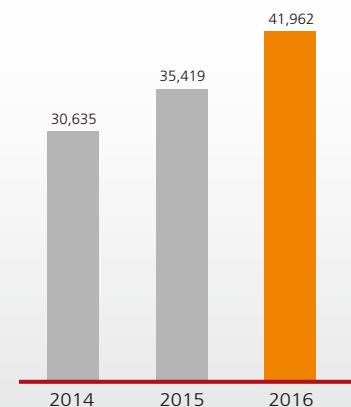
Personal Banking

With the mega retail strategy in mind, the Bank actively explored the integration of the internet, big data, artificial intelligence and other new technologies with the traditional banking services, focused on creating value with information, and advanced the transformation of marketing models and innovation of customer services and products.

- ❖ The Bank was the first in the banking industry to debut the "ICBC Cloud Manager" special service which provides online financial services covering information access, product promotion, inquiry and online reservation via ICBC Link, telephone, SMS and other means. Besides, an internet bank-hospital service platform was also established.
- ❖ The Bank took the lead in offering and promoting a variety of innovative retail banking products including the introduction of Type II and III accounts, information verification and multiple ways of transfer and remittance. It also established the bank-wide uniform personal customer labeling, researched, developed and released the customer profile marketing system for personal customers and created the multi-dimensional personal customer profiles with their characteristics so as to develop tailored and integrated recommendation of products and services for individual customers and automatically assess the investment behaviors and risk appetites of customers.
- ❖ The Bank optimized the functions of Salary Premium No. 1, Jie Jie Gao No. 2 and CDs for personal customers by releasing the paper-based CDs and Jie Jie Gao deposit and adding the real-time limit inquiry function of CDs to drive the swift growth of innovative deposit products.
- ❖ The Bank actively backed the citizens' reasonable demand of funding for owner-occupied houses and better houses, propelled the optimization of the business management mechanism for residential mortgages, ameliorated policies and procedures, and rolled out innovative products such as loans for discharging mortgages and subsidized loans for change of housing provident fund loans to commercial loans. The customer experience became increasingly better.
- ❖ Grasping the opportunities arising from personal consumption upgrade, the Bank further promoted self-service loans pledged with personal financial assets under the guidance of internet thinking. It accelerated the system integration and innovation of mortgage loans for consumption and released the integrated consumption loan mortgaged with personal properties.
- ❖ At the end of 2016, personal financial assets totaled RMB12.20 trillion, representing an increase of RMB0.61 trillion compared with the end of last year and making the Bank remain the largest holder of personal financial assets. Meanwhile, the Bank had 530 million personal customers, including 11.33 million personal loan customers, representing an increase of 33.02 million and 0.89 million from the end of the previous year respectively. The personal loans stood at RMB4,196,169 million, representing an increase of RMB654,307 million or 18.5%. The personal deposits arrived at RMB8,140,281 million, representing an increase of RMB539,167 million or 7.1%.

Growth of Personal Loans

Unit: RMB100 millions



Private Banking

- ❖ The Bank proactively adjusted the strategies on product offering and investment. It increased the offering of wealth management products for privileged private banking customers and modified the fundamental off-the-shelf products on a value only basis. Besides, it accelerated the expansion of innovative businesses, conducted agency investment services on a pilot basis for pledged financial assets, FOF equity funds, etc. It also promoted and implemented its pilot family wealth management business.
- ❖ The Bank promoted its speedy development of overseas private banking centers. The Bank built a Hong Kong Private Banking and Wealth Management Product Center, enhanced the building of its global wealth management funds and sales network, and successfully issued the second sub-fund of the global wealth management fund.

Discussion and Analysis

- ❖ The Bank was awarded the "Best Private Bank in China" by The Asset again, the "Best Private Bank in China" and the "Best Private Bank for Global Investment Exposure" by Asiamoney, and the "Best Private Bank Brand in China" by Securities Times.
- ❖ At the end of 2016, the Bank maintained 70,100 private banking customers, representing an increase of 7,700 or 12.3% from the end of the previous year. Assets under management amounted to RMB1.21 trillion, growing by RMB146.8 billion or 14.2% from the end of the previous year.

Bank Card Business

- ❖ The Bank was the first bank in China to establish a merchant development center for full-scale implementation of the merchant development strategies which are integrated online and offline, organization and facilitation of the marketing and promotion among all the merchants of the Bank and establishment and improvement of a payment acceptance environment.
- ❖ The Bank kept enriching the mobile payment products and service system and covered all the online, offline and O2O payment scenarios.
- ❖ The Bank comprehensively improved the bank card security management, actively implemented classified management of accounts, and issued the first physical Type II debit card in China. It further adjusted the product structure, and promoted the issuing of native cipher algorithm-based cards and single chip cards. The chip debit cards issued accounted for 59.5% of all the debit cards.
- ❖ The Bank was awarded the "Best Consumer Credit Card in China" by *Global Finance*, the "Best Credit Card of the Year" by Sina.com, the "Excellent Credit Card Brand" by *National Business Daily* and the "Gold Credit Card Bank of the Year" by *Financial Money*.
- ❖ At the end of 2016, the Bank issued 830 million bank cards, representing an increase of 81.45 million cards from the end of the previous year. Bank card business generated a fee income of RMB37,670 million.

Financial Asset Services

Seizing the opportunities arising from customers' wealth increase and capital market growth, the Bank made efforts to establish a mega asset management business system across the whole value chain and enhance its specialized operating capabilities on the strength of the Group's asset management, custody, pension and precious metal businesses, and the functions of its comprehensive subsidiaries specialized in fund, insurance, leasing and investment banking. Thus, the Bank rendered diversified and integrated financial asset services for its customers.

Wealth Management Services

- ❖ By upgrading product forms, re-arranging maturities and developing net worth-based transformation of products, the Bank has been continuously innovating in wealth management products and marketing models to meet the diverse demand of customers and further consolidate the customer base.
- ❖ By leveraging the big data techniques, the Bank created multi-dimensional customer profiles for wealth management customers. The Bank also conducted precise marketing strategies and appropriately allocated asset based on the preferences of different customer segments regarding their habits of consumption, investment, purchase channels and product choices, thereby effectively enlarging the size of wealth management customers and lifting the sales of wealth management products.
- ❖ At the end of 2016, the balance of stock wealth management products increased by 3.3% compared with the previous year end to RMB2,702,944 million, remaining the largest in the industry.

Asset Custody Services

- ✧ The Bank developed a sound asset custody product and service system and remained a market leader in respect of custody products, e.g. securities investment funds, insurance, banking wealth management, enterprise annuities, special fund accounts and global assets.
- ✧ The Bank successfully obtained the custody qualification for national basic pension insurance and Korean Securities Depository (KSD).
- ✧ The Bank was awarded the “Custodian Bank of the Year in China” by *The Asian Banker*.
- ✧ At the end of 2016, total net value of assets under the Bank’s custody increased by 22.6% from the previous year end to RMB14.1 trillion.

Pension Services

- ✧ Pension services witnessed a steady growth in scale and continuously higher comprehensive benefits. The Bank actively launched innovative products, continued to enrich the service contents, promoted automatic and self-services and made the customer service quality better.
- ✧ At the end of 2016, the pension funds under the Bank’s trusteeship amounted to RMB96.2 billion; the Bank managed 16.67 million individual pension accounts, and the pension funds under the Bank’s custody totaled RMB446.7 billion. The Bank led other banks in terms of the scale of enterprise annuity funds under the Bank’s trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank’s custody.

Precious Metal Business

- ✧ In view of the hot spots in the market, the Bank improved the physical goods sales models. Seizing the opportunities arising from the opening of the first Disney Resort in China, the Bank sold more than 1 million sets of Disney themed products in the off season. As the first bank to attempt brand cooperation, the Bank obtained support from third-party enterprises to develop “Good Luck Year” products for the traditional hot season.
- ✧ The Bank actively carried out financing pledged with precious metals, satisfying enterprises’ financial and hedging demands and effectively supporting the transformation and upgrade of industries.
- ✧ The Bank integrated into the international mainstream commodity markets at a faster pace. It became a participant of the electronic auction process which sets the gold benchmark price at the London Intercontinental Exchange, and gradually accumulated market making experience in the main international gold markets. In the meanwhile, the Bank was among the first group of price setters of “Shanghai Gold”, a gold pricing product denominated in RMB, at the Shanghai Gold Exchange, and actively engaged in the market making business.
- ✧ The Bank was awarded the “Best Precious Metal Trading Bank in China” by *Euromoney* for five consecutive years and the “Best Precious Metals Broker in China” by *Global Finance* for the first time.
- ✧ In 2016, the sum of precious metal business transactions was RMB1.69 trillion, up 35.2% from the end of last year. The Bank cleared RMB406.6 billion on behalf of the Shanghai Gold Exchange, ranking No. 1.

Discussion and Analysis

Franchise Treasury Business

- ✧ The Bank continuously improved its ability to serve personal customers in foreign exchange trading and increased its coverage, reinforced the improvement of electronic channels and marketing initiatives. It kept enriching convertible currencies, developed RMB foreign exchange option business and RMB foreign exchange currency swap business. The volume of franchise foreign exchange trading hit USD390 billion in 2016.
- ✧ The foreign exchange-related products were more diversified. The Bank initiated the foreign currency trading business among the currencies of 80 emerging countries along the "Belt and Road". This move made foreign exchange business cover all the countries along the "Belt and Road". The volume of franchise foreign exchange trading stood at USD227.6 billion, up 72.0% over last year.
- ✧ The Bank innovatively launched paper natural gas and paper precious metal index products, further diversifying the paper trading products, and rolled out paper crude oil successive trading products, which met customers' long-term investment demands for crude oil. The size of the paper trading increased by 56.0% compared with the previous year to RMB505.6 billion.
- ✧ The Bank practiced inclusive finance. It issued innovative OTC bond products on a regular basis, and completed the issuance of 58 OTC treasury bonds and six OTC bonds of China Development Bank.

Asset Securitization Business

- ✧ In 2016, in order to diversify the asset and capital management approaches and expand the NPA disposal channels, the Bank, as the issuer and facility provider, issued four tranches of asset securitization programs totaling RMB15,763 million, three of which are NPA-backed securities, one residential mortgage-backed securities.

Agency Sales

- ✧ Following the changes in demands of customers and markets, the Bank actively tracked and adjusted the product structure and sales strategies of investment and wealth management businesses. Sales of funds under agency arrangement totaled RMB488.9 billion in 2016.
- ✧ Considering the characteristics of treasury bond products' yields, the Bank made efforts to attract customers preferring low risk levels. Sales of treasury bonds under agency arrangement amounted to RMB73.8 billion.
- ✧ The Bank further pushed the transformation and development of installment-based insurance under agency arrangement, achieving structural improvement and size enlargement. It further sharpened its edge in E-banking after adopting product segmentation and differentiated marketing approaches. The amount of insurance under agency sales registered RMB336 billion, representing an increase of 101.4%.

Treasury Operations

In 2016, the Bank duly adjusted its investment and trading strategies, reasonably arranged the investment products and structures and took multi-pronged measures in alignment with the trends in financial markets and the needs of liquidity management so as to make treasury operations more profitable.

Money Market Activities

- ✧ The Bank stepped up market research and customer marketing, provided a good mix of products with reasonable maturity according to the market situation and its own capital position to increase the efficiency of fund operation. It dynamically adjusted the trading volume and direction of short-term financing products to ensure its liquidity.
- ✧ The Bank increasingly attracted non-bank financial institution customers. While prudently engaging in local and foreign currency interbank borrowing and lending business with non-bank financial institutions, it innovatively launched the foreign-currency interbank lending business, thereby further expanding the channels for its operations in foreign currency.
- ✧ In 2016, domestic trading amount in the interbank market was RMB37.29 trillion, of which lending amounted to RMB34.66 trillion. The transaction volume in foreign exchange money markets recorded USD285.2 billion.

Investment

- ✧ The Bank strengthened research on the trend of market interest rate, effectively balancing the relationship between increasing portfolio return and preventing the risk of middle and long-term interest rate rebound. It continued to refine the system for tracking and assessing credit risk, comprehensively sorted out the credit debt portfolio to lower the overall credit risk of investment portfolios. It actively invested in local government bonds, corporate bonds and green bonds, effectively bolstering the development of the real economy.
- ✧ The Bank strengthened active management of foreign currency bond portfolios and their duration and invested more in bonds with floating rates to guard against the interest rate risk. The Bank became more capable of seizing market opportunities and earned higher spread income.
- ✧ In 2016, the transaction volume of RMB bonds and foreign currency bonds in the trading book scored RMB1,010.5 billion and USD9.8 billion respectively.

Financing

- ✧ In line with its fund operation and liquidity management needs, the Bank rationally arranged the scale and structure of its active liabilities including interbank borrowing from the interbank market, short-term time deposits with other banks, interbank CDs and large-value CDs in order to enhance the supporting capacity of diverse liabilities to asset business growth.
- ✧ For details on the Bank's CDs and debt securities issued, please refer to "Notes to the Financial Statements: 36. Certificates of Deposit; 38. Debt Securities Issued".

Discussion and Analysis

Internet-based Finance

The Bank advanced its internet-based finance development strategies on all fronts, played a guiding role in leading innovation, upgraded and improved the overall architecture of internet-based finance with the e-commerce platform ICBC Mall, the instant communication platform ICBC Link and the open-ended online banking platform ICBC Mobile as the main pillars and covering financial services, e-commerce, payment and social life. In line with its customer-centric concept, the Bank improved its risk prevention and control system to inject new vigor into the business transformation of the Bank.

ICBC Mall

- ❖ The e-commerce platform "ICBC Mall" helps the Bank gather together customers and merchants, connect trading and financing, innovate in the new-typed customer relationships featuring the integration of finance and commerce, and improve the customer viscosity and activeness.
- ❖ Capitalizing on its credit financing, bonus point consumption and other advantageous banking services, the Bank focused on attracting merchants from the real estate and automobile industries that were closely connected to finance. The Bank also introduced fast moving consumer goods and local specialties that customers are more loyal to and are suited to bonus point consumption.
- ❖ The Bank accelerated the development of mobile end of ICBC Mall with the transactions concluded on the mobile end accounting for half of all the transactions. It pushed forward with applications in various sectors by making Shanghai Disney Resort tickets and air tickets of major airlines available on ICBC Mall.
- ❖ In 2016, ICBC Mall achieved an accumulative transaction amount of over RMB1 trillion.

ICBC Link

- ❖ ICBC Link aims at becoming an interactive platform for instant information exchange, business consultancy, communication and sharing between the Bank and its customers, customer managers and customers and among the customers, and developing a new financial service model featuring socialized finance and interactive marketing.
- ❖ The Bank explored new application areas, created featured service accounts, and seamlessly connected ICBC Link with financial services, campus finance, daily life and other application scenarios.
- ❖ The Bank developed China's first free anti-telecom fraud inquiry software, "ICBC e-Security Public Welfare Version" which enabled the public to check the safety of related accounts before any transfer and remittance to protect the safety of their properties. In 2016, it accumulatively identified and blocked over 60 thousand telecom frauds, involving more than RMB900 million.
- ❖ The Bank completed the shift from ICBC Messenger and identified targeted customers by data mining to conduct precision marketing.
- ❖ In 2016, the number of ICBC Link customers exceeded 60 million.

ICBC Mobile

- ✧ The brand, functions and services of ICBC Mobile were wholly upgraded to make it more open, intelligent and individualized.
- ✧ The Bank pressed forward with product innovation, conducted R&D of products to improve user experience, and rolled out new functions such as withdrawing money by scanning QR code, registering for hospital for friends and relatives and remitting money to foreign banks.
- ✧ The Bank actively carried out various socialized marketing campaigns by utilizing live broadcasting video and other new platforms.
- ✧ In 2016, the number of ICBC Mobile customers surpassed 250 million.

Internet Financing

- ✧ In respect of standardized small loan service with symmetrical information, the Bank utilized the internet and big data for risk control modeling, improved the products and processes, and realized self-service online operation, automatic business processing and accurate risk monitoring, which enhanced the customer experience.
- ✧ To facilitate the business handling of corporate customers, the Bank premiered a number of services including online unsecured loans for corporate customers, financing pledged with the assets in the online bill pool and online issuing of acceptance drafts under E-banking.
- ✧ The campaign of “the daily interest of each RMB10,000 loan is just RMB1” earned the Bank a good reputation for its high limit, favorable price and quick disbursement.

Payment

- ✧ The Bank improved the functions of its payment products, enriched application scenarios, made debut QR payment and promoted one-key payment. Thanks to these efforts, the number of “ICBC e-Payment” customers went beyond 100 million.
- ✧ The Bank diversified the service items under “ICBC e-Bill Payment” for the convenience of the public such as water, electricity and gas bills and also other characteristic items such as traffic fines, ETC top-up. The Bank supported bill payment of non-ICBC customers at the mobile end, and handed out red pockets online to attract new users.
- ✧ The Bank was the first bank to conduct Apple Pay online business, and released the mobile payment products such as Samsung Pay, Huawei Pay and Mi Pay.

Investment and Wealth Management

- ✧ The Bank improved the investment and trading system for individual investors. ICBC e-Investment covers a variety of products such as paper precious metals, paper crude oil and Gold Accumulation. Paper natural gas, paper base metals and paper agricultural products were added into it. The investment and wealth management product line registered a transaction amount of more than RMB500 billion in 2016.

Discussion and Analysis

Channel Development and Service Enhancement

Channel Development

- ◆ *The Bank promoted layout optimization of offline channels and transformation of business models.*
 - ❖ The Bank controlled the total number of physical outlets, optimized outlet layout, and used light outlets as an effective way of making presence in emerging and blank areas. It established and enhanced outlet renovation standards, strengthened the internal layout planning of outlets and further improved the operation efficiency and marketing service capacity of outlets.
 - ❖ The Bank merged the public processing procedures of multiple transactions, realized information sharing and solved the problems that the customers had to complete multiple forms, sign their names many times and enter passwords again and again.
 - ❖ The Bank promoted the intelligent outlet services and enhanced the functions of intelligent services. It launched services such as application for credit card, change of mobile phone number and exemption of annual fee.
 - ❖ The Bank analyzed the operation of self-service channels and customer data, enhanced the operation efficiency of self-service channels and strengthened the functional complementation and coordinated development with physical outlets.
 - ❖ At the end of 2016, the Bank had 16,429 physical outlets and 29,385 self-service banks. The number of ATMs was 100,083 and their transaction volume reached RMB13,265.7 billion.

- ◆ *The Bank accelerated the strategic layout and functional improvement of online channels.*
 - ❖ The open-ended personal internet banking was rolled out with optimized pages and transaction procedures so that even non-ICBC customers can also have access to the Bank's financial services online.
 - ❖ The intelligent robot "ICBC Intellectual" was made available via SMS, WeChat, online customer service and ICBC Link to realize intelligent interaction with customers and offer intelligent suggestions.
 - ❖ The E-banking transaction amount hit RMB599 trillion; the number of E-banking transactions accounted for 92.0% of total transactions of the Bank, rising by 1.8 percentage points from the last year.

Service Enhancement

- ❖ The Bank optimized outlet service experience. It solicited comments and suggestions from customers across multiple channels and launched special campaigns to enhance the services. Customer experience indices covering multiple areas such as calibration, satisfaction and standardization were developed to precisely assess the service quality.
- ❖ The service culture system was put in place. The Bank managed to shorten the customers' waiting time, diversify the products and improve the services and employees' attitude. The Bank created a brand with the unique features of ICBC's service culture becoming an important part of the corporate culture.
- ❖ The Bank integrated the competitive edge of payment, loan and other key product lines and set up an efficient team based on the integration of technology and business. It utilized participation of user experience staff over the internet and set up the UI design team to enhance user experience.

Proportion of E-banking Business

%



Note: The proportion of E-banking business refers to the number of E-banking transactions against the total number of transactions of the Bank.

Consumer Protection

- ❖ The Bank enhanced the consumer protection policy framework, refined the working mechanisms and established supporting regulations, enabling the consumer protection work to be more systemized, standardized and institutionalized. The Bank attached importance to the integrated management of a full-process consumer protection, constantly strengthened consumer protection, enhanced financial products and services from the perspective of consumer protection, and promoted coordinated development of business operation and consumer protection and created a more harmonious market environment for financial consumers.
- ❖ The Bank fulfilled its duty for handling of consumer complaints, efficiently and properly solved consumer appeals, enhanced consumer experience by management and prevention in early stage and constantly improved standardization of service charge management. The Bank further expanded promotion channels to consumers, launched targeted financial knowledge propagandas in a routine and centralized manner for constantly enhancing the consumers' awareness of financial risks and ability to identify frauds.

Internationalized and Diversified Operation

The Bank steadily advanced global network layout channel building, and extended the presence network of overseas institutions. Overseas institutions further improved their capabilities for localized operation and sustainable development. A slew of global key product lines involving investment banking, cash management, financial markets, asset management and asset custody were developed in depth and breadth in a bid to sharpen competitive edges and influence on the international market. Leveraging on the investment and financing product lines such as global financing, investment banking and financial leasing, the Bank served the “Belt and Road” initiative and the cooperation in international production capacity and supported the “Going Global” drive of Chinese-funded enterprises. Comprehensive subsidiaries delivered stronger profit contributions and strategic synergies to the Group.

♦ *Internationalized Operation*

- ❖ The network of tier-2 institutions was expanded in the Netherlands, Belgium, Russia and Australia, and the regional service capability was remarkably enhanced.
- ❖ Bank ICBC (JSC) in Moscow was authorized by PBC as the RMB clearing bank, which is the seventh overseas RMB clearing bank of the Bank in the global market. This further improved the around-the-clock RMB clearing network of the Bank and further expanded the service coverage.
- ❖ The Bank provided a full range of cross-border financial services for RMB asset allocation by overseas sovereign institution customers, and has gradually become the first choice for overseas sovereign institutions to access the Chinese market. It has also launched “ICBC Integrated Financial Solutions for Cross-border E-commerce”, building a distinctive cross-border e-commerce brand. In 2016, the Bank’s cross-border RMB business volume reached RMB3.89 trillion.
- ❖ As at the end of 2016, the Bank established 412 institutions in 42 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. The Bank also established correspondent banking relationships with 1,507 overseas banking institutions in 143 countries and regions, making its service network covering six continents and important international financial centers around the world. The Bank maintained 127 institutions in 18 countries and regions along the “Belt and Road”.

Discussion and Analysis

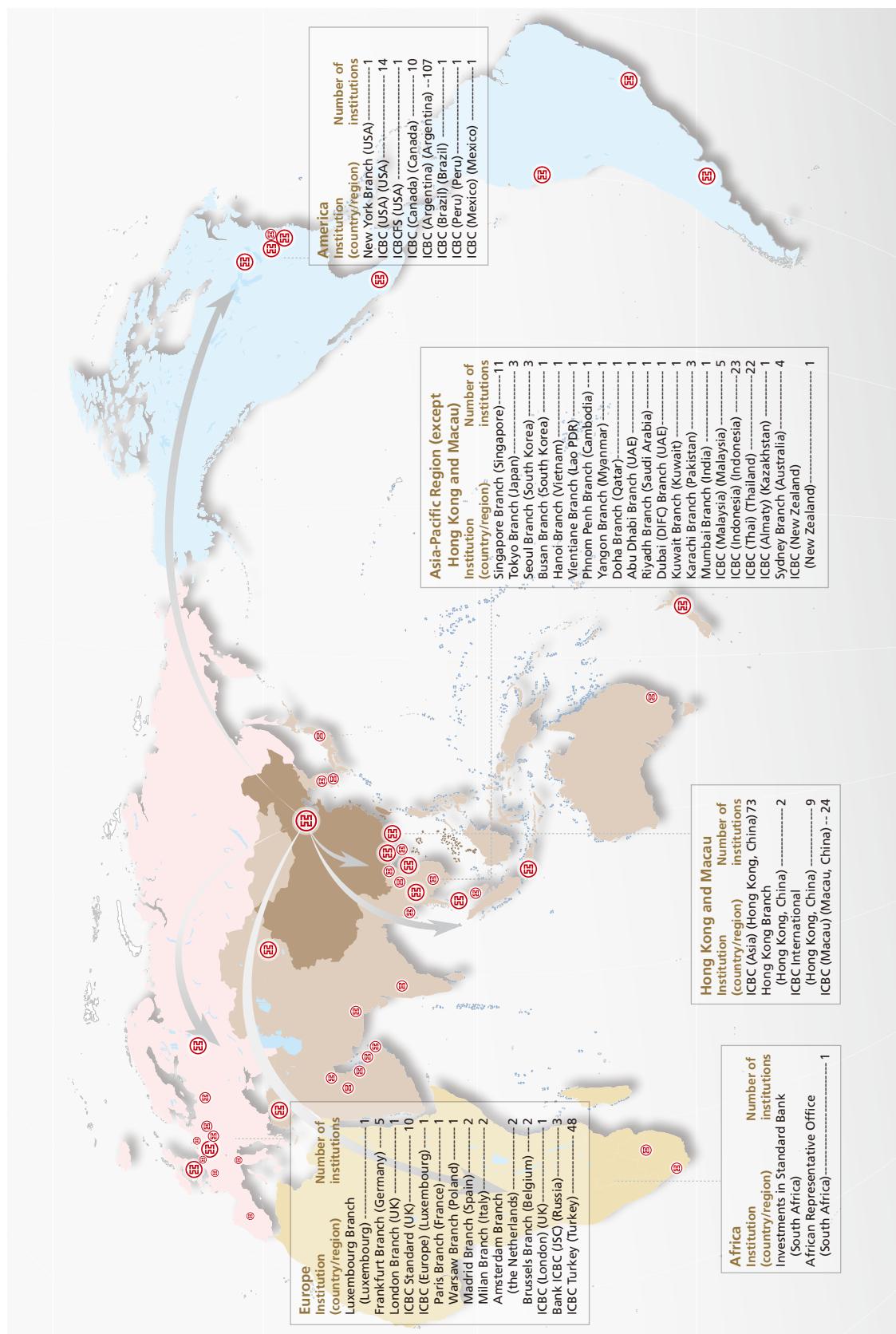
MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

Item	Assets (in USD millions)		Profit before tax (in USD millions)		Number of institutions	
	At the end of 2016	At the end of 2015	2016	2015	At the end of 2016	At the end of 2015
Hong Kong and Macau	159,445	135,988	1,646	1,543	108	107
Asia-Pacific Region (except Hong Kong and Macau)	69,935	67,323	567	783	87	84
Europe	58,317	56,089	140	58	80	78
America	64,723	55,853	582	436	136	134
African Representative Office	–	–	–	–	1	1
Eliminations	(49,741)	(38,718)				
Subtotal	302,679	276,535	2,935	2,820	412	404
Investment in Standard Bank ⁽¹⁾	3,771	3,295	312	346		
Total	306,450	279,830	3,247	3,166	412	404

Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before tax represents the Bank's gain on investment recognized by the Bank during the reporting period.

- ❖ As at the end of 2016, total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank were USD306,450 million, an increase of USD26,620 million or 9.5% from the end of the previous year, and they accounted for 8.8% of the Group's total assets. Total loans amounted to USD175,871 million, rising by USD31,811 million or 22.1%, and total deposits were USD97,223 million, increasing by USD10,465 million or 12.1%. Profit before tax during the reporting period was USD3,247 million, increasing by 2.6% compared with the previous year and representing 6.2% of the Group's profit before tax.
- ❖ *Diversified Operation*
- ❖ ICBC Credit Suisse Asset Management seized the opportunities from the policies and the market, further improved its functions as an all-round asset management platform, and kept enriching its products. The assets under its management exceeded RMB1 trillion.
- ❖ ICBC Leasing worked faster to secure professional, differentiated, featured and international development, and strove to shift from growth in size to that in quality and benefits.
- ❖ ICBC-AXA made more efforts to realize installment-based payment transformation. Its high-speed growth in premium income fueled the increase of investment assets and the investment income was improved significantly.
- ❖ ICBC International, a licensed investment bank of the Group, accelerated its transformation and development, put equal emphasis on traditional investment banking business, asset management and investment business, thereby steadily enhancing its sustainability.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Discussion and Analysis

Controlled Subsidiaries and Major Equity Participating Company

♦ *Overseas Subsidiaries*

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a wholly owned Hong Kong registered bank by the Bank, and has an issued share capital of HKD36,379 million. It provides comprehensive commercial banking services and the major businesses include commercial credit, trade finance, investment service, retail banking, E-banking, custody, credit card, receiving bank services for IPOs and dividend distribution. At the end of 2016, ICBC (Asia) recorded total assets of USD103,087 million and net assets of USD10,818 million. It generated a net profit of USD954 million during the year respectively.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a licensed investment bank in Hong Kong that is wholly owned by the Bank, has a paid-up capital of HKD4,882 million. It mainly renders a variety of investment banking services, including investment banking, investment management, sales transaction and asset management. At the end of 2016, ICBC International recorded total assets of USD4,672 million and net assets of USD966 million. It generated a net profit of USD79 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2016, ICBC (Macau) recorded total assets of USD26,200 million and net assets of USD2,339 million. It generated a net profit of USD282 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. At the end of 2016, ICBC (Malaysia) recorded total assets of USD906 million and net assets of USD212 million. It generated a net profit of USD7.5 million during the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary of the Bank registered in Indonesia, with a paid-up capital of IDR2.69 trillion, in which ICBC holds a 98.61% stake. ICBC (Indonesia) mainly specializes in financial services such as deposit, loan, trade finance, settlement, agency services, interbank borrowing and lending and foreign exchange. At the end of 2016, ICBC (Indonesia) recorded total assets of USD3,535 million and net assets of USD333 million. It generated a net profit of USD41.44 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

ICBC (Thai), a subsidiary of the Bank in Thailand, has a share capital of THB20,132 million, in which the Bank holds a 97.86% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of 2016, ICBC (Thai) recorded total assets of USD5,196 million and net assets of USD735 million. It generated a net profit of USD41.05 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a share capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, internet banking and bank card service. At the end of 2016, ICBC (Almaty) recorded total assets of USD155 million and net assets of USD51 million. It generated a net profit of USD7.25 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

ICBC (New Zealand), a wholly-owned subsidiary of the Bank in New Zealand, has a paid-up capital of NZD145.46 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. At the end of 2016, ICBC (New Zealand) recorded total assets of USD628 million and net assets of USD98 million. It generated a net profit of USD830 thousand during the year.

ICBC (LONDON) PLC

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a paid-up capital of USD200 million. It provides banking services such as deposit and exchange, loan, trade finance, international settlement, funds clearing, agency, foreign exchange trading and retail business. At the end of 2016, ICBC (London) recorded total assets of USD2,723 million and net assets of USD378 million. It generated a net profit of USD20.59 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary of the Bank, was incorporated in Luxembourg with a paid-up capital of EUR437 million. Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch, Madrid Branch and Warsaw Branch are structured under ICBC (Europe), which mainly offers corporate and retail banking services such as remittance, settlement, loan, trade finance, treasury, investment banking, custody, franchise wealth management. At the end of 2016, ICBC (Europe) recorded total assets of USD7,760 million and net assets of USD630 million. It generated a net profit of USD34.41 million during the year.

BANK ICBC (JOINT STOCK COMPANY)

Bank ICBC (JSC), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a share capital of RUB2,310 million. Saint Petersburg Branch, a tier-2 branch, is structured under it. It mainly provides a full spectrum of corporate banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consulting, as well as personal banking services. Bank ICBC (JSC) is a RMB clearing bank in Russia designated by PBC, a RUB clearing bank for RMB trading against RUB on China Foreign Exchange Trade System, important market maker and RMB clearing bank for RMB trading against RUB on MICEX-RTS. At the end of 2016, Bank ICBC (JSC) recorded total assets of USD821 million and net assets of USD95 million. It generated a net profit of USD22.52 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA

ICBC (USA), a controlled subsidiary of the Bank in the United States, has a paid-up capital of USD309 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license registered in the UFIQAC, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, cross-border settlement, cash management, E-banking and bank card services. At the end of 2016, ICBC (USA) recorded total assets of USD2,229 million and net assets of USD321 million. It generated a net profit of USD7.03 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, a wholly-owned subsidiary of the Bank in the United States, has a paid-up capital of USD50.00 million. It mainly specializes in securities clearing business in Europe and America, and offers securities brokerage services including securities clearing and financing for institutional customers. At the end of 2016, ICBCFS recorded total assets of USD36,260 million and net assets of USD139 million. It generated a net profit of USD24.75 million during the year.

Discussion and Analysis

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD158.00 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) is the RMB clearing bank in North America and provides various corporate and retail banking services such as deposit, loan, settlement, remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing information consulting service. At the end of 2016, ICBC (Canada) recorded total assets of USD1,249 million and net assets of USD166 million. It generated a net profit of USD12.57 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A.

ICBC (Argentina), a controlled subsidiary of the Bank in Argentina, has a share capital of ARS1,345 million, in which the Bank holds an 80% stake. With the full-functional commercial banking license, ICBC (Argentina) provides a full range of commercial banking services including deposit, loan and settlement. Its major businesses include working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card and asset management. At the end of 2016, ICBC (Argentina) recorded total assets of USD4,876 million and net assets of USD596 million. It generated a net profit of USD183 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A.

ICBC (Brasil), a wholly-owned subsidiary of the Bank in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. At the end of 2016, ICBC (Brasil) recorded total assets of USD215 million and net assets of USD66 million. It generated a net profit of USD1.63 million during the year.

ICBC PERU BANK

ICBC (Peru), a wholly-owned subsidiary of the Bank in Peru, has a paid-up capital of USD50.00 million. Holding a full-functional commercial banking license, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading, offshore finance, E-banking and other services. At the end of 2016, ICBC (Peru) recorded total assets of USD122 million and net assets of USD28 million.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A.

ICBC (Mexico), a wholly-owned subsidiary of the Bank in Mexico, has a paid-up capital of MXN664 million. Holding a full-functional commercial banking license, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. At the end of 2016, ICBC (Mexico) recorded total assets of USD46 million and net assets of USD26 million.

ICBC TURKEY BANK ANONIM ŞİRKETİ

ICBC (Turkey), the first Chinese commercial bank in Turkey, has a share capital of TRY420 million in which the Bank holds a 92.8169% stake. It holds commercial banking, investment banking and asset management licenses, and provides corporate customers with a basket of local and foreign currency-denominated financial services including RMB deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory, securities brokerage and asset management, and renders personal customers with versatile local and foreign currency-denominated financial services such as RMB deposit, remittance, personal consumption loan, residential mortgages, credit card and E-banking. At the end of 2016, ICBC (Turkey) recorded total assets of USD2,344 million and net assets of USD172 million. It generated a net profit of USD5.48 million during the year.

ICBC STANDARD BANK PLC

ICBC Standard Bank, a subsidiary of the Bank in the United Kingdom, has an issued share capital of USD1,083 million, in which the Bank holds a 60% stake directly. ICBC Standard Bank mainly provides global commodity trading businesses covering base metals, precious metals, bulk commodities and energy and global financial markets services such as exchange rate, interest rate, unsecured products and equities. With its headquarters in London as the major business entity, ICBC Standard Bank has ICBC Standard Resources (China) Ltd., ICBC Standard NY Holdings Inc., ICBC Standard Securities Inc. and ICBC Standard Resources (America) Inc., as well as four branches in Singapore, Tokyo, Hong Kong and Dubai, and Shanghai Representative Office under it. At the end of 2016, ICBC Standard Bank recorded total assets of USD20,187 million and net assets of USD957 million.

- ◆ *Major Domestic Subsidiaries*

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a paid-up capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including public fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, special asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with "full-qualification" in the industry. ICBC Credit Suisse Asset Management (International) and ICBC Credit Suisse Investment are structured under ICBC Credit Suisse Asset Management. At the end of 2016, ICBC Credit Suisse Asset Management managed a total of 99 public funds and nearly 600 enterprise annuity accounts and special accounts as well as special portfolios, with the assets under management amounting to RMB1.13 trillion, and recorded total assets of RMB5,754 million and net assets of RMB4,471 million. It generated a net profit of RMB1,641 million during the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB11.0 billion. It mainly engages in financial leasing of large-scale equipment in key fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing and provides a variety of financial and industrial services including retail assignment, investment funds, securitization of investment assets, assets transactions and management. It has become a financial leasing company with the strongest comprehensive strength in China. At the end of 2016, ICBC Leasing recorded total assets of RMB300.6 billion and net assets of RMB26.2 billion. It generated a net profit of RMB3.42 billion during the year.

ICBC-AXA ASSURANCE CO., LTD.

ICBC-AXA, a subsidiary of the Bank, has a paid-up capital of RMB8,705 million, in which the Bank holds a 60% stake. It engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by CIRC. At the end of 2016, ICBC-AXA recorded total assets of RMB104.85 billion and net assets of RMB8,926 million. It generated a net profit of RMB503 million during the year.

- ◆ *Majority Equity Participation Company*

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.08% ordinary shares of Standard Bank, and the two banks engage in cooperative and communication activities frequently. In 2016, in line with the spirit of cooperation for mutual beneficial and win-win outcomes, the Bank and Standard Bank continued their positive cooperation in a slew of areas including corporate banking, investment banking, financial market business, international clearing and settlement and information technology. The two sides also concluded the Main Framework Agreement on Cooperation in Respect of the Staff Exchange Program, giving a new boost to the bilateral strategic cooperation. At the end of 2016, Standard Bank recorded total assets of ZAR1,954,290 million and net assets of ZAR179,359 million. It generated a net profit of ZAR22,206 million during the year.

Discussion and Analysis

IT-based Banking Development

The Bank continued to enhance the production and operation service system. Under the new architecture of "three centers in two cities" which was already in normal operation, the Bank launched an 84-day local operation takeover, completed local switch at peak hours during the day for the first time and kept the impact of switch and switchback on business operations within one minute, promoted the intelligent monitoring platform to improve business operation level and continued to enhance disaster recovery technologies and business continuity management system, thus remarkably enhancing the information systems' continued operation capacity.

The Bank continued to perfect the customer information security protection system and stepped up its efforts to popularize network security awareness. Services such as one Type I account for each customer, delayed crediting of transfer via ATM and control over the amount and sum of transfers were launched successfully. The Bank launched diversified financial services for Type II & III accounts through mobile banking and established a long-effective mechanism to prevent telecom frauds. The Bank released Rong'an e Messenger — the first risk information service product in the banking sector. The Bank also established a security monitoring and handling platform to enhance the sensitivity to internal and external threats.

The Bank actively pushed forward innovative services that cover all customers, all channels and all products. It participated in the establishment of the bill trading platform, supported the Bill Exchange to open for business, and improved the efficiency of bill trading. The Bank successfully completed the "replacement of business tax with VAT". A series of fresh products such as loan for discharging mortgages, online unsecured loan of corporate customers, paper natural gas and paper crude oil were made debut. The Bank continued to push forward the development of systems for internationalized and diversified operations and successfully launched such systems in ICBC (Mexico), Zurich Branch and Prague Branch. The Bank improved ICBC Quick Remittance and realized cross-border direct remittance with Standard Bank of South Africa. It also continued to optimize the new-generation core insurance business system for individuals and the insurance asset management system of ICBC-AXA.

In 2016, the Bank obtained 52 patents from the State Intellectual Property Office, and the total number of patents owned by the Bank increased to 456. The Bank had eight scientific and technological achievements that won the Technological Development Award of PBC, of which, the "three centers in two cities" project won the outstanding award as the only project to be so honored in the 2016 Technological Development Award. The Bank became the only commercial bank rated 2A by the information technology supervision of CBRC for three consecutive years.

Human Resources Management

In line with the strategic needs of bank-wide information-based, internationalized and diversified development, the Bank carried forward innovation in concepts, methodology, system and mechanism of the Group's human resources management. It continued to strengthen the talent team building, broadened the career growth of employees, optimized staffing, improved management over organizations and institutions, pressed forward with innovation in organizational models and reinforced the incentives and restrictive roles of remuneration. The increasingly higher efficiency and effectiveness of human resources management offered solid organizational guarantee and talent support for the reform and development of the Bank.

In line with the reform and development strategy and the new requirements on transformation and upgrading, the Bank advanced the establishment of the six systems for "ICBC College", conducted innovative training in all respects and ushered into new areas of education and training. By combining training with practice, the Bank realized coordinated planning and systemic advancement in training professionals. It reinforced the Party school training and highlighted the advantages of research-based learning. Besides, the Bank sharpened its ability in cross-cultural management, cross-border operation and local operation of overseas personnel, and set up a training system for overseas employees. It created a pragmatic and efficient mobile learning system, and intensified the timely transmission of business strategies and products. It implemented the optimization project of professional qualification certification and linked the certification with the business authorization and appointment of employees on all fronts. In 2016, the Bank organized 51 thousand sessions of training for 5.09 million employees, averaged to approximately 9.63 days of training per employee.

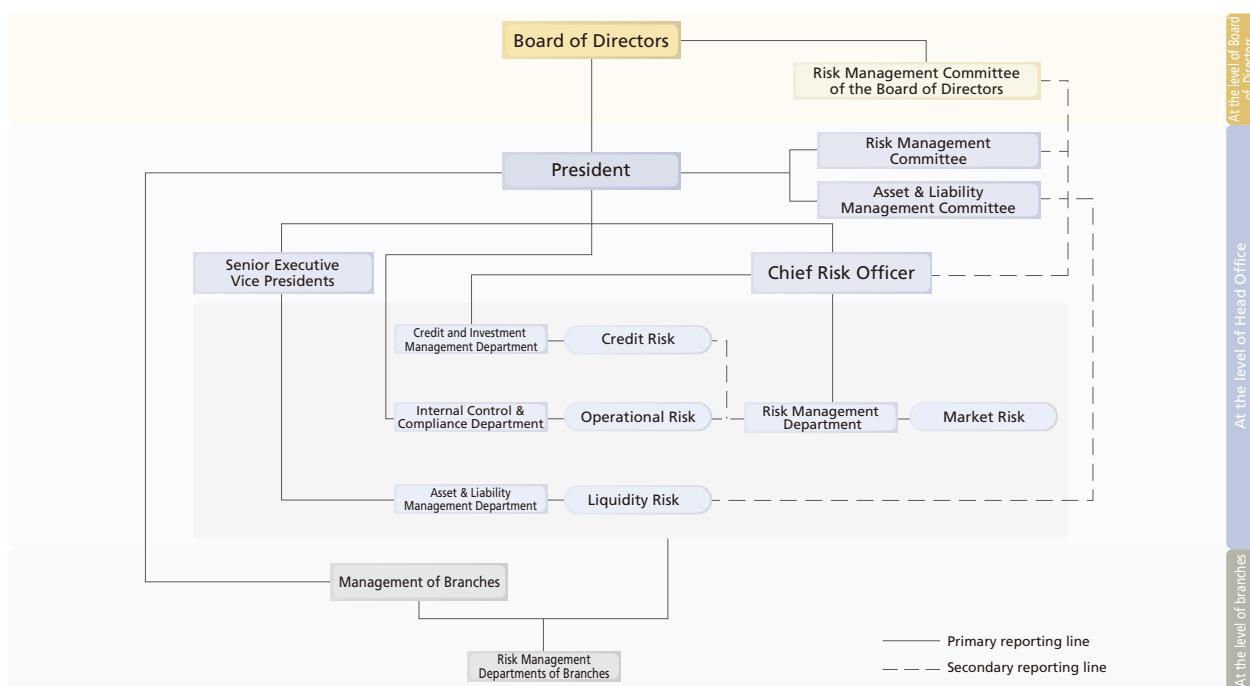
The Bank continually promoted its corporate culture building. It carried out in-depth culture building activities, including the Ten Advanced Units Selection of "ICBC Cohesion" Corporate Culture Building, and the showcase of "Further Prospering ICBC through Five Years' Cultural Building and Pooling Our Force in Accomplishing Ten Events". The Bank also intensified the sub-culture building by publishing the compliance culture concepts of "Compliance principle, All accountable, Risk controllable, Efficiency sustainable" and the "Customer-centric, Satisfactorily served, Employee-based and Consistently honest" service cultural concepts and carrying forward the transmission and instilling of integrity culture. What's more, the Bank established a diversified and three-dimensional cultural transmission system by opening WeChat official account, ICBC Link service account, and capitalizing on external platforms, in an effort to enhance cultural communication with external parties and cultural display.

RISK MANAGEMENT

Enterprise Risk Management System

Enterprise risk management is a process where the Board of Directors, the Senior Management and other employees of the Bank perform their respective duties and responsibilities to take effective control of all the risks at various business levels in order to provide reasonable guarantee to the achievement of objectives of the Bank. The principles of risk management include matching return with risk, internal check and balance with consideration as to efficiency, risk diversification, combination of quantitative and qualitative analysis, dynamic adaptability adjustments and gradual improvement, etc.

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Senior Management and its special committees, the Risk Management Department, the Internal Audit Department, etc. The risk management organizational structure is illustrated below:



Note: Substantial risks including country risk and reputational risk have been incorporated into the enterprise risk management system.

In 2016, the Bank further improved the enterprise risk management system, continuously upgraded risk management technologies and methods, enhanced the capacity of risk pre-judgment and dynamic control, so as to push the enterprise risk management to a new level. It also promoted the implementation of the latest international and domestic regulatory requirements, improved the basic policies for enterprise risk management and better managed related work of G-SIB. In addition, the Bank strengthened consolidated risk management in the Group, intensified the management of risk limits for non-banking subsidiaries, and organized the risk assessment of the subsidiaries. It advanced country risk management by strengthened monitoring analysis, reporting and limit management, and enhanced sovereign risk control capability. The Bank reinforced the management of the Group's market risk, strengthened the market risk management of overseas institutions and continued perfecting its product control. It further implemented the advanced capital management approaches, and continued to refine the measurement system concerning credit risk, market risk and operational risk and strengthen the monitoring, improvement, validation and management application of the risk measurement system.

Discussion and Analysis

Credit Risk

Credit Risk Management

The Bank is primarily exposed to credit risk. Credit risk is the risk that loss is caused to banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans, treasury operations (including due from banks, placements with banks, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables and off-balance sheet credit business (including guarantees, commitments and financial derivatives trading).

The Bank strictly adheres to the guidance from CBRC regarding credit risk management and other regulatory requirements, diligently fulfills established strategies and objectives under the leadership of the Board of Directors and the Senior Management, and implements an independent, centralized and vertical credit risk management mode. The Board of Directors assumes the ultimate responsibility for the effectiveness of the implementation and monitoring of credit risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding credit risk management approved by the Board of Directors. The Credit Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of credit risk management, is responsible for reviewing material and important affairs of credit risk management, and performs its duty in accordance with the Working Regulations for the Credit Risk Management Committee. The credit risk management departments at different levels undertake the responsibility of coordinating credit risk management at respective levels, and the business departments play their roles in implementing credit risk management policies and standards in respective business areas.

The Bank's credit risk management has the following characteristics: (1) standardized credit management processes are implemented throughout the Bank; (2) the principles and processes of risk management focus on the entire process of credit business, covering customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) special organization is set up to supervise the entire process of credit business; (4) the qualification of the employees who are responsible for credit review and approval is strictly reviewed; and (5) a series of information management systems are designed to reinforce monitoring on the risks.

According to the regulatory requirement on loan risk classification, the Bank implemented five-category classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, the Bank implemented the twelve-category internal classification system for corporate loans. The Bank applied five-category classification management to personal credit assets and ascertained the category of the loans based on the number of months for which the lender is in default, anticipated loss rate, credit rating, collaterals and other quantitative and qualitative factors.

◆ *Credit Risk Management of Corporate Loans*

The Bank continued to strengthen the formation of the credit rule framework and improve credit system. The Bank intensified the implementation of uniform credit extension and standardized cross-regional credit business management. It further standardized collateral management rules, reinforced guarantee and collateral management and elevated the access requirements for eligible guarantee. It also clarified the key areas of review, strengthened the capability of substantial risk mitigation of collateral, and put more efforts on preventing credit risk in guarantee services.

The Bank focused on serving the real economy and the supply-side structural reform, constantly adjusted and improved industrial credit policy in accordance with the macroeconomic policy, the prevailing trends of industrial policy and the characteristics of the operation of the industry as well as the important strategic initiatives of the country. Conforming to the industrial policy system of "18 segments + key sub-industries", the Bank strengthened the industrial investment layout, highlighted strategies of key areas and quality customers. While supporting leading industrial enterprises and their transformation and upgrading demands, it continuously improved and adjusted industrial credit structure, further stressed the strategic functions of credit policy, and promoted the guidance, practicality and operability of industrial credit policy.

According to the national regional development strategic plan and the Bank's credit strategy orientation, the Bank supported the three "supporting belts" development strategy — the Beijing-Tianjin-Hebei integration initiative, the Yangtze Economic Belt initiative, and the "Belt and Road" initiative, and backed the development strategies for such regions as the Pearl River Delta and the Northeastern China. It improved differentiating regional credit policies for business authorization, product policy and access standards, intensified differentiating instructions for regional credit markets and prioritized the support to key municipal branches to accelerate the expansion of urban functions and improve the field-leading credit markets.

The Bank strengthened risk management of the real estate industry. It adjusted and refined the city-specific management of real estate loans, and prudently granted new housing development loans to tier-3 and tier-4 cities with long de-stocking period and high risks, strictly controlled loans to commercial housing development, and steadily advanced loan granting for shantytown renovation as a part of the government's service procurement.

The Bank strengthened risk management in relation to trade finance. It refined the trade finance product management rules, adjusted the structure of trade finance credit products and promoted the integration of trade finance and working capital loans. It also strengthened risk screening over key products and key regions and fortified the risk management of off line supply chain finance.

The Bank strengthened credit risk management of small enterprises. It continued to improve the development model of financial business for small and micro enterprises, increased the number of small and micro enterprise banking centers and enabled the small and micro enterprise banking to be more intensive and professional. It also established independent rating and credit systems regarding small enterprises, strengthened associated credit line approval and access management of new small enterprises. Moreover, the Bank reinforced the tracking of risk trend, enhanced risk screening on existing loans and drew up risk mitigation and disposal plan for customers with potential risk. On the basis of effective risk control, the Bank actively used the existing policy to solve the credit need of small and micro enterprise customers with normal operation, and increased support to small and micro enterprises in real economy.

♦ *Credit Risk Management of Personal Loans*

The Bank improved its credit risk management system for personal loans, optimized review and approval process of personal loan, strengthened specialized management of partner institutions which granted personal loans, and strictly prevent the spreading of risk. It also strengthened the differentiated management of percentage area concerning personal residential mortgages with an eye to changes in the real estate market. A differentiated interest rate pricing mechanism for regions, projects and customers of personal residential mortgages was implemented and risk pricing capability of personal residential mortgage business was enhanced. The Bank strengthened the access management of real estate enterprises, mortgage projects, partner institutions and borrowers and stringently reviewed the authenticity of the down payment to prevent all forms of false mortgage, zero down payment and false trading fraud risk. Moreover, the Bank strictly selected cooperative projects of personal commercial housing loans, raised the down payment ratio of such loans, and strengthened phased guarantee management.

♦ *Credit Risk Management of Credit Card Business*

The Bank improved credit-extension system for credit card. It utilized the way of thinking and data of the Internet into building a multi-dimensional customer evaluation system, with special attention paid to precise credit extension of credit card customers, and strictly implemented the differentiating dynamic management of credit-extension. The Bank conducted active screening and investigation of potential risk customers, and reinforced the application of internal rating and scoring approach in potential risk identification. It continuously improved centralized approval control functions of the personal credit approval system, upgraded the functions of post-lending management system and improved the collection system. Efforts were made to strengthen the asset quality monitoring and notification of credit card loans, so as to timely identify potential risks and take differentiated control measures. Besides, the Bank actively carried out securitization of non-performance assets relating to credit card, and further expanded disposal channels of non-performing assets.

♦ *Credit Risk Management of Treasury Operations*

The Bank's treasury operations are exposed to credit risk mainly as a result of bonds investment and trading, interbank offering, bills with reverse repurchase agreements and RMB bonds borrowing. Credit risk management measures adopted by the Bank in relation to treasury operations mainly comprised defining customers' entry criteria, controlling credit limit, controlling investment limit (scale), strict margin management, rating management and controlling authorization limit for single transactions. The Bank has set financing limits for each interbank offering and adopted the principle of management for both credit and authorization.

In 2016, the Bank continued to strengthen credit risk management of treasury operations. It further improved credit risk monitoring and analysis mechanism for treasury operations, proactively upgraded the structure of bond investment portfolio in line with current trends on domestic and international financial markets, continued to maintain investment in government bonds and high-quality unsecured bonds, shorten the term of unsecured bonds and other investment as appropriate, increase the R&D and investment in innovative products, and strive to mitigate the credit risk of bond investment portfolio.

Discussion and Analysis

Credit Risk Analysis

At the end of 2016, the Bank's maximum exposure to credit risk, without taking into account any collateral and other credit enhancements, was RMB26,237,544 million, showing an increase of RMB2,285,007 million when compared with the end of the previous year. Please refer to "Note 54.(a)(i) to the Financial Statements: Details of the Bank's Maximum Exposure to Credit Risk Without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to "Credit Risk" of the 2016 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	12,261,034	93.91	11,233,456	94.14
Special mention	584,011	4.47	520,492	4.36
NPLs	211,801	1.62	179,518	1.50
Substandard	109,434	0.84	104,805	0.87
Doubtful	82,505	0.63	60,512	0.51
Loss	19,862	0.15	14,201	0.12
Total	13,056,846	100.00	11,933,466	100.00

Loan quality remained stable overall. As at the end of 2016, according to the five-category classification, pass loans amounted to RMB12,261,034 million, representing an increase of RMB1,027,578 million when compared with the end of the previous year and accounting for 93.91% of total loans. Special mention loans amounted to RMB584,011 million, representing an increase of RMB63,519 million and accounted for 4.47% of the total. NPLs amounted to RMB211,801 million, showing an increase of RMB32,283 million, and the NPL ratio was 1.62%. Under the new normal where economic growth slows down, structural adjustment deepens and industrial transformation accelerates, some industries and enterprises suffered capital chain tension which led to worsening solvency of some enterprises. Hence, the Bank faced mounting pressure in controlling the credit asset quality.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2016			At 31 December 2015				
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	8,140,684	62.4	159,871	1.96	7,869,552	65.9	135,256	1.72
Discounted bills	719,993	5.5	598	0.08	522,052	4.4	524	0.10
Personal loans	4,196,169	32.1	51,332	1.22	3,541,862	29.7	43,738	1.23
Total	13,056,846	100.0	211,801	1.62	11,933,466	100.0	179,518	1.50

Non-performing corporate loans stood at RMB159,871 million, increasing by RMB24,615 million from the end of the previous year, and the NPL ratio was 1.96%. This was mainly due to default of loan as some enterprises suffered from the lack of funding, and trade enterprises and SMEs in traditional industries encountered operating difficulties in the face of economic structural adjustment and industry transformation and upgrading. Non-performing personal loans stood at RMB51,332 million, increasing by RMB7,594 million, and the NPL ratio was 1.22%, which was mainly due to the increase in NPL amount of personal loans as a result of the decrease of operating income or the decrease of salaries of some borrowers.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions, except for percentages

Item	At 31 December 2016				At 31 December 2015			
	Loan	Percentage (%)	NPLs	NPLratio (%)	Loan	Percentage (%)	NPLs	NPLratio (%)
Transportation, storage and postal services	1,516,089	21.8	3,022	0.20	1,429,697	20.7	3,985	0.28
Manufacturing	1,414,408	20.4	60,639	4.29	1,496,241	21.6	51,353	3.43
Chemical industry	241,712	3.5	11,796	4.88	254,497	3.7	8,566	3.37
Machinery	212,649	3.1	8,308	3.91	235,873	3.4	7,996	3.39
Metal processing	154,493	2.2	9,635	6.24	171,065	2.5	7,138	4.17
Textiles and apparels	124,729	1.8	7,201	5.77	140,369	2.0	6,644	4.73
Computer, telecommunications equipment, and other electronic equipment	118,588	1.7	1,718	1.45	97,733	1.4	1,064	1.09
Iron and steel	108,554	1.6	509	0.47	113,841	1.6	1,043	0.92
Transportation equipment	92,572	1.3	4,080	4.41	91,944	1.3	4,710	5.12
Non-metallic mineral	65,051	0.9	2,455	3.77	69,875	1.0	1,756	2.51
Petroleum processing, coking and nuclear fuel	53,706	0.8	1,296	2.41	52,127	0.8	240	0.46
Others	242,354	3.5	13,641	5.63	268,917	3.9	12,196	4.54
Production and supply of electricity, heat, gas and water	820,692	11.9	501	0.06	780,370	11.3	1,494	0.19
Leasing and commercial service	736,921	10.7	4,938	0.67	652,956	9.5	4,906	0.75
Wholesale and retail	625,488	9.0	58,029	9.28	734,994	10.7	48,522	6.60
Water, environment and public utility management	517,542	7.5	1,302	0.25	461,542	6.7	278	0.06
Real estate	426,999	6.2	9,367	2.19	427,306	6.2	6,293	1.47
Mining	225,505	3.3	4,425	1.96	246,541	3.6	3,722	1.51
Construction	187,363	2.7	4,222	2.25	210,294	3.0	3,047	1.45
Science, education, culture and sanitation	122,294	1.8	675	0.55	124,542	1.8	575	0.46
Lodging and catering	122,117	1.8	2,742	2.25	145,175	2.1	3,453	2.38
Others	197,119	2.9	2,456	1.25	191,430	2.8	1,967	1.03
Total	6,912,537	100.0	152,318	2.20	6,901,088	100.0	129,595	1.88

Discussion and Analysis

In 2016, the Bank actively followed major national development strategies, and strove to satisfy the loan demand of investment projects in national key areas. The Bank prioritized the service to the sub-industries in traditional sector which satisfied the state policies and showed good prospect, and showed support to the leading industrial enterprises and their transformation and upgrading, so as to continuously adjust the industrial credit structure. Loans to the transportation, storage and postal services showed an increase of RMB86,392 million, which is an increase of 6.0%, and this was mainly used to support high-quality national transportation infrastructure construction projects. Loans to the leasing and commercial services also showed an increase of RMB83,965 million, which is an increase of 12.9%, and this was mainly due to the rapid growth of loans to investment and asset management and other commercial services. As a result of support for construction projects for infrastructure facilities, loans to water, environment and public utility management showed an increase of RMB56,000 million, which is an increase of 12.1%. Loans to the production and supply of electricity, heat, gas and water industry rose by RMB40,322 million, which is an increase of 5.2%, and this was mainly due to the support to meeting the demand of loan in urban infrastructure construction, public utilities construction and the clean energy sector.

The balance of NPLs of the wholesale and retail industry and the manufacturing industry had a relatively higher increase. The increase of NPLs in wholesale and retail was mainly caused by growing loan default of some wholesale and retail enterprises as a result of non-substantial improvement seen in the supply and demand structure of the trade market, the continued downward trend of goods circulation, import and export trades, year-by-year decrease of the total retail sales of consumer goods, and the impact of E-commerce platforms on the traditional retail industry. Increase in NPLs of the manufacturing industry was largely attributable to loan default of some manufacturing enterprises encountering difficulties in operation and lack of funding caused by over-supply in the industry and the lack of efficient market demand.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2016			At 31 December 2015				
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	581,084	4.5	13,758	2.37	541,087	4.5	9,053	1.67
Yangtze River Delta	2,409,725	18.4	35,325	1.47	2,283,391	19.1	39,297	1.72
Pearl River Delta	1,743,572	13.4	35,913	2.06	1,545,400	13.0	29,946	1.94
Bohai Rim	2,156,022	16.5	41,097	1.91	2,007,028	16.8	30,605	1.52
Central China	1,819,143	13.9	28,575	1.57	1,668,136	14.0	23,707	1.42
Western China	2,313,507	17.7	37,623	1.63	2,171,273	18.2	32,472	1.50
Northeastern China	706,472	5.4	11,571	1.64	668,572	5.6	8,518	1.27
Overseas and others	1,327,321	10.2	7,939	0.60	1,048,579	8.8	5,920	0.56
Total	13,056,846	100.0	211,801	1.62	11,933,466	100.0	179,518	1.50

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
Balance at the beginning of the year	51,499	229,155	280,654
Charge for the year	83,966	2,172	86,138
Including: Impairment allowances charged	110,992	151,577	262,569
Impairment allowances transferred	865	(865)	–
Reversal of impairment allowances	(27,891)	(148,540)	(176,431)
Accrued interest on impaired loans	(5,135)	–	(5,135)
Write-offs	(65,999)	(8,145)	(74,144)
Recoveries of loans and advances previously written off	1,226	773	1,999
Balance at the end of the year	65,557	223,955	289,512

Discussion and Analysis

As at the end of 2016, the allowance for impairment losses on loans stood at RMB289,512 million, a year-on-year increase of RMB8,858 million. Allowance to NPL was 136.69%; allowance to total loans was 2.22%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	5,986,629	45.9	5,499,003	46.1
Including: Residential mortgages	3,237,427	24.8	2,516,196	21.1
Pledged loans	1,610,680	12.3	1,505,144	12.6
Including: Discounted bills	719,993	5.5	522,052	4.4
Guaranteed loans	1,867,424	14.3	1,642,370	13.8
Unsecured loans	3,592,113	27.5	3,286,949	27.5
Total	13,056,846	100.0	11,933,466	100.0

Loans secured by mortgages stood at RMB5,986,629 million, representing an increase of RMB487,626 million or 8.9% from the end of the previous year. Pledged loans amounted to RMB1,610,680 million, representing an increase of RMB105,536 million or 7.0% from the end of the previous year. Guaranteed loans amounted to RMB1,867,424 million, representing an increase of RMB225,054 million or 13.7% from the end of the previous year. Unsecured loans amounted to RMB3,592,113 million, representing an increase of RMB305,164 million or 9.3% from the end of the previous year.

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2016		At 31 December 2015	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	151,115	1.16	169,902	1.42
3 months to 1 year	75,550	0.58	84,808	0.71
1 to 3 years	101,916	0.78	62,783	0.53
Over 3 years	17,546	0.13	15,205	0.13
Total	346,127	2.65	332,698	2.79

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB346,127 million, representing an increase of RMB13,429 million from the end of the previous year. Among which, loans overdue for over 3 months amounted to RMB195,012 million, representing an increase of RMB32,216 million.

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB5,541 million, representing an increase of RMB984 million as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB1,398 million, representing a decrease of RMB172 million.

Discussion and Analysis

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.5% and 13.3% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB283,629 million, accounting for 2.2% of total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of 2016.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	96,995	0.8
Borrower B	Transportation, storage and postal services	32,453	0.3
Borrower C	Transportation, storage and postal services	32,301	0.3
Borrower D	Transportation, storage and postal services	19,720	0.2
Borrower E	Information transmission, software and information technology services	18,600	0.1
Borrower F	Transportation, storage and postal services	17,650	0.1
Borrower G	Transportation, storage and postal services	16,811	0.1
Borrower H	Transportation, storage and postal services	16,470	0.1
Borrower I	Transportation, storage and postal services	16,329	0.1
Borrower J	Transportation, storage and postal services	16,300	0.1
Total		283,629	2.2

Risk Management of Financial Asset Service Business

The sources of the Bank's risks in financial asset service business are mainly the credit risk of financing customers, management risk of partner institutions and market risk of price fluctuation of underlying assets. The Bank, as the service supplier, is entrusted by investors to manage their wealth and does not bear investment risk of investors. The Bank took more active risk management measures to provide better and more efficient financial asset services, including managing access according to different business natures and risk management requirements of financial asset services, and performing access approval process in terms of investment customers, financing customers, partner institutions, new businesses, new products and domestic and overseas affiliates of financial asset service businesses according to applicable access standards, incorporating business authorization into unified authorization management of the Bank, and establishing a risk limit management system.

In 2016, the Bank continued to reinforce the risk management of financial asset service business. It continuously improved the basic management system for financial asset service business and optimize the management system regarding innovative products, upgraded the differentiating risk management system of agency investment and took the initiative to strengthen the credit risk management of non-standardized creditor's rights business, expanded the scope of investment products and built a differentiated management system in line with characteristics of market risk focusing on factors such as growth of underlying value for investment, bettered functions of the financial asset service business management system, enhanced the coverage and data quality of the non-standardized business system and elevated system management level.

Market Risk

Market risk is defined as the risk of loss to the Bank's on- and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, and stock price and commodity prices). The Bank is primarily exposed to interest rate risk and currency risk (including gold).

Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardizing the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank's risk appetite.

The Bank strictly complies with the Guidelines on Market Risk Management of Commercial Banks issued by CBRC and other related regulatory requirements, implemented an independent, centralized and coordinated market risk management model, and formed a management organizational structure featuring the segregation of the front office, the middle office and the back office in the financial market business. The Board of Directors assumes the ultimate responsibility for the implementation and monitoring of market risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding market risk management approved by the Board of Directors. The Market Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of market risk management, and is responsible for reviewing important matters of market risk management, and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The market risk management departments at different levels are responsible for coordinating the market risk management at respective levels, and the business departments play their roles in implementing market risk management policies and standards in respective business areas.

In 2016, the Bank continued to strengthen consolidated management of market risk and persistently enhanced the management and measurement of market risk at the Group's level. It further improved the Group's market risk management rules and regulations, and implemented institution classified management and delicacy management of institutions. It strengthened management of the Group's market risk limit, optimized limit management plan and strengthened limit monitoring and analysis. It pushed forward the overseas expansion of the Global Market Risk Management (GMRM) system and pressed ahead with the core application of the system in risk measurement, limit monitoring and stress testing.

Banking Book and Trading Book

In order to take more effective market risk management measures and accurately measure regulatory capital arising from market risk, the Bank categorized all on- and off-balance sheet assets and liabilities into its trading book and banking book according to the nature and characteristics of different books. The trading book includes tradable financial instruments and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book, whereas all other positions are included in the banking book.

Market Risk Management of the Banking Book

♦ Interest Rate Risk Management

Interest rate risk is defined as the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in interest rate and term structure, etc. Interest rate risks mainly include repricing risk, yield curve risk, benchmark rate risk and option risk, of which, repricing risk and benchmark rate risk are the Bank's primary interest rate risks.

The Bank's interest rate risk management is aimed at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk under its risk management and risk appetite. The Bank adheres to the prudence principle in interest rate risk management of the banking book. The department in charge of interest rate risk management of the banking book and business departments jointly monitor and forecast interest rate trends and manage the interest rate risk based on monitoring results, so as to maximize the risk-adjusted income.

In 2016, the Bank focused on adopting steady and prudent interest rate risk appetite. It comprehensively utilized interest rate limit system management, term structure management, internal and external pricing management, hedging management and other instruments to effectively control the Group's interest rate risk, taking interest rate risk management strategies and the business development conditions into consideration.

Discussion and Analysis

♦ *Currency Risk Management*

Currency risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's mismatch between foreign currency assets and liabilities.

The Bank's objective of currency risk management is to control the impact of exchange rate fluctuations on the Bank's financial position and shareholders' equity within a tolerable extent. The Bank mitigates such risk principally by limit management and hedging of risks. The Bank carries out sensitivity analysis and stress test of currency risk on a quarterly basis, and submits currency risk reports to the Senior Management and the Market Risk Management Committee.

Market Risk Management of the Trading Book

The Bank continued to improve risk measurement and product control of the trading book by adopting multiple methods including Value at Risk (VaR), sensitivity analysis and exposure analysis to measure and manage products in the trading book. The Bank also optimized the market risk limit management system based on trading portfolios, improved the three-tier limit approval mechanism consisting of the Board of Directors, the Market Risk Management Committee and business departments. In addition, it optimized limit setting in a scientific manner and realized fast and flexible limit monitoring and dynamic adjustment relying on the Global Market Risk Management (GMRM) system. For VaR of the trading book of the Bank, please refer to "Note 54. (c)(i) to the Financial Statements: Value at Risk (VaR)".

Market Risk Analysis

♦ *Interest Rate Risk Analysis*

In 2016, by proactively responding to interest rate liberalization, the Bank reasonably examined and studied the trend of macroeconomics and market interest rate trends, and moderately guided the term structure of assets and liabilities. Properly grasping the term structure of interest rates, it effectively controlled the duration gap of assets and liabilities and interest rate sensitivity gap to ensure the realization of interest rate risk management objectives.

As at the end of 2016, the Bank had a negative cumulative interest rate sensitivity exposure within one year of RMB420,695 million, representing a decrease of RMB527,731 million from the end of the previous year, mainly caused by the decrease of bond investment and due from banks and other financial institutions repriced or matured within one year and the increase of due to customers. Cumulative interest rate sensitivity positive exposure over one year stood at RMB2,018,815 million, representing an increase of RMB499,610 million, mainly due to the increase in bond investment matured over one year.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 31 December 2016	(1,577,446)	1,156,751	487,380	1,531,435
At 31 December 2015	(1,481,484)	1,588,520	399,606	1,119,599

Note: Please refer to "Note 54.(c)(ii) to the Financial Statements: Interest Rate Risk".

For interest rate sensitivity analysis, please refer to "Note 54.(c)(ii) to the Financial Statements: Interest Rate Risk".

♦ *Currency Risk Analysis*

In 2016, the Bank closely watched the changes in external market and internal funds, actively took a combination of management measures such as price leverage to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and strengthened assets and liabilities currency structure management and capital fund preservation management of overseas institutions. The currency risk of the Bank was under control.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 31 December 2016		At 31 December 2015	
	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	344,304	49,554	189,756	29,222
Exposure of off-balance sheet foreign exchange items, net	(177,415)	(25,535)	(36,322)	(5,593)
Total foreign exchange exposure, net	166,889	24,019	153,434	23,629

Please refer to "Note 54.(c)(iii) to the Financial Statements: Currency Risk" for the exchange rate sensitivity analysis.

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to raise funds on a timely basis or at a reasonable cost to settle liabilities as they fall due, perform other payment obligations and satisfy other funding demands of normal business development. Liquidity risk may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch between assets and liabilities, difficulties in assets realization, operating losses, derivatives trading risk and risk associated with its affiliates.

Liquidity Risk Management

In 2016, the Bank constantly improved its liquidity risk management system following changes in the macroeconomic environment and financial regulatory requirements, and upgraded liquidity risk management mechanism, thus effectively enhancing the liquidity risk management quality of the Group. The Bank continued to implement steady and prudent liquidity management, kept a close eye on impact arising from internal and external factors on the Bank's liquidity, and better and timely arranged the Group's consolidated management strategy in line with liquidity risk characteristics of items on and off balance sheet, in both domestic and overseas institutions, and in local and foreign currencies. The Bank furthered the overall management of the Group's assets and liabilities, highlighting market liberalization, and optimized the limit management plan of overseas institutions. It strengthened the management of overseas debt capital market instruments and improved financing capacity. The Bank actively implemented relevant regulatory requirements concerning the degree of dependence on the Group's debts and strengthened the management of fund transactions within the Group.

- ◆ *Liquidity Risk Management System and Governance Structure*

The Bank's liquidity risk management system conforms to the overall development strategy and the entire risk management system of the Bank, and is commensurate with the business scale, business nature, complexity and other aspects of the Bank. The system includes the following fundamental elements: effective governance structure for liquidity risk management; sound strategy, policy and procedures for liquidity risk management; effective identification, measurement, monitoring and control procedures for liquidity risk and a complete management information system.

In respect of liquidity risk management, the Bank's governance structure embodies the decision-making system comprising the Board of Directors and its special committees as well as the Asset and Liability Management Committee and the Risk Management Committee of the Head Office; the supervision system comprising the Board of Supervisors, the Internal Audit Bureau and the Internal Control and Compliance Department; and the execution system comprising the Asset and Liability Management Department, leading management departments of on and off-balance sheet businesses, the Information Technology Department, operation management departments of the Head Office and relevant departments of branches. Each of these systems performs corresponding decision making, supervision and execution functions according to division of responsibilities.

Discussion and Analysis

♦ Objective, Strategy and Important Policy of Liquidity Risk Management

Objective of liquidity risk management: By establishing and improving the liquidity risk management system, the Bank aims at realizing complete identification, accurate measurement, continuous monitoring and effective control of the liquidity risk at the Group level, the Bank, the branches and the business lines, and ensuring the liquidity demand is satisfied at a reasonable cost in time under the normal business scenario and the stress scenario.

Formulated taking into account the liquidity risk appetite, the liquidity risk management strategy, policy and procedure cover all businesses on and off the balance sheet, all domestic and overseas business departments and branches that are likely to deliver a material impact on the liquidity risk, and contain the liquidity risk management under normal and stress scenarios. The liquidity risk management strategy specifies the overall objective and management mode of liquidity risk management and lists major policies and procedures for liquidity risk management. Important policies for liquidity risk management are formulated in accordance with external and macro operating environments and business development of the Bank, with a view to striking an effective balance among security, liquidity and profitability.

♦ Liquidity Risk Management Mode

The mode of liquidity risk management of the Bank is consolidated liquidity risk management based on management of liquidity risk at the bank level. The Head Office manages the liquidity risk of the Bank in a unified and centralized manner and ensures liquidity security of the Bank through dynamic adjustment of the aggregate and structure of assets and liabilities, whereas the affiliates assume primary responsibilities concerning liquidity risk management of respective institution, and undertake corresponding responsibilities as required by the leading liquidity risk management departments of the Head Office.

♦ Stress Test

Following the prudence principle, the Bank employs the scenario analysis and the sensitivity analysis to perform stress test on liquidity risk. The Bank has taken full consideration of various macroscopic and microscopic factors that may influence the Bank's liquidity status to set stress scenarios against those products, businesses and institutions with concentrated liquidity risk in line with the characteristics and complexity of the Bank's businesses. The Bank performs stress tests on a quarterly basis. Where necessary, the Bank may carry out temporary and special stress tests at a particular time in light of changes in the external operating environment and regulatory requirements.

Liquidity Risk Analysis

In 2016, the Bank paid close attention to changes in the macroeconomic and monetary policy, dynamically adjusted its RMB fund operation strategy in accordance with the Bank's assets and liabilities development and fund management characteristics in different periods, and took various measures to ensure a safe and stable liquidity level. The Bank further consolidated the deposit business, optimized deposit structure, and promoted the steady and balanced growth of each type of deposits, which effectively enhanced the stability of liabilities. It also intensified the efforts in treasury business term structure management, taking funds liquidity, security and profitability into consideration. In addition, the Bank strengthened the development of its liquidity risk management mechanism and managed liquidity on and off balance sheet and of domestic and overseas institutions in a coordinated way, which further raised funds operation and liquidity risk prevention and control capability of the Group.

In respect of foreign currencies, the Bank closely observed the changes in external markets and funds, adjusted foreign currency liquidity management strategy and internal and external fund prices in a flexible manner and maintained the coordinated development of foreign currency assets and liabilities business while ensuring a safe liquidity level.

The deposit and loan businesses of the Bank maintained coordinating development, and liquidity risk management ability was further strengthened. As at the end of 2016, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 35.7% and 82.3%, respectively, meeting the regulatory requirements. Loan-to-deposit ratio was 70.9%. Please refer to "Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements" for details.

Liquidity coverage ratio at the end of each month in the fourth quarter of 2016 attained an average of 139.75%, 6.61 percentage points higher than the previous quarter. This was because high-quality liquid assets (HQLA) maintained rapid growth, medium-term and short-term asset reserves were moderately increased and fund inflow due less than one month also climbed up. HQLA cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio based on the Administrative Measures for Liquidity Coverage Ratio of Commercial Banks promulgated by CBRC, please refer to "Unaudited Supplementary Financial Information".

The Bank also assessed the liquidity risk status by using liquidity exposure analysis. As at the end of 2016, the positive liquidity exposure for the less than 1 month category decreased, which was mainly due to the decrease of due from and placements with banks and other financial institutions and the increase of due to and placements from banks and other financial institutions with corresponding term. The liquidity exposure for the 3 months to 1 year category turned from positive to negative, mainly due to the decrease in investments in bonds with corresponding term, and loans and advances to customers as well as the increase in customer deposits. The positive liquidity exposure for the 1 to 5 years and over 5 years categories edged, which was mainly due to increase in investments in bonds with corresponding term and loans and advances to customers. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in central bank bills, treasury bonds and other high-liquidity assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Overdue/ repayable on demand						Total
		Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
At 31 December 2016	(10,391,326)	43,004	(490,413)	(378,127)	3,363,860	6,499,529	3,334,636	1,981,163
At 31 December 2015	(9,385,821)	322,595	(540,886)	26,247	3,197,027	5,136,733	3,044,624	1,800,519

Note: Please refer to "Note 54.(b) to the Financial Statements: Liquidity Risk".

Operational Risk

Operational Risk Management

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management. Among these, external fraud, execution and delivery and process management constitute major sources of operational risk losses of the Bank.

Discussion and Analysis

The Bank strictly followed the requirements of the Guidance to the Operational Risk Management of Commercial Banks issued by CBRC. The Bank adopted the operational risk control mode of "integrated management, classified control". The Board of Directors assumes relevant responsibility for the effectiveness of the operational risk management according to the Articles of Association, and the Senior Management is responsible for implementing the strategy, overall policy and system for operational risk management approved by the Board of Directors. The Operational Risk Management Committee under the Senior Management, as the organizer and coordinator of operational risk management of the Bank, is responsible for reviewing and approving significant matters related to operational risk management according to the Working Regulations for the Operational Risk Management Committee. Marketing and product departments at all levels form the first line of defense of operational risk management, which assume direct responsibility for operational risk management in each business line. Internal control and compliance departments at various levels are comprehensive management departments for operational risk in institutions at various levels and assume the duty of operating the second line of defense of operational risk management, which are responsible for the overall management of operational risks of institutions at various levels and for the arrangement and organization for the establishment and implementation of operational risk management system at each level; discipline enforcement, security, human resources, IT, finance and accounting, legal affairs, operation management, credit management and risk management departments at all levels are classification control departments for operational risk in institutions at various levels, which are responsible for management and control on specific types of operational risk. These departments, together with comprehensive management departments, form the second line of defense of operational risk management. The internal audit departments at all levels are responsible for auditing and evaluating the operation of the operational risk management system, and form the third line of defense.

In 2016, in accordance with latest regulatory requirements for banks concerning operational risk and the trends of operational risk, the Bank effectively conducted the refined and scientific management of operational risk, and further enhanced the operational risk management of the Group. The Bank rolled out the special risk governance campaign regarding ten key areas and links orderly starting from institution, process, system, mechanism, and employee management. It strengthened the IT risk control and external fraud risk management, launched the Group's anti-fraud platform to have full-process control covering ex-ante warning, in-process intervention and post-event monitoring, and enhanced the capability to withstand external risk. The Bank also took the initiative to focus on and effectively reveal business risk, strengthening risk control in credit, bills, interbank business and other areas. Annual case-based risk investigation was carried out to improve the case prevention mechanism. The Bank improved the regulations on managing the use of labor and abnormal employee behaviors, and optimized the management procedure for business outsourcing. It upgraded the operational risk loss event management system, and continued to enhance the application of operational risk management instruments and control over data quality. It applied the operational risk limit management, monitored key operational risk indicators, and completed the self-assessment of operational risk and control. In addition, the Bank strengthened the management and control over operational risk of overseas institutions and subsidiaries, and pushed forward the function extension and application of the operational risk measurement system. During the reporting period, the operational risk management system of the Bank operated smoothly and the operational risk was controllable on the whole.

Legal Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arises out of or in connection with the failure of the Bank to comply with relevant laws, regulations, administrative rules, regulatory provisions and requirements of other relevant rules during the Bank's operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Bank always attaches great importance to establishing a sound legal risk management system, forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and to prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the strategy and policy relating to legal risk management, examining and approving relevant important affairs. The Legal Affairs Department of the Head Office is in charge of legal risk management across the Group, with relevant business departments providing related support and assistance on legal risk prevention and control. The affiliates, domestic and overseas branches undertakes the responsibility of legal risk management of their respective institutions.

In 2016, the Bank continued to strengthen legal risk management, by improving the risk prevention and control capacity in legal risk management, ensuring the legal and compliant operation, healthy business development and overall business stability of the Group. The Bank improved both the vertical linkage and horizontal coordination mechanism between the Head Office and branches. By embedding legal risk prevention and control into business negotiations, product design, contract signing and other links, the Bank prevented legal risk in advance and made the legal risk prevention and control more prospective, initiative and targeted. The Bank further improved the cross-border coordination and management for legal work and strengthened the legal risk management of overseas institutions, actively responding to cross-border legal issues emerging in the development of international operations. It applied multiple legal means to improve debt efficiency. Moreover, the Bank pragmatically strengthened the risk management and control of lawsuit-related risks, thereby preventing and mitigating lawsuit-related risks and losses. It assisted with the online judicial inquiry and enforcement, which highly improved the efficiency of inquiries and enforcements. The Bank further standardized contract text management and reinforced authorization management, related party management, trademark management and intellectual property protection.

Anti-Money Laundering

In strict compliance with applicable laws and regulations concerning anti-money laundering, the Bank sincerely implemented the “risk-based” regulatory requirements in respect of anti-money laundering, steadily fulfilled the legal obligations and social duties concerning anti-money laundering, and kept enhancing the Group’s management level regarding anti-money laundering and anti-terrorist financing.

Adhering to the anti-money laundering management model of “centralized, specialized and systematic management”, the Bank constantly pushed forward anti-money laundering processing to be more intensive and professional. It deepened the construction of an Anti-money Laundering Center at the Head Office level, adjusted the anti-money laundering management organization structure and enhanced the allocation of anti-money laundering resources. Special attention was given to strengthening the anti-money laundering management of overseas institutions, optimizing their anti-money laundering information system, and simultaneously enriching the reserves of anti-money laundering personnel in overseas institutions, hence comprehensively enhancing the IT application, specialization and delicacy management of the Group’s anti-money laundering work. The Bank focused on conducting customer identification and due diligence, and continued to improve the quality and efficiency of suspicious transaction reporting. It stepped up efforts in assessing money-laundering risk of products and customers, strengthened money laundering risk prevention and control concerning key business areas. Taking the opportunity of the tenth anniversary of the implementation of the Anti-Money Laundering Law of the People’s Republic of China, the Bank launched extensive anti-money laundering publicity, strengthened the cultivation and qualification certification of anti-money laundering talents, and improved the compliance awareness, professional competence and performance capability of anti-money laundering personnel. The Bank was ranked top in the 2016 comprehensive evaluation of anti-money laundering conducted by PBC.

Discussion and Analysis

Reputational Risk

Reputational risk is defined as the risk of negative assessment or comments on a commercial bank from stakeholders as a result of its operation, management and other behaviors or external events. Reputational risk may arise in any part of the Bank's operation and management, and usually co-exists and correlates with credit risk, market risk, operational risk and liquidity risk.

Reputational risk management of the Bank refers to the process and method for ensuring the achievement of the overall objective of reputational risk management based on the objective and planning for reputational risk management, including the establishment and improvement of the reputational risk management system through the identification, assessment, monitoring and handling of reputational risk factors and reputational events. The Bank adheres to the prevention oriented principle and incorporates reputational risk management into each aspect of operational management of the Bank and every customer service process, with a view to controlling and mitigating reputational risk at its source and minimizing the possibility of occurrence of and influence from reputational events.

As the highest decision-making body of the Bank's reputational risk management, the Board of Directors is responsible for formulating strategies and policies concerning reputational risk management that are in line with the strategic objective of the Bank. The Senior Management is responsible for implementing such strategies and policies established by the Board of Directors and leading reputational risk management of the Bank. The Bank has established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2016, the Bank continued to strengthen reputational risk management, proactively prevented reputational risk and enhanced the reputational risk management level and prevention ability across the Bank. According to the latest regulatory requirements, changes in external situation and the Bank's management practices, the Bank amended the measures for reputational risk management, improved the reputational risk management working mechanism, and launched the reputational risk management system. The Bank also carried out the identification, evaluation, monitoring, control, mitigation and assessment of reputational risk in an in-depth manner and strengthened the consolidated management of reputational risk. It conducted reputational risk assessment on new businesses and products, and investigated all potential reputational risk. It organized stress tests and emergency response drill on reputational risk and reinforced the prevention control and mitigation of reputational risk. It made active response to concerns from society and effectively communicated with the stakeholders and the public. During the reporting period, the Bank's reputational risk was controllable with no material reputational risk event occurred.

Country Risk

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by the Bank or its commercial presence in such country or region and other losses due to economic, political and social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government's refusal to pay external debt, foreign exchange control or currency depreciation in a country or a region.

The Bank strictly observes the Guidelines on the Management of Country Risk by Banking Financial Institutions and other regulatory requirements of CBRC. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The Senior Management is responsible for executing the country risk management policies approved by the Board of Directors. The Risk Management Committee of the Head Office is responsible for reviewing matters regarding country risk management. The Bank manages and controls country risk through a series of management tools, including country risk assessment and rating, country risk limits for the entire group and continuous statistics, analysis and monitoring of country risk exposure, as well as country risk assessment using stress tests. The Bank reviews the country risk rating and limits at least once every year.

In 2016, the Bank strictly abode by regulatory requirements and, with consideration of its business development needs, continued to strengthen country risk management. The Bank continuously improved country risk management policies, and optimized the management process, closely observed changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. It further strengthened forward-looking early warning mechanism for country risk, proactively conducted stress testing on country risk and effectively controlled country risk while pushing ahead with the internationalization strategy.

CAPITAL MANAGEMENT

The Bank implements a group-based capital management mechanism, and takes capital as the object and an instrument for its management activities, including planning, measurement, allocation, application and operation. The Bank's capital management aims at maintaining appropriate capital adequacy ratio and continuously meeting capital supervisory regulations and policies; ceaselessly consolidating and enhancing the bank-wide capital base and supporting business growth and implementation of strategic planning; establishing a value management system focusing on economic capital, reinforcing capital constraint and incentive mechanism and improving capital allocation efficiency; innovating and expanding capital replenishment channels, raising capital quality and optimizing capital structure. The Bank's capital management covers various operating entities in the Group, and its contents include capital adequacy ratio management, economic capital management, capital investment and financing management.

In 2016, the Bank reformed and improved capital management by further streamlining the capital management system and mechanism. It strove to promote the optimization of bank-wide capital utilization, intensified the rigid constraint of economic capital on risk-weighted assets across the Bank and continued to elevate the capital use efficiency and return on capital. The Bank attached importance to the supplementation of endogenous capital and further consolidated the bank-wide capital base to reinforce its capacity in supporting the real economy development. Moreover, the Bank coordinated, allocated and utilized various capital resources to satisfy capital supplement requirements of subsidiaries. In 2016, all capital indicators performed well, of which capital adequacy ratio was kept at a sound level, fully showing its good reputation of strong capital base and prudent and sustainable operation.

Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios in accordance with the Capital Regulation. According to the scope of implementing the advanced capital management approaches as approved by CBRC, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA approach.

RESULTS OF CAPITAL ADEQUACY RATIO CALCULATION OF THE GROUP AND PARENT COMPANY

In RMB millions, except for percentages

Item	At 31 December 2016		At 31 December 2015	
	Group	Parent Company	Group	Parent Company
Calculated in accordance with the Capital Regulation:				
Net core tier 1 capital	1,874,976	1,723,839	1,701,495	1,571,403
Net tier 1 capital	1,954,770	1,803,214	1,781,062	1,650,778
Net capital base	2,127,462	1,960,840	2,012,103	1,869,237
Core tier 1 capital adequacy ratio	12.87%	12.90%	12.87%	12.88%
Tier 1 capital adequacy ratio	13.42%	13.49%	13.48%	13.53%
Capital adequacy ratio	14.61%	14.67%	15.22%	15.32%
Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:				
Core capital adequacy ratio	11.71%	11.96%	11.83%	12.09%
Capital adequacy ratio	14.29%	14.26%	14.75%	14.67%

Discussion and Analysis

As at the end of 2016, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Capital Regulation stood at 12.87%, 13.42% and 14.61%, respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2016	At 31 December 2015
Core tier 1 capital	1,886,536	1,713,160
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,998	151,963
Surplus reserve	205,021	178,040
General reserve	251,349	246,356
Retained profits	940,237	781,853
Valid portion of minority interests	3,164	4,340
Others	(21,640)	(5,799)
Core tier 1 capital deductions	11,560	11,665
Goodwill	9,001	8,478
Other intangible assets other than land use rights	1,477	1,356
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,618)	(3,869)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	5,700
Net core tier 1 capital	1,874,976	1,701,495
Additional tier 1 capital	79,794	79,567
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	419	192
Net tier 1 capital	1,954,770	1,781,062
Tier 2 capital	178,292	244,641
Valid portion of tier 2 capital instruments and related premium	154,861	180,242
Surplus provision for loan impairment	19,195	63,398
Valid portion of minority interests	4,236	1,001
Tier 2 capital deductions	5,600	13,600
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,600	13,600
Net capital base	2,127,462	2,012,103
Risk-weighted assets⁽²⁾	14,564,617	13,216,687
Core tier 1 capital adequacy ratio	12.87%	12.87%
Tier 1 capital adequacy ratio	13.42%	13.48%
Capital adequacy ratio	14.61%	15.22%

Notes: (1) Please refer to "Note 54.(d) to the Financial Statements: Capital management".

(2) Refers to risk-weighted assets after capital floor and adjustments.

Please refer to the 2016 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement.

At the end of 2016, the leverage ratio which was calculated according to the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) promulgated by CBRC in 2015 was 7.55%, a slight increase of 0.07 percentage point from the end of the previous year, meeting the regulatory requirement.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At 31 December 2016	At 30 September 2016	At 30 June 2016	At 31 March 2016	At 31 December 2015
Net tier 1 capital	1,954,770	1,919,729	1,847,634	1,854,320	1,781,062
Balance of adjusted on- and off-balance sheet assets	25,904,533	25,357,448	25,309,554	24,599,374	23,813,992
Leverage ratio	7.55%	7.57%	7.30%	7.54%	7.48%

Note: Please refer to "Unaudited Supplementary Financial Information" for details on disclosed leverage ratio information.

Capital Financing Management

The Bank proactively carried out external capital replenishment and constantly promoted the issuance of new capital instruments on the basis of achieving capital replenishment by retained profits. The Board of Directors of the Bank convened a meeting in March 2016 to review and approve the proposal on the new issuance of write-down eligible tier 2 capital instruments up to RMB88.0 billion equivalent by the end of 2017. The same resolution was proposed and passed in the Shareholders' General Meeting in June 2016. Please refer to the announcements published by the Bank on the websites of SEHK and SSE.

For details on relevant fundraising activities, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing".

Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

In 2016, the Bank further improved its economic capital management in terms of measurement, allocation and assessment, intensified the capital constraint mechanism, and strictly implemented the measures for quota management to enhance the capital management efficiency and vigorously pushed forward operational management and business front-line application of economic capital. The Bank constantly carried out the optimization of economic capital, collated and analyzed the high occupation of capital, inefficient utilization of capital and waste of capital in all products, prepared the schemes for optimization and enhancement, promoted and explored the capital-intensive development mode. The Bank further improved its economic capital measurement policy and optimized its economic capital measurement standards and system. Moreover, the Bank upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of its credit structure.

OUTLOOK

In 2017, global economy will maintain the overall trend of downturn, weakness, differentiation and turbulence. China's economy will improve steadily at a slower pace. Driven by economic restructuring and upgrading as well as replacement of old drivers of growth with new ones, the quality and efficiency of economic development is expected to improve steadily.

The Bank will embrace the following opportunities. First, the supply-side structural reform will stimulate the endogenous driving force for China's economic growth, unleash market vitality and innovative power, and play a stronger role in boosting economic development, thus creating a healthier, more efficient and more sustainable operating environment for the banking sector. Second, the new urbanization, made in China 2025, consumption upgrade, "Internet plus" and other major strategic projects will be deployed and implemented in an all-around manner, which will generate a huge demand for financial services in different areas such as people's livelihood, new energy, new technology, Internet of things, energy saving and environmental protection, culture and tourism, hence providing certain room for banks' credit layout and business transformation. Third, the implementation of the government's cross-regional systematic projects including the "Belt and Road" initiative, coordinated development of Beijing-Tianjin-Hebei region and Yangtze River Economic Zone will produce a large number of high-quality investment opportunities, and create sizable demands for cross-regional interconnected financial services, which will provide favorable business development opportunities for the banking sector. Fourth, the new wave of technological revolution in the economic and financial fields has offered an opportunity for banks to build online business channels, innovate the internet-based financial services and establish new business relationships with customers, thus the consequent individualization and diversification of customer demand will bring enormous potentials for financial innovation.

The Bank will also face the following major challenges: First, potential financial risks will increase, with frequent occurrence and intertwined evolution of primary, imported and cross-cutting risks, thus further testing banks' capabilities in risk prevention and control and quality management. Second, the tightening capital constraints will not only impose pressure on business development cost of banks, but also put forward higher requirements for building a capital intensive business model. Third, the reform of interest rate liberalization will enter into a deepening period with the establishment of a market-oriented interest rate formation and control mechanism, narrowing banks' interest spread. In response, banks must further promote the optimization and adjustment of business structure, and speed up the construction of a new profit growth pattern with a variety of supporting points and different sources of driving forces. Fourth, the development of FinTech will change the traditional competitive landscape of banks, and promote banks to optimize operational quality and pattern and rebuild their service models.

2017 is a critical year for China's implementation of the "13th Five-Year Plan" and the final year of the Bank's fourth Three-Year Plan. The Bank will, based on the changes in external environment, adhere to strategic heritage, transformation and innovation, and focus on stabilization of quality, adjustment of structure and pursuit of innovation, to ensure that enhancement of quality and efficiency can be achieved in a sustainable manner.

- ❖ **Focus on the origin of real economy and enhance the quality and level of financial services.** In connection with the "13th Five-Year Plan", the Bank will actively support the implementation of major national strategies such as the "four regions" and the "three supporting belts" and key construction projects, and enhance the cooperation with green industries, strategic emerging industries, modern service industry and the internet sector, with the optimization of asset allocation structure; by focusing on major arrangements including the five tasks of "cutting overcapacity, destocking, deleveraging, reducing costs and identifying growth areas" and the mixed ownership reform. The Bank will rely on the cross-market and integrated operating platforms to provide enterprises with more flexible and diverse financial service options. Besides, it will exert the advantages in global integrated services and the linkage function at home and aboard, serve the "Going Global" drive of enterprises by closely following the construction of "Belt and Road" initiative, and expand the cooperation on international production capacity and equipment manufacturing.

- ✧ **Enhance risk prevention and mitigation capability and consolidate the development foundation.** The Bank will improve its risk monitoring and early warning system by relying on the big data technology, speed up the reduction of overdue and at-risk loans based on strict quality control for newly granted loans, intensify the collection and disposal of non-performing loans, and strengthen the risk control for agency investment, bond underwriting and bond investment, to reduce credit risk and prevent loan quality from deteriorating. It will also coordinate the management of operational risk, liquidity risk, cross-sector and cross-market risk and overseas compliance risk, to prevent cross-infection and superimposed resonance of various risks. In addition, the Bank will always keep a close eye on case prevention by fortifying the rectification in key areas and processes, strengthening internal control and building firm lines of defense.
- ✧ **Accelerate innovation and reform and build new advantages in competitive development.** The Bank will actively promote a series of reforms such as the strategies of mega retail, mega asset management, big data and information technology as well as credit system, enhancement of competitiveness of key city branches and adjustment of personnel structure, and build a business operation system that will be conducive to the elevation of development quality and efficiency, improvement of resource allocation efficiency and stimulation of innovative vitality. With a focus on the integration of finance and technology, the Bank will deepen the development of internet-based finance and keep strengthening the Bank's three major platforms (i.e. ICBC Mall, ICBC Mobile and ICBC Link) and three product lines (i.e. internet payment, financing and investment & wealth management) to consolidate the Bank's leading position among its peers in the sector of internet-based finance. Besides, it will actively promote the application of FinTech in the business management, develop highly-integrated and customer-oriented information systems, and build a new service marketing model which integrates online and offline channels to push forward the business model reform and service upgrading on all fronts.

Discussion and Analysis

OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

Major Regulatory Indicators

Item		Regulatory criteria	2016	2015	2014
Liquidity ratio (%)	RMB	>=25.0	35.7	35.5	33.2
	Foreign currency	>=25.0	82.3	98.1	91.1
Loan-to-deposit ratio (%) ⁽²⁾	RMB and foreign currency		70.9	71.4	68.4
Percentage of loans to single largest customer (%)		<=10.0	4.5	4.2	4.8
Percentage of loans to top 10 customers (%)			13.3	13.3	14.9
Loan migration ratio (%)	Pass		3.4	4.4	2.7
	Special mention		23.5	29.6	17.2
	Substandard		36.8	38.9	37.4
	Doubtful		7.4	10.5	5.2

Notes: (1) The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted and restated.

(2) CBRC adjusted the loan-to-deposit ratio from a regulatory indicator to a monitoring indicator in 2015.

(3) Please refer to the section headed "Discussion and Analysis — Risk Management" for liquidity coverage ratio indicator information.

Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2016 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

Corporate Bonds

The Bank did not issue any corporate bonds that were offered at the stock exchanges.

Global Systemically Importance Assessment Indicators of Commercial Banks

In RMB millions

Indicator	2016	2015
Balance of adjusted on- and off-balance sheet assets	25,904,533	23,813,992
Intra-financial system assets	1,602,223	1,453,661
Intra-financial system liabilities	2,131,194	2,368,335
Securities and other financing instruments issued	2,719,376	2,338,163
Payments settled via payment systems or correspondent banks	374,432,043	345,214,765
Assets under custody	14,061,641	11,507,109
Underwritten transactions in debt and equity markets	1,649,713	1,192,434
Notional amount of over-the-counter (OTC) derivatives	4,970,872	4,049,645
Trading and available-for-sale securities	442,830	475,562
Level 3 assets	159,550	188,566
Cross-jurisdictional claims	1,489,643	1,222,353
Cross-jurisdictional liabilities	1,577,428	1,260,948

Social Responsibility

Taking the social responsibility objective of “Excellence for You — Excellent services to clients, Maximum returns to shareholders, Real success for our people, Great contribution to society”, the Bank is committed to serving the common interests of various stakeholders in economic and social development and promoting sustainable economic development and social progress. Thanks to these efforts, the Bank won wide recognition from various social sectors and such awards as the “Best Social Responsibility Financial Institution Award”, the “Annual Poverty Alleviation Award”, and “The 1st place in the List of Chinese State-owned Listed Companies on Corporate Social Responsibilities” and the “Most Responsible Enterprise”.

Serving the Real Economy, Becoming Value Creator

To meet the diversified needs for financial services amid the supply-side structural reform and the shift of impetus for economic growth, the Bank channeled credit to where it was needed, strictly controlled asset quality, accelerated financial innovation and improved service efficiency. It supported the development of the real economy, pushed ahead with industry restructuring and facilitated a more balanced regional structure. It stepped up efforts to support small and micro enterprises and agriculture, rural areas and farmers, contributed to improving people’s livelihood, and endeavored to realize inclusive finance.

Making Contributions to the Society, Building up a Brand Bank

The Bank accelerated to promote the building of a “bank of customer satisfaction”, innovated in services. It focused on improvements in the customer experience regarding onsite service, multi-channel service and the meeting of service demands to comprehensively lift service quality and innovate the forms and contents of financial services. It actively implemented the “Belt and Road” initiative, refined the strategic layout of overseas business, and sharpened its ability and competitiveness in delivering global financial services.

Being Environment-friendly, Building up a Green Bank

The Bank stayed committed to green finance. Upholding the principle of controllable risk and business sustainability, it proactively promoted green, recycling and low-carbon development, made green finance a key topic of B20 summit and promoted green finance development. Besides, it continued to launch new products and services on internet banking, mobile banking and telephone banking at a faster pace and advance information-based construction to innovate emission reduction and beautify the homeland environment with concrete acts.

Building up an Honorable Bank with Internal and External Safeguard

Through educating the public about financial knowledge, managing the pricing of services, and protecting customers’ rights, the Bank actively built a long-standing and stable mechanism for consumer protection. It complied with laws and regulations, enhanced self-discipline in the Bank, proactively participated in the building and refinement of a society of integrity and punishment against dishonesty. The Bank increased public’s awareness of AML-related crimes, and practically safeguarded financial security.

Managing with Love, Building a Harmonious Bank

Committed to a “People-oriented” concept, the Bank strove to protect employee’s legitimate rights and interests, improved career development paths for employees. It called on a committed performance culture with employees highly involved, deeply explored the building of “ICBC University”, facilitated the common growth of employees and the Bank, and promoted the integration of diversified cultures. Besides, the Bank valued employee’s health and safety. It offered health checks to employees on a regular basis, organized various recreational and sport activities, and promoted healthy lifestyles.

Advocating Public Undertakings, Building a Charitable Brand

The Bank strikes the balance between economic benefits and social benefits. In addition to creating value for shareholders, customers and employees, the Bank made continuous efforts to create a corporate culture that attaches great importance to public welfare and develop ICBC into a brand known for its humanitarian efforts. It led its staff to participate in charitable activities tailored to local needs, and take actions and perform social duties across the world.

Targeted Poverty Relief

The Bank continues to be dedicated to poverty relief and has improved its working mechanism and supporting policies. Based on the principle of business sustainability, it has fully utilized its characteristic advantages as a commercial bank, and actively performed its social responsibilities of a large state-owned bank.

Targeted Poverty Relief Planning

♦ **Poverty relief planning and objective.** The Bank will increase credit support to poor areas, carry out targeted poverty alleviation programs to integrate resources at poor areas, and assist the poor in improving production and living conditions by means of education, healthcare, industry and disaster relief, supporting them to achieve poverty reduction goals on time.

♦ **Mechanism for poverty relief.** The Bank established a working group for poverty relief headed by Chairman Yi Huiman with several bank officials as deputy heads and 14 business departments as members. The group is responsible for coordinating and improving poverty alleviation work mechanism. The Bank also stipulated guideline documents for poverty alleviation, such as the *Opinion on Comprehensively Advancing Finance-backed Poverty Alleviation Work* and the *Targeted Poverty Alleviation Work Plan of ICBC*, to urge the efforts in this respect.

Summary of targeted poverty relief in 2016

♦ **Poverty relief through finance.** The Bank supported local enterprises and infrastructure construction through credit funds, concessional loans, and agriculture-oriented credit products, and by improving the payment service and the credit system. It also developed inclusive finance and improved financial services to precisely meet the diverse financing needs of poor areas.

♦ **Poverty relief through green industries.** By supporting local governments and the public to explore ways of developing green and cyclic economy, the Bank led to the development of characteristic industries including green planting and breeding, forestry, traditional handicraft industry and village tourism, and combined ecological protection with increasing the income of local people.

♦ **Poverty relief through education.** The Bank enhanced local education levels and the self-development capability of local people by means of charitable donations, rewards to teachers, financial assistance to students and paired-up assistance.

♦ **Poverty relief through healthcare.** The Bank improved the medical services for local people and public hygiene and reduced the cases of local residents falling below the poverty line or returning to poverty due to illnesses, by offering free medical assistance and providing medical and health facilities.

Targeted Poverty Relief Achievements

In RMB10,000

Finance-backed targeted poverty relief	
Balance of loans	9,300,978.68
Including: Loan of industry targeted poverty relief	1,601,312.28
Loan of project targeted poverty relief	6,099,917.36
Including: Rural transport facilities	3,689,888.85
Upgrading of rural power network	162,007.38
Rural water conservancy facilities	529,256.83
Rural education loan	148,003.00
Amount of targeted poverty relief input	2,000.00
Poverty relief through industry development	1,269.50
Poverty relief through education	570.50
Poverty relief through healthcare	160.00
Number of beneficiaries of targeted poverty relief	23,217
Including: Number of registered poor people	4,975
The Group poverty relief donations apart from targeted poverty relief	
Amount of donations	2,626.75
Projects	Including poverty relief village infrastructure construction and conducting planting & breeding and poor households aiding programs
Number of beneficiaries	253,036
Including: Number of registered poor people	34,752
Awards	"Annual Poverty Alleviation Award" of the 11th People Enterprise Social Responsibility of people.com.cn

Note: The "targeted poverty relief" refers to the poverty alleviation efforts in Tongjiang County, Nanjiang County, Jinyang County and Wanyuan City in Sichuan Province.

Subsequent targeted poverty relief plan

In terms of credit support, the Bank will further increase credit resources for poverty relief and prioritize the financing need for poverty reduction through the loan program management. In terms of financing policies, the Bank will balance the commercial needs against the social needs and focus on meeting the financing demand of the registered poor households, and enterprises or key projects which could assist with or serve the registered poor households. In terms of product innovation, the Bank will support local institutions to innovate financing products based on local conditions so as to meet the specific need of poverty reduction finance. In terms of service channel, the Bank will optimize outlet layout in poor areas, increase the number of self-service facilities, promote system interconnection with financial institutions in those areas, and extend financial service networks and payment and settlement services to them.

For more details on the Bank's social responsibilities, please refer to the ICBC Corporate Social Responsibility Report 2016 (Environment, Society and Governance) published on its official website.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2015		Increase/decrease during the reporting period	At 31 December 2016	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	-	-	-	-	-
II. Shares not subject to restrictions on sales	356,406,257,089	100.00	-	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	-	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	-	86,794,044,550	24.35
III. Total number of shares	356,406,257,089	100.00	-	356,406,257,089	100.00

Note: "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of CSRC.

Details of Securities Issuance and Listing

The Bank did not conduct any rights issue or issue any convertible bonds during the reporting period.

For details on the issuance of preference shares of the Bank, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Particulars of Preference Shares".

For information on other securities issued by the Bank and its subsidiaries, please refer to "Note 38. to the Financial Statements: Debt Securities Issued; Note 41. To the Financial Statements: Other Equity Instruments" for details.

The Bank did not have any employee shares.

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 573,596 ordinary shareholders and no holders of preference shares with voting rights restored, including 133,081 holders of H shares and 440,515 holders of A shares. As at the end of the month immediate before the release day of the Annual Report (28 February 2017), the Bank had a total number of 553,187 ordinary shareholders and no holders of preference shares with voting rights restored.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK (The following data are based on the register of shareholders as at 31 December 2016)

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	Increase/decrease of shares during the reporting period
Huijin	State-owned	A share	34.71	123,717,852,951	None	-
MOF	State-owned	A share	34.60	123,316,451,864	None	-
HKSCC Nominees Limited/ Hong Kong Securities Clearing Company Limited ⁽³⁾	Foreign legal person	H share	24.14	86,051,725,196	Unknown	-7,832,417
		A share	0.13	464,460,581	None	156,136,404
China Securities Finance Co., Ltd.	State-owned legal person	A share	1.28	4,562,235,995	None	187,975,909
Ping An Life Insurance Company of China, Ltd. — Traditional						
— Ordinary insurance products	Other entities	A share	1.21	4,322,828,137	None	-
Sycamore Investment Platform Co., Ltd.	State-owned legal person	A share	0.40	1,420,781,042	None	-
Central Huijin Asset Management Co., Ltd. ⁽⁴⁾	State-owned legal person	A share	0.28	1,013,921,700	None	-
Anbang Life Insurance Co., Ltd.						
— Conservative investment portfolio	Other entities	A share	0.11	390,487,231	None	-
China Life Insurance Company Limited — Traditional						
— Ordinary insurance products — 005L — CT001 Hu	Other entities	A share	0.09	317,038,927	None	100
Guotai Junan Investment Management Co., Ltd.	State-owned legal person	A share	0.07	247,694,769	None	-2,091,100

Notes: (1) Particulars of shareholding of H shareholders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.

(2) The Bank had no shares subject to restrictions on sales.

(3) HKSCC Nominees Limited held 86,051,725,196 H shares and Hong Kong Securities Clearing Company Limited held 464,460,581 A shares.

(4) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

◆ Controlling shareholders

The largest single shareholder of the Bank is Huijin, whose full name is Central Huijin Investment Ltd. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza, 1 Chaoyangmen North Street, Dongcheng District, Beijing, its unified social credit code is 911000007109329615, and its legal representative is Ding Xuedong. Huijin is a wholly-owned subsidiary of China Investment Corporation. It, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2016, Huijin held approximately 34.71% shares of the Bank. It held shares directly in the institutions listed below:

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

Notes: (1) A represents A share listed company, while H represents H share listed company.

- (2) On 4 November 2016, Huijin and CICC entered into a share transfer agreement. According to the agreement, CICC would carry out a rights issue to Huijin in order to purchase all the shares of China Investment Securities. As at the end of 2016, relevant procedures were being handled. After the completion of the above-mentioned transaction, Huijin will hold a 58.58% stake directly in CICC and China Investment Securities will be wholly owned by CICC.
- (3) China Securities exercised an over-allotment option on 30 December 2016 and the share transfer was wrapped up on 5 January 2017. Afterwards, the direct holding of Huijin in China Securities was changed to 32.93%.
- (4) Except the above-mentioned controlling or equity participating enterprises, Huijin also has a wholly-owned subsidiary — Central Huijin Asset Management Co., Ltd. Central Huijin Asset Management Co., Ltd. was incorporated in November 2015 in Beijing. With a registered capital of RMB5 billion, the company runs an asset management business.

The second single largest shareholder of the Bank is MOF, which held approximately 34.60% shares of the Bank as at 31 December 2016. MOF is a department under the State Council, and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the financial and taxation policies, and supervising State finance at a macro level.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

- ◆ *Particulars of Other Corporate Shareholders Holding 10% Shares or More (Excluding HKSCC Nominees Limited)*

None.

- ◆ *Particulars of the De Facto Controller*

None.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2016, the Bank received notices from the following persons about their interests or short positions held in the Bank's shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

Interests or short positions of ordinary shares of the Bank:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares (%)	Percentage of total ordinary shares (%)
MOF ⁽¹⁾	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Huijin ⁽²⁾	Beneficial owner	124,731,774,651	Long position	46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2016, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2016, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, held 1,013,921,700 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares (%)	Percentage of total ordinary shares (%)
Temasek Holdings (Private) Limited	Interest of controlled corporations	8,682,954,081	Long position	10.00	2.44
National Council for Social Security Fund	Beneficial owner	8,663,703,234	Long position	9.98	2.43
BlackRock, Inc.	Interest of controlled corporations	5,152,636,652	Long position	5.94	1.45

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Preference Shares

♦ Issuance and Listing of Preference Shares in Latest Three Years

Upon approval by CBRC pursuant to Yin Jian Fu [2014] No. 801 and by CSRC pursuant to Zheng Jian Xu Ke [2014] No. 1229, the Bank privately offered non-cumulative, non-participating and perpetual offshore preference shares in U.S. dollar, Euro and Renminbi on 10 December 2014 (please see the table below for details). The offshore preference shares issued by the Bank were listed on SEHK on 11 December 2014. Each offshore preference share had a nominal value of RMB100. The USD offshore preference shares, EUR offshore preference shares and RMB offshore preference shares were fully paid and issued in U.S. dollar, Euro and Renminbi. The offshore preference shares had no maturity. They had no less than six qualified placees. They were offered to professional investors only rather than retail investors and transferred privately in the OTC market only.

In accordance with the reference price of RMB exchange rate on 10 December 2014 published by the China Foreign Exchange Trade System, total proceeds from the issuance of offshore preference shares amounted to approximately RMB34.55 billion. After deduction of commissions and offering expenses, net proceeds from the issuance amounted to around RMB34.43 billion. All proceeds, after deduction of the expenses relating to the issuance will be used to replenish additional tier 1 capital and increase capital adequacy ratio.

Type of offshore preference share	Stock code	Dividend rate	Total amount	Full amount of proceeds per share	Number of issued shares
USD preference shares	4603	6%	USD2,940,000,000	USD20	147,000,000
EUR preference shares	4604	6%	EUR600,000,000	EUR15	40,000,000
RMB preference shares	84602	6%	RMB12,000,000,000	RMB100	120,000,000

The Bank privately issued 450 million preference shares in domestic market on 18 November 2015 upon the approval by CBRC pursuant to Yin Jian Fu [2015] No. 189 and by CSRC pursuant to Zheng Jian Xu Ke [2015] No. 1023. Each domestic preference share had a nominal value of RMB100 and was issued at nominal value. The coupon rate, as determined by benchmark rate plus a fixed spread, shall remain unchanged for the first 5 years commencing from the issuance date. Subsequently, the benchmark rate shall be readjusted once every 5 years during which the coupon rate shall remain unchanged. The coupon rate for the Domestic Preference Shares is determined at 4.50% through price discovery. Upon approval by SSE pursuant to Shang Zheng Han [2015] No. 2391, the domestic preference shares were listed on the integrated trading platform of SSE for transfer as of 11 December 2015 (stock name: ICBC Preference Share 1, stock code: 360011). Total proceeds from the issuance amounted to RMB45.0 billion, net proceeds from the issuance amounted to around RMB44.95 billion. All proceeds after deduction of the expenses relating to the issuance will be used to replenish additional tier 1 capital.

For particulars of the Bank's issue of domestic and offshore preference shares, please refer to the announcements of the Bank on the websites of SSE, SEHK and the Bank.

♦ Changes in Preference Shares

As at the end of the reporting period, the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders. As at the end of the month immediate before the release day of the Annual Report (28 February 2017), the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK (The following data are based on the register of offshore preference shareholders as at 31 December 2016)

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Cede & Co.	Foreign legal person	USD offshore preference shares	-	147,000,000	47.9	-	Unknown
The Bank of New York Depository (Nominees) Limited	Foreign legal person	RMB offshore preference shares	-	120,000,000	39.1	-	Unknown
		EUR offshore preference shares	-	40,000,000	13.0	-	Unknown

- Notes:
- (1) Particulars of shareholding of preference shareholders were based on the number of shares set out in the Bank's register of preference shareholders maintained.
 - (2) As the issuance was private offering, the register of preference shareholders presented the information on proxies of placees.
 - (3) The Bank is not aware of any connected relations or concert party action among the aforementioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
 - (4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF THE BANK (The following data are based on the register of domestic preference shareholders as at 31 December 2016)

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
China Mobile Communications Corporation	Other entities	Domestic preference shares	-	200,000,000	44.4	-	None
China National Tobacco Corporation	Other entities	Domestic preference shares	-	50,000,000	11.1	-	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	-	35,000,000	7.8	-	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	-	30,000,000	6.7	-	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	-	15,000,000	3.3	-	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	-	15,000,000	3.3	-	None
China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	-	15,000,000	3.3	-	None
BOC International (China) Limited	Domestic non-state-owned legal person	Domestic preference shares	-	15,000,000	3.3	-	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	-	10,000,000	2.2	-	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	-	10,000,000	2.2	-	None
Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	-	10,000,000	2.2	-	None

- Notes:
- (1) Particulars of shareholding of preference shareholders were based on the number of shares set out in the Bank's register of preference shareholders maintained.
 - (2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the aforementioned preference shareholders and top 10 ordinary shareholders.
 - (3) "Shareholding percentage" refers to the percentage of domestic preference shares held by preference shareholders in total number of domestic preference shares.

♦ Dividend Distribution of Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 28 October 2016, permitting the Bank to distribute the dividends on the Bank's domestic preference shares for the first time on 23 November 2016 and on the offshore preference shares on 12 December 2016.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Dividends on the Bank's domestic preference shares are paid annually in cash, and calculated based on the aggregate value of the issued domestic preference shares. Dividends on the Bank's domestic preference shares are non-cumulative. Holders of domestic preference shares are only entitled to dividends at the prescribed coupon rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the domestic preference share issuance proposal, the Bank distributed a dividend of RMB2,025,000,000 on the domestic preference shares (tax-inclusive) at the coupon rate of 4.5%.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the Bank's offshore preference shares are non-cumulative. Holders of offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore preference share issuance proposal, the Bank distributed a dividend of USD196,000,000, EUR40,000,000 and RMB800,000,000 on the offshore preference shares (tax-inclusive), aggregating to RMB2,425 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the enterprise 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 the relevant taxes, in addition to the dividends for offshore preference shares.

The above-mentioned preference share dividend distribution plans have been fulfilled. For particulars of the Bank's distribution of dividends on preference shares, please refer to the announcements of the Bank on the websites of SSE, SEHK and the Bank.

Recent distribution of dividends on preference shares by the Bank is shown as follows:

Type of preference shares	2016		2015	
	Dividend rate	Dividend distributed (pre-tax, in RMB millions)	Dividend rate	Dividend distributed (pre-tax, in RMB millions)
Domestic preference shares	4.5%	2,025	4.5%	–
Offshore preference shares	6.0%	2,425	6.0%	2,331

♦ *Redemption or Conversion of Preference Shares*

During the reporting period, the Bank did not redeem or convert any preference share.

♦ *Restoration of Voting Rights of Preference Shares*

During the reporting period, the Bank did not restore any voting right of preference share.

♦ *Accounting Policy Adopted for Preference Shares and Rationale*

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments and the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by MOF as well as the International Accounting Standard 39 — Financial Instruments: Recognition and Measurement and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and main issuance clauses of the Bank's preference shares, issued and existing preference shares of the Bank excluded contractual obligations of cash on delivery or other financial assets and contractual obligations of settlement by delivering variable equity instruments, and shall be calculated as other equity instruments.

Directors, Supervisors, Senior Management, Employees and Institutions

Basic Information on Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Tenure
Yi Huiman	Chairman of the Board of Directors, Executive Director	Male	52	July 2013–June 2019
Gu Shu	Vice Chairman, Executive Director, President	Male	49	December 2016–December 2019
Qian Wenhui	Chairman of the Board of Supervisors	Male	54	June 2015–June 2018
Zhang Hongli	Executive Director, Senior Executive Vice President	Male	51	June 2015–June 2018
Wang Jingdong	Executive Director, Senior Executive Vice President	Male	54	December 2016–December 2019
Wang Xiaoya	Non-executive Director	Female	52	January 2012–January 2018
Ge Rongrong	Non-executive Director	Female	48	January 2012–January 2018
Zheng Fuqing	Non-executive Director	Male	53	February 2015–February 2018
Fei Zhoulin	Non-executive Director	Male	58	March 2015–March 2018
Cheng Fengchao	Non-executive Director	Male	57	March 2015–March 2018
Or Ching Fai	Independent Non-executive Director	Male	67	May 2012–June 2018
Hong Yongmiao	Independent Non-executive Director	Male	52	August 2012–December 2018
Anthony Francis Neoh	Independent Non-executive Director	Male	70	April 2015–April 2018
Yang Siu Shun	Independent Non-executive Director	Male	61	April 2016–April 2019
Sheila Colleen Bair	Independent Non-executive Director	Female	62	March 2017–March 2020
Zhang Wei	Shareholder Supervisor	Male	54	June 2016–June 2019
Hui Ping	Employee Supervisor	Male	56	September 2015–September 2018
Huang Li	Employee Supervisor	Male	52	June 2016–June 2019
Qu Qiang	External Supervisor	Male	50	December 2015–December 2018
Shen Bingxi	External Supervisor	Male	64	June 2016–June 2019
Wang Lin	Secretary of Party Discipline Committee	Male	51	July 2015–
Hu Hao	Senior Executive Vice President	Male	54	November 2015–
Li Yunze	Senior Executive Vice President	Male	46	October 2016–
Tan Jiong	Senior Executive Vice President	Male	50	January 2017–
Wang Bairong	Chief Risk Officer	Male	54	July 2016–
Guan Xueqing	Board Secretary	Male	53	July 2016–

Directors, Supervisors and Senior Management Leaving Office

Jiang Jianqing	Chairman of the Board of Directors, Executive Director	Male	63	October 2005–May 2016
Wang Xiquan	Executive Director, Senior Executive Vice President	Male	56	June 2015–July 2016
Fu Zhongjun	Non-executive Director	Male	59	December 2013–January 2017
Malcolm Christopher McCarthy	Independent Non-executive Director	Male	72	December 2009–October 2016
Kenneth Patrick Chung	Independent Non-executive Director	Male	59	December 2009–March 2017
Yi Xiqun	Independent Non-executive Director	Male	69	December 2013–April 2016
Wang Chixi	Shareholder Supervisor	Female	61	October 2005–June 2016
Dong Juan	External Supervisor	Female	64	May 2009–June 2016
Wei Guoxiong	Chief Risk Officer	Male	61	August 2006–July 2016

Directors, Supervisors, Senior Management, Employees and Institutions

- Notes: (1) Please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".
- (2) The current terms of Mr. Yi Huiman, Mr. Gu Shu, Mr. Zhang Hongli and Mr. Wang Jingdong as Executive Directors of the Bank are set out in the above table and their terms as Senior Management members of the Bank are specified in the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Biographies of Directors, Supervisors and Senior Management". Mr. Yi Huiman has served as Chairman of the Board of Directors of the Bank since June 2016.
- (3) Mr. Hu Hao ceased to act as Board Secretary of the Bank concurrently from July 2016; Mr. Zhang Wei ceased to act as Employee Supervisor of the Bank from June 2016.
- (4) According to the Articles of Association, before the newly elected directors take office, the current directors shall continue to act as directors.
- (5) According to the regulations of CSRC, the day of first appointment of a re-elected director shall be the commencement date of his/her tenure as indicated in the above table.
- (6) During the reporting period, the Bank did not implement any share incentives. None of the existing directors of the Bank or those who left office during the reporting period, except Mr. Zhang Hongli who held 2,000 H shares of the Bank, held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

Biographies of Directors, Supervisors and Senior Management

Yi Huiman, Chairman, Executive Director

Mr. Yi has served as Chairman of the Board of Directors and Executive Director of Industrial and Commercial Bank of China Limited since June 2016. He joined ICBC in 1985, and had previously served in several positions including Deputy Head of ICBC Zhejiang Branch, and Head of ICBC Jiangsu Branch and ICBC Beijing Branch. Mr. Yi has served as a member of Senior Management, Senior Executive Vice President, President, Vice Chairman and Executive Director of Industrial and Commercial Bank of China Limited since October 2005. He obtained a Master's degree in Executive Business Administration from Guanghua School of Management of Peking University.

Gu Shu, Vice Chairman, Executive Director, President

Mr. Gu has served as Vice Chairman and Executive Director of Industrial and Commercial Bank of China Limited since December 2016, and President since October 2016. He joined ICBC in 1998, where he served as Deputy General Manager of Accounting and Settlement Department, Deputy General Manager of the Planning and Finance Department, and General Manager of Finance and Accounting Department. Since July 2008, he had served as Board Secretary and General Manager of Corporate Strategy and Investor Relations Department, Head of Shandong Branch and Senior Executive Vice President of Industrial and Commercial Bank of China Limited. He is now concurrently Vice Chairman of Standard Bank Group Limited, Chairman of ICBC (London) PLC and Chairman of Industrial and Commercial Bank of China (Argentina) S.A. Mr. Gu obtained a Doctorate degree in Economics from Shanghai University of Finance and Economics, Master's degree in Economics from Dongbei University of Finance and Economics and Bachelor's degree in Engineering from Shanghai Jiao Tong University. He is a senior accountant.

Qian Wenhui, Chairman of the Board of Supervisors

Mr. Qian has served as Chairman of the Board of Supervisors of Industrial and Commercial Bank of China Limited since June 2015. He was appointed as Executive Vice President of Bank of Communications Co., Ltd. (BOCOM) in October 2004 and became Executive Director and Executive Vice President of BOCOM as of August 2007. During his tenure at China Construction Bank, he served as Deputy Head of Shanghai Branch, General Manager of the Asset and Liability Management Department and Director of the Restructuring and Reform Office. Besides, Mr. Qian has served in several other positions, e.g. Senior Vice President of BOCOM and concurrently Head of BOCOM Shanghai Branch, Chairman of BOCOM Life Insurance Company and Chairman of BOCOM Schroder Fund Management Co., Ltd. He graduated from Shanghai University of Finance and Economics with an MBA degree. He is a senior economist.

Directors, Supervisors, Senior Management, Employees and Institutions

Zhang Hongli, Executive Director, Senior Executive Vice President

Mr. Zhang has served as Executive Director of Industrial and Commercial Bank of China Limited since June 2015, and Senior Executive Vice President since May 2010. He worked as Financial Manager at the headquarters of Hewlett-Packard, Director and Head of the China operations of Schroders PLC, Executive Director of Goldman Sachs Asia and Chief Representative of Goldman Sachs (China) LLC Beijing Representative Office, and Head of Deutsche Bank Investment Banking Greater China, Vice Chairman of Deutsche Bank Asia and Chairman of Deutsche Bank China, member of the Global Banking Management Committee and Head of Asia — Pacific of Deutsche Bank Global Banking and Chairman of Deutsche Bank (China) Co., Ltd. He was concurrently Chairman of ICBC International Holdings Limited and Chairman of Industrial and Commercial Bank of China (Brasil) S.A., and once served as Vice Chairman of Standard Bank Group Limited and Chairman of Industrial and Commercial Bank of China (USA) NA. Mr. Zhang received a Bachelor's degree from Heilongjiang Bayi Agricultural University and a Master's degree in Genetics from the University of Alberta, Canada, as well as a Master's degree in Business Administration (MBA) from the Santa Clara University in California, USA, and a Doctorate degree in Management Science and Engineering from the Chinese Academy of Social Sciences.

Wang Jingdong, Executive Director, Senior Executive Vice President

Mr. Wang has served as Executive Director of Industrial and Commercial Bank of China Limited since December 2016, and Senior Executive Vice President since December 2013. He joined China Development Bank in 1994 and served as Deputy Head of Heilongjiang Branch, Deputy Director of the Human Resources Department of the Head Office, Head of Project Appraisal Department III of the Head Office, Head of Beijing Branch and Head of Human Resources Department of the Head Office. Mr. Wang graduated from Huazhong Agricultural University with a Bachelor's degree in Agronomy. He is a senior engineer.

Wang Xiaoya, Non-executive Director

Ms. Wang has served as Non-executive Director of Industrial and Commercial Bank of China Limited since January 2012. She has joined Central Huijin Investment Ltd. since 2012. She joined the Research Bureau of the People's Bank of China in 1997 where she served as Deputy Chief of division, Chief of division and Deputy Director and served as Deputy Mayor of Tongliao City in Inner Mongolia Autonomous Region at the same time. Ms. Wang was a researcher and a Member of the Post Doctoral Academic Committee and a Post-Doctoral Co-mentor at the People's Bank of China Research Institute of Finance. Currently, she is a member of the Academic Committee of the China Institute for Rural Studies, Tsinghua University, a mentor at the Tsinghua PBC School of Finance and an invited professor at the Graduate School of Chinese Academy of Social Sciences. Ms. Wang graduated from the Graduate School of Chinese Academy of Social Sciences and received a Doctorate degree in Economics.

Ge Rongrong, Non-executive Director

Ms. Ge has served as Non-executive Director of Industrial and Commercial Bank of China Limited since January 2012. She has worked at Huijin since 2005 and is now Deputy Officer of Banking Institutions Department I of Huijin. Previously she served as Deputy Officer and Officer of CCB Share Management Division of the Banking Department and an Employee Supervisor of Huijin. Ms. Ge previously served as Lecturer at the Economics Management College of Beijing University of Industry in 1994, and subsequently served as Assistant Researcher at China Eagle Securities Company and staff member of the Department of Public Offering and Supervision at China Securities Regulatory Commission. Ms. Ge graduated from China University of Technology and received a Doctorate degree in Management. Ms. Ge also received a Bachelor's degree in Engineering from Zhejiang University and a Master's degree in Economics from Beijing Normal University. She is a senior economist.

Zheng Fuqing, Non-executive Director

Mr. Zheng has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2015. He joined MOF in 1989, and served as Deputy Head and Head of Shanxi Finance Ombudsman Office, and Assistant Ombudsman and Associate Counsel of Shanxi Finance Ombudsman Office. Mr. Zheng graduated from the Party School of the Central Committee of C.P.C. majoring in law theory. He is an economist.

Directors, Supervisors, Senior Management, Employees and Institutions

Fei Zhoulin, Non-executive Director

Mr. Fei has served as Non-executive Director of Industrial and Commercial Bank of China Limited since March 2015. He joined MOF in 1995, and served as Deputy Head of General Division and Head of Business Division II of Shaanxi Finance Ombudsman Office, Assistant Ombudsman and Vice Ombudsman of Shaanxi Finance Ombudsman Office, and Ombudsman of Ningxia Finance Ombudsman Office. Mr. Fei graduated from the Correspondence Institute of the Party School of the Central Committee of C.P.C. in economic management.

Cheng Fengchao, Non-executive Director

Mr. Cheng has served as Non-executive Director of Industrial and Commercial Bank of China Limited since March 2015. He joined Huijin in 2009, and served as Deputy Director of Finance Bureau of Pingquan County in Hebei Province, Deputy Director of Finance Office of Hebei Province, Head of Hebei Certified Public Accountants, Vice Chairman and Secretary of Hebei Institute of Certified Public Accountants, Deputy General Manager of Shijiazhuang Office, General Manager of Evaluation Management Department, General Manager of Tianjin Office and General Manager of Development Research Department of China Great Wall Asset Management Corporation, and Non-executive Director of Agricultural Bank of China Limited. Currently, he acts as guest professor of Peking University HSBC Business School, tutor to PhD students of Hunan University, graduate supervisor for Graduate School of Chinese Academy of Social Sciences, Central University of Finance and Economics and Capital University of Economics and Business, and member of the Expert Advisory Committee for Mergers, Acquisitions and Restructurings of CSRC. He obtained Doctorate degree in management from Hunan University. Currently, he is a researcher in financial science, senior accountant, PRC Certified Public Accountant and China's Certified Public Valuer.

Or Ching Fai, Independent Non-executive Director

Mr. Or has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since May 2012. Mr. Or previously served as General Manager and Director of The Hongkong and Shanghai Banking Corporation Limited, Chairman of HSBC Insurance Limited, Chief Executive and Vice Chairman of Hang Seng Bank Limited, Chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited, Director of Cathay Pacific Airways Limited, and Director of Hutchison Whampoa Limited. He was Chairman of the Hong Kong Association of Banks, Vice President and a Council Member of the Hong Kong Institute of Bankers, Chairman of the Financial Services Advisory Committee and a member of the Services Promotion Program Committee of the Hong Kong Trade Development Council, a member of the Risk Management Committee of the Hong Kong Exchanges and Clearing Limited, a member of the Aviation Development Advisory Committee, Chairman of Executive and Campaign Committee of the Community Chest of Hong Kong, Acting Chairman of the Council of City University of Hong Kong, a Council Member of The University of Hong Kong, and an Adviser of the Employers' Federation of Hong Kong. Mr. Or currently acts as Chairman, CEO and Executive Director of China Strategic Holdings Limited, Chairman and Independent Non-executive Director of Esprit Holdings Limited, Vice Chairman and Independent Non-executive Director of G-Resources Group Limited, Vice Chairman and Non-executive Director of Aquis Entertainment Limited, Independent Non-executive Director of Chow Tai Fook Jewellery Group Limited, Television Broadcasts Limited and Regina Miracle International Ltd., and Vice Patron of the Board of the Community Chest of Hong Kong. Mr. Or graduated from The University of Hong Kong with a Bachelor's degree in Economics and Psychology. He is an Honorary Doctorate of Social Science of City University of Hong Kong. Mr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellowships from The University of Hong Kong in 2009. He is a Justice of the Peace.

Hong Yongmiao, Independent Non-executive Director

Mr. Hong has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since August 2012. Mr. Hong was previously in charge of the National Science Fund for Distinguished Overseas Young Scholars supported by the National Natural Science Foundation of China, and acted as President of the Chinese Economists Society in North America. He is currently an academician of the Academy of Sciences for the Developing World and a professor of Economics and International Studies at Cornell University in the United States. He has been enrolled as one of the first participants of the "Thousand Talents Plan" and serves as Vice Chairman of the Steering Committee of Economics Teaching at Institutions of Higher Learning under the Ministry of Education and Director of the Wang Yanan Institute for Studies in Economics and the School of Economics at Xiamen University. He is a lecture professor of the "Changjiang Scholars"

Directors, Supervisors, Senior Management, Employees and Institutions

launched by the Ministry of Education, an honorary professor of the School of Economics and Management at University of Chinese Academy of Sciences and a senior editor in economics for the Journal of Management Science and Engineering, an English magazine published by the National Natural Science Foundation of China. He is also an editorial board member of Economic Research Journal of the Chinese Academy of Social Sciences and an academic board member of China Economic Quarterly published by Peking University. He acts as Independent Non-Executive Director of Xiamen Bank Co., Ltd. as well. Mr. Hong graduated from Xiamen University with a Bachelor of Science degree and a Master's degree in Economics, and obtained his Doctorate degree in Economics from the University of California San Diego.

Anthony Francis Neoh, Independent Non-executive Director

Mr. Neoh has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited and China Life Insurance Company Limited. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and New China Life Insurance Company Limited. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

Yang Siu Shun, Independent Non-executive Director

Mr. Yang has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers and Chairman of PricewaterhouseCoopers Asia-Pacific region. Mr. Yang currently serves as a member of the 12th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a member of the board of directors of the Hong Kong Jockey Club, Vice Chairman of the Council of the Open University of Hong Kong, director and chairman of Audit Committee of Hang Seng Management College, and an independent non-executive director of the Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He holds the qualification of the Association of Chartered Certified Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Sheila Colleen Bair, Independent Non-executive Director

Ms. Bair has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since March 2017. Previously, she served as the Research Director, Deputy Counsel and Counsel to Robert Dole. She was a Commissioner of the Commodity Futures Trading Commission, later served as a senior vice president for government relations at the New York Stock Exchange, and then as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury. She was the Dean's Professor of Financial Regulatory Policy at the University of Massachusetts-Amherst, Chair of the Federal Deposit Insurance Corporation, Senior Advisor to The Pew Charitable Trusts, and Director of Paros Trust Company. She is the current President of Washington College and Chair Emeritus of the Systemic Risk Council. She is a founding board member of The Volcker Alliance, a non-profit organization. She is a director of Thomson Reuters Corp., Host Hotels & Resort Inc. and Avant Inc. She also serves on the International Advisory Council to China Banking Regulatory Commission and the International Advisory Board for Santander. She received a Bachelor's Degree in philosophy from the University of Kansas, and a juris doctorate from the University of Kansas School of Law. She holds honorary doctorates from Amherst College, Drexel University, the University of Kansas, and the University of Massachusetts.

Directors, Supervisors, Senior Management, Employees and Institutions

Zhang Wei, Shareholder Supervisor

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors' Office of Industrial and Commercial Bank of China Limited since June 2016. He joined ICBC in 1994, and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of ICBC. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Hui Ping, Employee Supervisor

Mr. Hui has served as Employee Supervisor of Industrial and Commercial Bank of China Limited since September 2015. He joined ICBC in 1984 and has served as Deputy Secretary of the Party Discipline Committee and concurrently as Director of the Discipline Enforcement Department since 2015. He was Deputy Head and Head of Shaanxi Branch and General Manager of the Internal Control and Compliance Department of ICBC. Mr. Hui graduated from Xiamen University and received a Doctorate degree in Finance. He is a senior economist.

Huang Li, Employee Supervisor

Mr. Huang has served as Employee Supervisor of Industrial and Commercial Bank of China Limited since June 2016. He joined ICBC in 1994 and is currently the General Manager of Internal Audit Bureau of ICBC. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of ICBC from December 1998 to June 2015. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

Qu Qiang, External Supervisor

Mr. Qu has served as External Supervisor of Industrial and Commercial Bank of China Limited since December 2015. Currently, he is a professor and tutor for PhD students of Renmin University of China, Director of China Fiscal and Financial Policy Research Center (a key research center of humanities and social sciences of the Ministry of Education), Deputy Director of Financial and Securities Institute of Renmin University of China, a council member of China Finance Society, a member of China Finance 40 Forum and External Expert of China Development Bank. He was Head of the Applied Finance Department of the School of Finance, Renmin University of China. Currently, he is also External Supervisor of Bank of Beijing. Mr. Qu graduated from Renmin University of China, and received a Doctorate degree in Economics.

Shen Bingxi, External Supervisor

Mr. Shen has served as External Supervisor of Industrial and Commercial Bank of China Limited since June 2016. He previously served as the Vice Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBC, Chief Representative of the PBC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University and Zhejiang University. Mr. Shen graduated from Renmin University of China, and received a Doctorate degree in Economics. He is a research fellow.

Wang Lin, Secretary of Party Discipline Committee

Mr. Wang has served as Secretary of Party Discipline Committee of Industrial and Commercial Bank of China Limited since July 2015. He began his career in 1987. Prior to joining ICBC, he once served as Director of Fund Supervision Department and Director of Securities and Fund Institution Supervision Department of CSRC. Mr. Wang graduated from Tsinghua University, and received a Doctorate degree in Management.

Directors, Supervisors, Senior Management, Employees and Institutions

Hu Hao, Senior Executive Vice President

Mr. Hu has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since November 2015. Mr. Hu joined ICBC in 1984, serving successively as Deputy General Manager of the Industrial and Commercial Credit Department, Deputy General Manager of the Credit Management Department, General Manager of the Institutional Banking Department, General Manager of the International Banking Department, President of Chinese Mercantile Bank and Chairman of Industrial and Commercial Bank of China Luxembourg S.A. Besides, he once served as Deputy Director-General of Construction and Administration Bureau of South-to-North Water Diversion Middle Route Project, a Director of Taiping General Insurance Company Limited, Taiping Life Insurance Co., Ltd. and Xiamen International Bank, General Manager of Corporate Strategy and Investor Relations Department and Board Secretary of Industrial and Commercial Bank of China Limited. Mr. Hu graduated from Hunan University, and received a Doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences. He is a senior economist.

Li Yunze, Senior Executive Vice President

Mr. Li has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since October 2016. He joined China Construction Bank in 1993 and held several positions including Deputy General Manager of Tianjin Branch, Deputy General Manager of Planning and Finance Department and General Manager of Strategic Planning & Equity Investment Department of the Head Office, and General Manager of Chongqing Branch. Mr. Li graduated from Tianjin University. He obtained a Master's degree in Executive Business Administration from Peking University. He is a senior economist.

Tan Jiong, Senior Executive Vice President

Mr. Tan has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since January 2017. He joined Bank of China (BOC) in June 1988. He previously served as Deputy General Manager (person in charge) and General Manager of Tibet Branch, and General Manager of Yunnan Branch of BOC, Chairman of Bank of China Investment Management Co., Ltd. and General Manager of Guangdong Branch of BOC. Mr. Tan graduated from Wuhan University and obtained a Doctorate degree in Economics. He is a senior economist.

Wang Bairong, Chief Risk Officer

Mr. Wang has served as Chief Risk Officer of Industrial and Commercial Bank of China Limited since July 2016. He began his career in 1986. He joined ICBC in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, and Deputy Head (person in charge) and Head of Chongqing Branch. Mr. Wang graduated from the Party School of the Central Committee of C.P.C. and obtained a Master's degree in Economics. He is a senior economist.

Guan Xueqing, Board Secretary

Mr. Guan has served as Board Secretary of Industrial and Commercial Bank of China Limited since July 2016. He joined ICBC in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch. Previously Mr. Guan was also General Manager of Corporate Strategy and Investor Relations Department of Industrial and Commercial Bank of China Limited. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Zheng Fuiqing, Mr. Fei Zhoulun and Mr. Cheng Fengchao were recommended by Huijin to serve as Non-executive Directors of the Bank. Huijin holds interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons" for further details.

None of the directors, supervisors and Senior Management members of the Bank, whether they are incumbent or have left office during the reporting period, have been punished by the securities regulator in the past three years.

Appointment and Removal

♦ Directors

At the Second Extraordinary General Meeting of 2015 held on 21 December 2015, Mr. Yang Siu Shun was appointed as Independent Non-executive Director of the Bank, and his qualification was approved by CBRC in April 2016. On 31 May 2016, the Board of Directors of the Bank appointed Mr. Yi Huiman as Chairman of the Board of Directors of the Bank, and his qualification was approved by CBRC in June 2016. At the Annual General Meeting for the Year 2015 of the Bank held on 24 June 2016, Mr. Yi Huiman was appointed as Executive Director of the Bank, and Mr. Shen Si was appointed as Independent Non-executive Director of the Bank. The new term of office of Mr. Yi Huiman took effect from the date of review and approval by the meeting. The qualification of Mr. Shen Si remains to be approved by CBRC. At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Mr. Gu Shu and Mr. Wang Jingdong were appointed as Executive Directors of the Bank, and Ms. Sheila Colleen Bair was appointed as Independent Non-executive Director of the Bank. The qualifications of Mr. Gu Shu and Mr. Wang Jingdong were approved by CBRC in December 2016. The qualification of Ms. Sheila Colleen Bair was approved by CBRC in March 2017.

In October 2015, the Board of Directors of the Bank reviewed and approved the resignation of Mr. Yi Xiqun as Independent Non-executive Director due to work reasons, which became effective upon approval by CBRC of the qualification of the new Independent Non-executive Director in April 2016. In May 2016, Mr. Jiang Jianqing resigned from the positions of Chairman of the Board of Directors and Executive Director citing his age. In July 2016, Mr. Wang Xiquan resigned from the positions of Executive Director and Senior Executive Vice President of the Bank due to change of job. In October 2016, due to expiration of the term of office, Sir Malcolm Christopher McCarthy ceased to act as Independent Non-executive Director of the Bank. In January 2017, due to expiration of the term of office, Mr. Fu Zhongjun ceased to act as Non-executive Director of the Bank. In March 2017, due to expiration of the term of office, Mr. Kenneth Patrick Chung ceased to act as Independent Non-executive Director of the Bank.

♦ Supervisors

On 23 June 2016, the Bank appointed Mr. Huang Li as Employee Supervisor of the Bank at the Interim Employees' Congress, and his term of office took effect from the date of review and approval by the Employees' Congress. The Bank appointed Mr. Zhang Wei and Mr. Shen Bingxi as Shareholder Supervisor and External Supervisor of the Bank respectively at the 2015 Annual General Meeting on 24 June 2016, and their terms of office took effect from the date of review and approval by the meeting.

On 23 June 2016, Ms. Wang Chixi resigned from the position of Shareholder Supervisor of the Bank citing her age, and Mr. Zhang Wei ceased to act as Employee Supervisor of the Bank due to change of job. On 24 June 2016, Ms. Dong Juan ceased to act as External Supervisor of the Bank due to expiration of the term of office.

♦ Senior Management

On 31 May 2016, the Board of Directors of the Bank appointed Mr. Yi Huiman as Chairman of the Board of Directors of the Bank. Meanwhile, Mr. Yi Huiman resigned from the position of President of the Bank. According to relevant regulations, Mr. Yi Huiman shall act as President until the new President is elected with his qualification approved by CBRC. On 27 September 2016, the Board of Directors of the Bank engaged Mr. Gu Shu as President of the Bank, and his qualification was approved by CBRC in October 2016.

On 31 May 2016, the Board of Directors of the Bank appointed Mr. Guan Xueqing as Board Secretary of the Bank, and his qualification was approved by CBRC in July 2016. In July 2016, Mr. Hu Hao ceased to hold the position as Board Secretary of the Bank due to work reasons. Mr. Wang Bairong started to act as Chief Risk Officer of the Bank in July 2016. On 30 August 2016, the Board of Directors of the Bank appointed Mr. Li Yunze as Senior Executive Vice President of the Bank, and his qualification was approved by CBRC in October 2016. On 28 October 2016, the Board of Directors of the Bank engaged Mr. Tan Jiong as Senior Executive Vice President of the Bank, and his qualification was approved by CBRC in January 2017.

In July 2016, Mr. Wang Xiquan ceased to act as Senior Executive Vice President of the Bank due to work change and Mr. Wei Guoxiong ceased to act as Chief Risk Officer of the Bank for the reason of his age.

Directors, Supervisors, Senior Management, Employees and Institutions

Annual Remuneration

Unit: RMB10,000

Name	Remuneration paid (before tax) (1)	Remuneration from the Bank				Obtain remuneration from shareholder entities or other connected persons or not
		Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Fee (3)	Other monetary income (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)	
Yi Huiman	48.44	10.66	–	–	59.10	No
Gu Shu	44.81	10.66	–	–	55.47	No
Qian Wenhui	48.44	10.66	–	–	59.10	No
Zhang Hongli	43.60	10.66	–	–	54.26	No
Wang Jingdong	43.60	10.66	–	–	54.26	No
Wang Xiaoya	–	–	–	–	–	Yes
Ge Rongrong	–	–	–	–	–	Yes
Zheng Fuqing	–	–	–	–	–	Yes
Fei Zhoulin	–	–	–	–	–	Yes
Cheng Fengchao	–	–	–	–	–	Yes
Or Ching Fai	–	–	47.00	–	47.00	Yes
Hong Yongmiao	–	–	47.00	–	47.00	Yes
Anthony Francis Neoh	–	–	45.50	–	45.50	Yes
Yang Siu Shun	–	–	29.25	–	29.25	Yes
Sheila Colleen Bair	–	–	–	–	–	No
Zhang Wei	39.37	13.05	2.50	–	54.92	No
Hui Ping	–	–	5.00	–	5.00	No
Huang Li	–	–	2.50	–	2.50	No
Qu Qiang	–	–	28.00	–	28.00	No
Shen Bingxi	–	–	–	–	–	No
Wang Lin	43.60	10.66	–	–	54.26	No
Hu Hao	43.60	10.66	–	–	54.26	No
Li Yunze	14.53	3.68	–	–	18.21	No
Tan Jiong	7.27	1.84	–	–	9.11	No
Wang Bairong	34.64	10.97	–	–	45.61	No
Guan Xueqing	34.64	12.25	–	–	46.89	No
Directors, Supervisors and Senior Management Leaving Office						
Jiang Jianqing	20.18	4.30	–	–	24.48	No
Wang Xiquan	25.43	6.06	–	–	31.49	No
Fu Zhongjun	–	–	–	–	–	Yes
Malcolm Christopher McCarthy	–	–	35.83	–	35.83	Yes
Kenneth Patrick Chung	–	–	44.00	–	44.00	Yes
Yi Xiqun	–	–	11.75	–	11.75	Yes
Wang Chixi	36.43	7.18	–	–	43.61	No
Dong Juan	–	–	–	–	–	No
Wei Guoxiong	43.19	10.91	–	–	54.10	No

Directors, Supervisors, Senior Management, Employees and Institutions

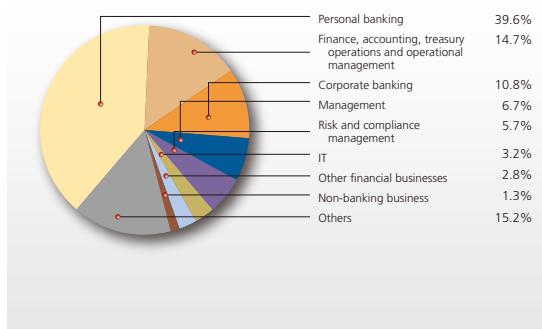
- Notes:
- (1) Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.
 - (2) According to the requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Shareholder Supervisors and other Senior Management members is still subject to final confirmation by relevant government authorities. Additional details of remuneration will be disclosed when they have been determined.
 - (3) During the reporting period, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Zheng Fuging, Mr. Fei Zhoulin, Mr. Cheng Fengchao and Mr. Fu Zhongjun were paid by Huijin for their performance of responsibilities as the Bank's Non-executive Directors.
 - (4) Fee of Mr. Zhang Wei is his allowance obtained as Employee Supervisor of the Bank; Fees of Mr. Hui Ping and Mr. Huang Li are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.
 - (5) As the Bank's Independent Non-executive Directors served as directors or senior management of other legal persons or organizations other than the Bank or the controlled subsidiaries of the Bank, such legal persons or organizations became connected persons of the Bank. During the reporting period, the Bank's Independent Non-executive Directors obtained remuneration from such connected persons. Except to the extent of the aforementioned circumstances, none of the Bank's directors, supervisors and senior management were paid by the Bank's connected persons during the reporting period.
 - (6) For the change of the Bank's directors, supervisors and senior management, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Basic Information on Employees and Institutions

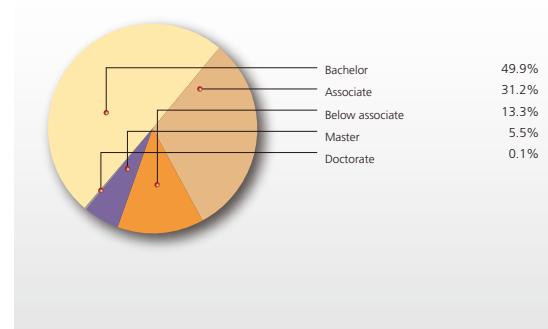
As at the end of 2016, the Bank had a total of 461,749 employees¹, representing a decrease of 4,597 as compared to the end of the previous year, of whom 5,560 were employees in domestic subsidiaries and 14,662 were local employees in overseas institutions.

SPECIALIZATIONS AND ACADEMIC ACHIEVEMENTS OF DOMESTIC EMPLOYEES

Employee Specialization



Academic Achievements



At the end of 2016, the Bank had a total of 17,200 institutions, representing a decrease of 298 as compared with the end of the previous year. Among them, there were 16,788 domestic institutions and 412 overseas ones. Domestic institutions include the Head Office, 31 tier-one branches, five branches directly controlled by the Head Office, 27 banking offices of tier-one branches, 413 tier-two branches, 3,076 tier-one sub-branches, 13,098 outlets, 29 Head Office-level profitability units along with their directly controlled institutions and branches, and 108 major subsidiaries and their branches.

1 Does not include labor dispatched for services totaling 301 persons, of whom 39 were dispatched to major subsidiaries.

Directors, Supervisors, Senior Management, Employees and Institutions

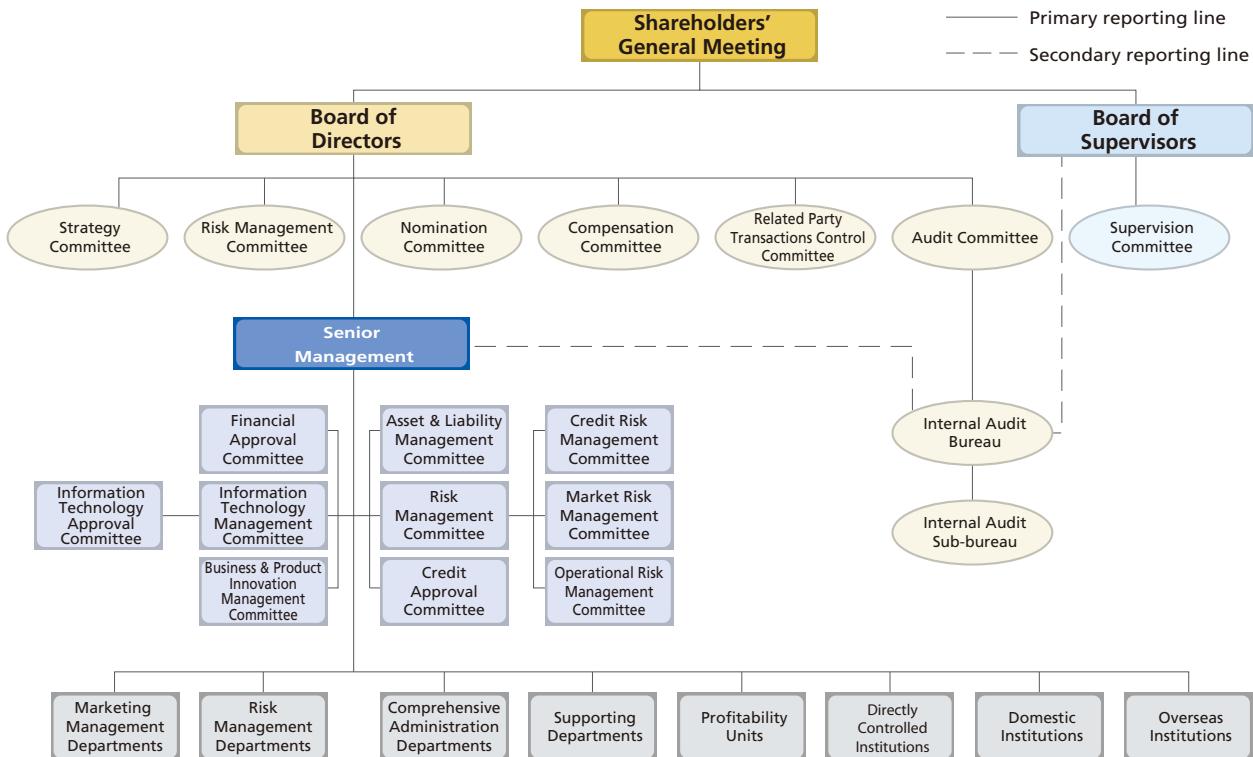
GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES (As at the end of December 2016)

Item	Assets (in RMB millions)	Percentage (%)	Number of institutions	Percentage (%)	Employees	Percentage (%)
Head Office	8,368,773	34.7	30	0.2	15,666	3.4
Yangtze River Delta	5,194,868	21.5	2,583	15.0	62,541	13.5
Pearl River Delta	3,096,641	12.8	2,097	12.2	50,759	11.0
Bohai Rim	3,626,559	15.0	2,790	16.2	72,712	15.7
Central China	2,275,456	9.4	3,633	21.1	93,805	20.3
Western China	2,827,331	11.7	3,837	22.3	94,908	20.6
Northeastern China	1,068,632	4.4	1,710	10.0	51,136	11.1
Overseas and others	3,129,868	13.0	520	3.0	20,222	4.4
Eliminated and undistributed assets	(5,450,863)	(22.5)				
Total	24,137,265	100.0	17,200	100.0	461,749	100.0

Note: (1) Overseas and other assets include investments in associates and joint ventures.

Corporate Governance Report

Corporate Governance Framework



Note: The above is the corporate governance framework chart as of the end of 2016.

The Bank has made constant efforts to improve the corporate governance and checks and balances mechanism comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the corporate governance operation mechanism with scientific decision-making process, effective supervision and steady operation has been in place.

Responsibilities of the Shareholders' General Meeting

As the authority organ of the Bank, the Shareholders' General Meeting involves all shareholders. The Shareholders' General Meeting is responsible for, among others, deciding on business policies and material investment plans of the Bank; considering and approving the proposals on the annual financial budget, final accounts, profit distribution plans and loss recovery plans, electing and changing directors, shareholder supervisors and external supervisors; considering and approving the work report of the Board of Directors and the work report of the Board of Supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of registered capital, issuance and listing of corporate bonds or other negotiable securities and repurchase of stocks; and amending the Articles of Association of the Bank.

Corporate Governance Report

Responsibilities of the Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report to, the Shareholders' General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders' General Meeting; implementing resolutions of the Shareholders' General Meeting; deciding on business plans, investment plans and development strategies of the Bank; formulating annual financial budgets and final accounts of the Bank; formulating profit distribution plans and loss recovery plans; formulating proposals on the increase or decrease of registered capital of the Bank; formulating fundamental management rules on risk management and internal control, and supervising the implementation of these rules; appointing or removing the President and the Board Secretary, and based on the President's nomination, appointing or removing Senior Executive Vice Presidents and other Senior Management members (except the Board Secretary), and deciding on their remuneration, rewards and sanctions; deciding or authorizing the President to set up relevant head office departments of the Bank; regularly evaluating and improving corporate governance of the Bank; managing information disclosure matters of the Bank; and supervising and ensuring effective performance of management responsibilities of the President and other Senior Management members.

Responsibilities of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is accountable to, and shall report to, the Shareholders' General Meeting. The Board of Supervisors is responsible for, among others, supervising the performance and due diligence of Directors and Senior Management members; supervising the performance of duties of the Board of Directors and the Senior Management; conducting audits on retiring or resigning Directors and Senior Management members where appropriate; examining and supervising the Bank's financial activities; examining financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders' General Meeting by the Board of Directors; examining and supervising business decisions, risk management and internal control of the Bank, and providing guidance for the internal audit departments of the Bank; formulating performance assessment measures for supervisors, assessing the performance and conduct of supervisors, and reporting to the Shareholders' General Meeting for approval; presenting proposals to the Shareholders' General Meeting; proposing to convene extraordinary general meetings, and convening and presiding over such meetings in case the Board of Directors fails to perform its duty of convening Shareholders' General Meeting; proposing to convene interim meetings of the Board of Directors.

Responsibilities of the Senior Management

As the executive organ of the Bank, the Senior Management is accountable to the Board of Directors. The Senior Management is responsible for, among others, carrying out operational management of the Bank; organizing the implementation of business plan and investment plan approved by the Board of Directors; formulating detailed regulations and rules for operational management; formulating proposals on remuneration distribution and performance assessment for heads of internal departments and branches of the Bank; reporting operating results to the Board of Directors and the Board of Supervisors; preparing the annual financial budget, final accounts, profit distribution plans and loss recovery plans, and proposals on the increase or decrease of registered capital, issuance or listing of bonds, and making recommendations to the Board of Directors.

Overview of Corporate Governance

During the reporting period, the Bank highlighted the improvement of corporate governance as a key move in responding to the challenges and opportunities under the new normal in economic development. The Bank accommodated to regulatory requirements on Global Systemically Important Banks, and constantly improved the structure, mechanism and culture of corporate governance. It enhanced the enterprise risk management of the Group, and the interaction between the parent bank and subsidiaries as well as the collaboration between the domestic and overseas institutions, and strove to deliver better services and sharpen core competitiveness, boosting the healthy and sustainable development of all businesses. There is neither any material divergence between actual corporate governance of the Bank and applicable regulatory documents regarding corporate governance issued by CSRC, nor any problem identified by regulatory authorities but remain unresolved in respect of corporate governance. During the reporting period, the Bank received various important domestic and overseas corporate governance awards, including the "Hong Kong Corporate Governance Excellence Award" by The Chamber of

Hong Kong Listed Companies, "The Asset Corporate Award — Platinum Award" by The Asset, the "Best Listed Company" by Hong Kong Ta Kung Wen Wei Media Group, the "Best Board of Directors" by the magazine Board and Directors, the "2016 Outstanding Board of Directors of Strategic Chinese Listed Companies" by the 21st Century Business Herald.

Construction of the Organizational Framework of Corporate Governance

During the reporting period, the Bank appointed and renewed the appointments of some directors and changed the chairman and members of some special committees of the Board of Directors to ensure the Bank operated in compliance with laws and regulations. The Bank continued to improve the structure of the Board of Directors and further gave play to the decision-making supporting role of the special committees of the Board of Directors. Besides, the Bank stepped up efforts in the Group's corporate governance, and established and refined the group management and control and collaboration mechanism as well as the corporate governance framework, institutional system and working mechanism of its subsidiaries.

Construction of the Corporate Governance Mechanism

The Bank put the strategic decision-making role and corporate governance leading role of the Board of Directors into good use. Upholding scientific development and the acceleration of change in the mode of development, the Board of Directors focused on the reform of important fields and key links, stepped up the operational transformation and structural adjustment of the Bank and constantly followed up the implementation of strategies, plans and decisions, ensuring the stable operation and sound development of the Group. In addition, the Board of Directors kept improving corporate governance, consolidated enterprise risk management and internal control, stepped up information disclosure and managed investor relations in a more professional manner, and strengthened the building of a mechanism to support its duty performance, ensuring it discharge its duties in a legal, compliant and efficient manner.

The Bank put the supervisory function of the Board of Supervisors into good use. The Board of Supervisors continuously improved its working mechanism in accordance with the priorities of the Bank, specified the details and methods of its supervision over performance of the Board of Directors and the Senior Management and earnestly conducted the annual performance assessment. Financial supervision and supervision over risk management and internal control of the Bank were enhanced. The role of the Board of Supervisors which is key to corporate governance was effectively exerted, and this promoted the legal and compliant operation and healthy and stable development of the Bank.

The Bank improved its enterprise risk management system comprehensively and amended and refined the rules on consolidated management to enhance the consolidated management of the Group. Risk management of non-banking subsidiaries was strengthened, the risk assessment indicator system was revised, and prevention and control of credit risk during the economic downward cycle were highly valued. Moreover, the Bank continuously improved internal control and compliance management mechanism and raised its whole-process management capacity in regard to compliance risk and operational risk of the Group. As for audit work, the Bank thoroughly implemented risk-oriented audit activities and constantly promoted professional update. As for human resource management improvement, the Bank accelerated the human resource structure adjustment, enhanced human resource allocation efficiency and focused more on training and development of talents in key fields. As for social responsibility management reinforcement, the Bank explored work patterns to fulfill its social responsibilities given its own characteristics.

The Bank continuously increased the level of transparency. By adhering to the principle of "authenticity, accuracy, completeness, timeliness and fairness", the Bank disclosed information in a legal and compliant manner. It further refined its information disclosure rules, continued to improve management mechanisms and procedures and constantly pushed ahead the team building of professional talents. This led to increasingly better management of the Group over information disclosure.

Corporate Governance Report

Development of Corporate Governance Regulations

During the reporting period, pursuant to the domestic and overseas regulatory requirements as well as its internal corporate governance, the Bank amended the Working Regulations for the Risk Management Committee of the Board of Directors and the Working Regulations for the Audit Committee of the Board of Directors. The Risk Management Committee of the Board of Directors concurrently serves the duty of risk committee for institutions in USA in accordance with the amended Working Regulations for the Risk Management Committee of the Board of Directors. In addition, the Bank formulated the Administrative Measures for Suspension and Exemption of Information Disclosure, pursuant to the relevant regulatory requirements, to further regulate the suspension and exemption of information disclosure.

Compliance with the Corporate Governance Code (“the Code”)

Regarding Code Provision A.2.1 of the Corporate Governance Code (the “Code”) under Appendix 14 of the Hong Kong Listing Rules, on 31 May 2016, the Board of Directors of the Bank elected Mr. Yi Huiman as Chairman. Meanwhile, Mr. Yi Huiman resigned from the position as President of the Bank. Pursuant to the relevant provisions, Mr. Yi Huiman will perform his duties as President until the new President is elected and the approval from CBRC is obtained. On 27 September 2016, the Board of Directors of the Bank elected Mr. Gu Shu as President and his qualification was approved by CBRC in October 2016. The Bank has since complied with the requirements of the above Code Provision.

Regarding Code Provision A.5.1 of the Code, on 31 October 2016, the former Independent Non-executive Director Sir Malcolm Christopher McCarthy left office as his tenure expired. On 13 January 2017, the Board of Directors of the Bank approved the appointment of Independent Non-executive Director Mr. Yang Siu Shun as member of the Nomination Committee. The Bank has since complied with the requirements of the above Code Provision.

Save as disclosed above, during the reporting period, the Bank fully complied with the principles, code provisions and the recommended best practices stipulated in the Code.

Shareholders' Rights

Proposing the convening of an extraordinary general meeting

An extraordinary general meeting should be convened within 2 months from the date when shareholders holding more than 10% of the voting shares of the Bank, either individually or jointly, request to convene in writing. Proposing shareholders shall have the right to request the board of directors in writing to convene an extraordinary general meeting of shareholders. The Board of Directors shall make a written response as to whether or not it agrees to convene such a meeting within 10 days upon receipt of the request in accordance with laws, administrative regulations, rules and the Articles of Association of the Bank. Reasonable expenses incurred from the case where shareholders convene the meeting by themselves due to the failure of the Board of Directors to convene the meeting shall be borne by the Bank, and deducted from the payment to those negligent directors.

Submitting interim proposals for the Shareholders' General Meeting

Shareholders who hold more than 3% of shares of the Bank, either individually or jointly, may prepare an interim proposal and submit it in writing to the Board of Directors 10 days before the Shareholders' General Meeting is convened. The Board of Directors shall issue a supplementary notice for the Shareholders' General Meeting within 2 days upon receipt of the proposal and submit such proposal to the Shareholders' General Meeting for approval.

Putting forward suggestions or inquiries

Shareholders are entitled to supervise business operation of the Bank and put forward suggestions or inquiries accordingly. Shareholders are entitled to review the information of the Bank such as the Articles of Association, the register of shareholders, share capital documents and minutes of Shareholders' General Meetings, etc.

Special provisions on rights of preference shareholders

In the following circumstances, preference shareholders of the Bank have the right to attend the Shareholders' General Meeting and exercise voting rights: (1) amendment of contents of the Articles of Association relating to preference shares; (2) decrease of the registered capital of the Bank by more than 10% once or cumulatively; (3) merger, division and dissolution of the Bank or change of the Bank's corporate form; (4) issuance of preference shares; or (5) other circumstances of changing or abolishing rights of preference shareholders as specified by the Articles of Association. If any of the above circumstances occurs, the Bank shall notify preference shareholders of the convening of the Shareholders' General Meeting, and observe the procedure specified by the Articles of Association for notifying ordinary shareholders.

In the following circumstances, preference shareholders have the right to attend the Shareholders' General Meeting and jointly vote with ordinary shareholders as of the date following the date on which the Shareholders' General Meeting approves the profit distribution plan for the given year not in accordance with the previous agreement: the Bank fails to pay dividends on preference shares for three accounting years accumulatively or two consecutive accounting years contrary to previous agreement. Where the dividend of the preference shares cannot be accumulated, the voting rights of preference shareholders of the Bank shall be recovered until the Bank pays the dividend in full amount for the given year.

Other rights

Ordinary shareholders of the Bank have the right to collect dividends and other forms of benefits distributed on the basis of the number of shares held by them; preference shareholders of the Bank enjoy precedence over ordinary shareholders in dividend distribution. Shareholders have other rights conferred by laws, administrative regulations, rules and the Articles of Association of the Bank.

Effective Communication with Shareholders

The Bank has strictly complied with laws, regulations, regulatory requirements and fundamental regulations of corporate governance, and has taken various measures such as improving information disclosure management, strengthening investor relations management and optimizing the operations mechanism of the Shareholders' General Meeting, with a view to safeguarding the rights of all shareholders, especially minority investors, and increasing communication and exchange among shareholders.

Upholding the principle of "authenticity, accuracy, completeness, timeliness and fairness", the Bank proactively reinforced the Group's information disclosure management. In order to meet the needs of investors and other stakeholders, the Bank continuously enhanced the Group's voluntary information disclosure and improved the Bank's level of transparency, thereby effectively guaranteeing the right of all stakeholders including shareholders and customers to information.

The Bank improved various communication channels for investors through organizing press conferences in relation to periodic results and domestic and overseas road shows and attending famous investment forums at home and abroad during the reporting period. The Bank gave full play to the communication platforms including investor interactive platform of SSE, investor relations website, investor hotline and investor email of the Bank, to understand investors' needs and provide sufficient information feedback in a timely manner.

During the reporting period, convening, holding, notices, announcements, proposals, voting and other procedures of the shareholders' general meetings of the Bank strictly complied with the relevant provisions of the Company Law and the Articles of Association of the Bank, ensuring that shareholders could exercise their right of participation in the Shareholders' General Meetings smoothly. Since it was listed, in order to treat A and H minority shareholders fairly, the Bank has held the Annual General Meeting in Beijing and Hong Kong concurrently by satellite and set up registration offices of A and H shareholders both in Beijing and Hong Kong to facilitate the voting of shareholders. The number of shareholders who participated in voting at the Annual General Meeting for the Year 2015 amounted to 3,223.

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Contacts

Pursuant to relevant laws and regulations as well as the Articles of Association of the Bank, shareholders can put forward suggestions and inquiries through participating in activities including the Shareholders' General Meetings, press conferences in relation to periodic results and road shows of the Bank or by means of platforms including investor interactive platform of SSE, investor relations website, investor hotline and investor email and hotline, fax and email of the Shareholders' General Meetings of the Bank as well. For contact details, please refer to the section headed "Corporate Governance Report — Investor Relations".

If an ordinary shareholder wishes to enquire about share transfer, changes in name or address, reporting loss of share certificates and dividend notes or any other information relating to his/her shares, please contact the Share Registrars of the Bank. For contact details, please refer to "Corporate Information".

Shareholders' General Meeting

During the reporting period, the Bank convened the 2015 Annual General Meeting on 24 June 2016 and the First Extraordinary General Meeting of 2016 on 29 November 2016. The aforementioned Shareholders' General Meetings were convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank made announcements on the resolutions and disclosed legal opinions in a timely manner in accordance with regulatory requirements. For details of the above meetings, please refer to the announcements of the Bank dated 24 June 2016 and 29 November 2016 respectively on the websites of SSE and SEHK, or the website of the Bank.

Implementation of Resolutions of the Shareholders' General Meeting by the Board of Directors

The Board of Directors of the Bank earnestly and fully implemented the resolutions adopted by the Shareholders' General Meeting of the Bank during the reporting period.

Board of Directors and Special Committees

Composition of the Board of Directors

The Bank formulated relatively complete procedures for nominating and electing directors. With diversified backgrounds, the Directors complemented each other on one hand with regard to their expertise, professional competence and experience and expressed diversified perspectives and views, which ensured scientific decision-making of the Board of Directors. As at the disclosure date of this annual report, the Board of Directors of the Bank consisted of 14 directors, including four Executive Directors: Mr. Yi Huiman, Mr. Gu Shu, Mr. Zhang Hongli and Mr. Wang Jingdong; five Non-executive Directors: Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Zheng Fuqing, Mr. Fei Zhoulin and Mr. Cheng Fengchao; and five Independent Non-executive Directors: Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Ms. Sheila Colleen Bair. Mr. Yi Huiman was Chairman and Mr. Gu Shu was Vice Chairman of the Board of Directors. All Executive Directors have worked in the areas of banking and management for a long time, possess extensive professional expertise and experience in those areas and are familiar with operation and management of the Bank. Most Non-executive Directors specialize in economic management and have rich management experience and good understanding of relevant policies and theories. Most of the Independent Non-executive Directors are prestigious experts in the areas of economy, finance and audit and law respectively, and most of them once worked at international institutions and are familiar with corporate finance and management. The number of Independent Non-executive Directors of the Bank accounted for more than one third of the total members of the Board of Directors, complying with relevant regulatory requirements.

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held eight meetings, considered 65 proposals including the proposals on the 2015 Work Report of the Board of Directors, election of Chairman and Vice Chairman of the Board of Directors, nomination of candidates for directors, and distribution of dividends on preference shares and ordinary shares, and heard 22 reports including the reports on the 2016 Work Plan of the Board of Directors, the directors' performance

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assessment by the Board of Directors for 2015, risk management of the Bank and internal and external audits. For major proposals reviewed by the Board of Directors, please refer to the announcements of the Bank on the websites of SSE and SEHK or the website of the Bank. In addition, the Board of Directors held a Strategic Seminar. At the Seminar, Directors assessed the implementation of the strategic development plan for 2015-2017, analyzed the competitive advantages and shortcomings of the Bank, refined the Bank strategic guidelines and focused on the implementation of the 2017 strategic development plan by adhering to the theme of “inheritance” and “innovation”.

The attendance of each of the Directors in Shareholders' General Meetings and meetings of the Board of Directors and the special committees of the Board of Directors during the reporting period is set out below:

Attendances in person/Number of meetings requiring attendance									
Special Committees of the Board of Directors:									
Shareholders' Directors	General Meeting	Board of Directors	Strategy Committee	Audit Committee	Management Committee	Risk	Nomination Committee	Compensation Committee	Related Party Transactions
Executive Directors									
Yi Huiman	2/2	8/8	3/3	-	-	4/6	2/3	-	-
Gu Shu	-	-	-	-	-	-	-	-	-
Zhang Hongli	2/2	6/8	-	-	4/6	-	-	-	-
Wang Jingdong	-	-	-	-	-	-	-	-	-
Non-executive Directors									
Wang Xiaoya	2/2	8/8	3/3	-	-	-	-	3/3	-
Ge Rongrong	2/2	7/8	-	-	6/6	5/6	-	-	-
Zheng Fuqing	2/2	8/8	3/3	-	6/6	-	-	-	-
Fei Zhoulin	2/2	8/8	-	5/5	6/6	6/6	-	-	-
Cheng Fengchao	2/2	8/8	-	5/5	6/6	-	-	-	-
Independent Non-executive Directors									
Or Ching Fai	2/2	8/8	3/3	4/5	-	6/6	2/3	2/3	-
Hong Yongmiao	2/2	8/8	3/3	5/5	6/6	6/6	-	3/3	-
Anthony Francis Neoh	2/2	8/8	-	5/5	6/6	6/6	3/3	-	-
Yang Siu Shun	2/2	6/6	-	3/3	-	-	2/2	2/2	-
Sheila Colleen Bair	-	-	-	-	-	-	-	-	-
Resigned Directors									
Jiang Jianqing	-	4/4	3/3	-	-	-	-	-	-
Wang Xiquan	1/1	2/4	-	-	-	-	-	-	1/2
Fu Zhongjun	2/2	8/8	3/3	-	-	-	-	3/3	-
Malcolm Christopher McCarthy	1/1	4/7	2/3	-	5/6	3/6	3/3	-	-
Kenneth Patrick Chung	2/2	8/8	-	5/5	6/6	-	3/3	3/3	-
Yi Xiqun	-	0/2	0/2	0/2	-	0/1	0/1	0/1	0/1

Notes: (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.

- (2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.
- (3) For the change of directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Special Committees of the Board of Directors

The Board of Directors of the Bank has established six special committees, namely, the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee. Except the Strategy Committee, chairmen of all the other committees were assumed by Independent Non-executive Directors. More than half of the members of the Audit Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee were Independent Non-executive Directors. During the reporting period, the performance of duties by the special committees of the Board of Directors of the Bank is set out below:

- ◆ *Strategy Committee*

The Strategy Committee is mainly responsible for considering the Bank's strategic development plan, business and institutional development plan, major investment and financing plan and other major matters critical to the Bank's development, making recommendations to the Board, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are compliant with corporate governance criteria of the Bank. As at the disclosure date of this annual report, the Strategy Committee consisted of seven directors, including Executive Directors Mr. Yi Huiman and Mr. Gu Shu; Independent Non-executive Directors Mr. Or Ching Fai, Mr. Hong Yongmiao and Ms. Sheila Colleen Bair; Non-executive Directors Ms. Wang Xiaoya and Mr. Zheng Fuqing. Chairman of the Board of Directors Mr. Yi Huiman was the chairman of the committee.

Performance of the Strategy Committee During the reporting period, the Strategy Committee of the Board of Directors held three meetings, considered seven proposals including the proposals on the Regulations Governing Capital Management (2016) and the plan for IT development in the 13th Five-Year Plan Period, and heard two reports on topics including capital replenishment of the domestic and overseas institutions in 2016, merger and acquisition and equity investment and capital injection plan for institutions to be established. The Strategy Committee put forward comments or suggestions on matters including the strategic development planning, strategic capital allocation and annual final accounts of the Bank.

- ◆ *Audit Committee*

The Audit Committee is mainly responsible for supervising, inspecting and evaluating internal control, financial information and internal audit of the Bank and assessing mechanisms for the Bank's staff to report misconducts in financial statements, internal control, etc. and for the Bank to make independent and fair investigations and take appropriate actions. As at the disclosure date of this annual report, the Audit Committee consisted of six directors, including Independent Non-executive Directors Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh and Mr. Yang Siu Shun; Non-executive Directors Mr. Fei Zhoulin and Mr. Cheng Fengchao. Independent Non-executive Director Mr. Or Ching Fai was the chairman of the committee.

Performance of the Audit Committee During the reporting period, the Audit Committee held five meetings, considered eight proposals including the proposals on the 2016 internal audit plan, the 2015 annual report and revisions to the Basic Regulations on Internal Control and heard 11 reports including the reports on the 2015 internal audit report and management suggestions. The Audit Committee put forward comments or suggestions on matters including the preparation of regular reports, the arrangement of internal and external audit and improvement of internal control mechanism.

- Reviewing periodical reports

The Audit Committee reviewed financial statements of the Bank on a regular basis, and had reviewed and submitted to the Board of Directors to approve the annual report, interim report and quarterly reports of the Bank. It also organized and conducted the internal control assessment for 2015 of the Group and engaged external auditors to audit the assessment report and procedures of the Bank with respect to the relevant regulatory requirements. Additionally, it enhanced communication with external auditors, attached importance to the supervision of external auditors and heard several reports of external auditors concerning audit plan, audit results, and management proposals.

During the preparation and audit of the 2016 financial statements, the Audit Committee set out related matters such as audit schedule and arrangement through negotiation with external auditors, followed the status of external audit and conducted supervision over relevant work at appropriate time by means of hearing reports and holding informal discussions, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 28 March 2017, and considered that the annual financial statements truly and completely reflected the financial position of the Bank. The Audit Committee reviewed the summary of audit work performed by external auditors during the year and made an overall and objective assessment on its performance and quality of practice. It also approved the renewal of the engagement of KPMG Huazhen LLP and KPMG as the external auditors of the Bank for 2017 and the engagement of KPMG Huazhen LLP as the internal control auditors of the Bank for 2017, and presented the proposals to the Board of Directors for consideration.

- Examining internal control system

The Audit Committee is responsible for constantly monitoring and examining the internal control system of the Bank, and examining the effectiveness of the system at least on an annual basis. The Audit Committee performed its function of examining the Bank's internal control system through reviewing the administrative rules and regulations and their implementation, and examined and assessed the compliance and effectiveness of major operating activities of the Bank.

The Board of Directors of the Bank is responsible for establishing, improving and effectively implementing internal control and truthfully disclosing internal control assessment reports according to the standard system for enterprise internal control. The objective of the internal control of the Bank is to reasonably assure the compliance of its operation and management with relevant laws, safety of its assets, as well as the authenticity and completeness of its financial reports and relevant information, in order to enhance operation efficiency and results, and to facilitate the realization of its development strategy. Due to inherent limitation of internal control, only reasonable assurance can be provided for the aforementioned objectives. The Board of Directors and the Audit Committee have reviewed and approved the 2016 Internal Control Assessment Report of the Bank. For details of the Bank's internal control, please refer to "Corporate Governance Report — Internal Control".

- Effectiveness of the internal audit function

The Bank has established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The Board of Directors regularly reviews the internal audit plan and hears internal audit reports on internal audit activities, audit supporting measures, internal audit team building, etc., thus effectively performing the function of risk management. The Audit Committee examines, monitors and assesses the internal audit work of the Bank, supervises the internal audit rules and their implementation, and makes assessment of audit procedures and results of the internal audit department. It is also responsible for urging the Bank to ensure adequate resources for the internal audit department and coordinating the communication between the internal audit department and external auditors. The internal audit department is accountable to and reports to the Board of Directors, is guided by the Board of Supervisors and is under the examination, supervision and assessment of the Audit Committee. For details of the internal control, please refer to "Corporate Governance Report — Internal Control".

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♦ Risk Management Committee

The Risk Management Committee is primarily responsible for reviewing and revising the strategy, policy and procedures of risk management and internal control process of the Bank, and supervising and evaluating the performance of Senior Management members and risk management department in respect of risk management. It concurrently serves as the US risk committee in accordance with the relevant requirements in the Enhanced Prudential Standards on Bank Holding Companies and Foreign Banking Organisation established by the Federal Reserve Board. As at the disclosure date of this annual report, the Risk Management Committee consisted of eight directors, including Executive Director Mr. Zhang Hongli; Independent Non-executive Directors Mr. Anthony Francis Neoh, Mr. Hong Yongmiao and Ms. Sheila Colleen Bair; Non-executive Directors Ms. Ge Rongrong, Mr. Zheng Fuqing, Mr. Fei Zhoulun and Mr. Cheng Fengchao. Independent Non-executive Director Mr. Anthony Francis Neoh was the chairman of the committee.

Performance of the Risk Management Committee During the reporting period, the Risk Management Committee held six meetings, reviewed 12 proposals including the liquidity risk management strategy for 2016, the country risk concentration limit for 2016–2017, revisions to the Administrative Regulations on Market Risks (2016 Edition) and functioning of the Risk Management Committee of the Board as the risk committee for institutions in the US. The Committee also heard 15 reports including the reports on the risk management and the Group's AML work for 2015 and the first half of 2016 and the business development and risk management of institutions in USA. The Risk Management Committee put forward comments or suggestions on matters including the risk management strategy, the Group's AML work and the risk management of institutions in USA.

- Examining the risk management system

The Risk Management Committee is responsible for constantly monitoring and examining the risk management system of the Bank, and examining the effectiveness of the system at least on an annual basis. Under the enterprise risk management system structure of the Bank, the Risk Management Committee performed its function of examining the Bank's risk management system through reviewing and revising the risk strategy, risk management policy, risk appetite and the enterprise risk management structure, monitoring and evaluating the setup, mode of organization, work procedures and results of risk management departments, regularly assessing the risk appetite and the enterprise risk management status, supervising and assessing control activities conducted by the Senior Management members in terms of credit risk, market risk, operational risk and other risks. The Board of Directors and the Risk Management Committee heard the report made by the Management on the Group's risk management every half year and examined the Bank's risk management and internal control system. For details of the risk management, please refer to the section headed "Discussion and Analysis — Risk Management".

♦ Nomination Committee

The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on candidates for directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, and formulating the standards and procedures for selection and appointment of directors and Senior Management members as well as the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board of Directors on a yearly basis and making recommendations to the Board of Directors based on the Bank's development strategy. As at the disclosure date of this annual report, the Nomination Committee consisted of seven directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Mr. Hong Yongmiao, Mr. Or Ching Fai, Mr. Anthony Francis Neoh and Mr. Yang Siu Shun; Non-executive Directors Ms. Ge Rongrong and Mr. Fei Zhoulun. Independent Non-executive Director Mr. Hong Yongmiao was the chairman of the committee.

The Articles of Association of the Bank specifies methods and procedures to nominate directors. Please refer to Article 115 of the Articles of Association. During the reporting period, the Bank appointed and renewed the appointments of directors of the Bank in strict accordance with the Articles of Association of the Bank. The Nomination Committee reviews the qualifications of candidates for directors based on whether the candidate complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank. According to the requirement on diversified composition of the Board of Directors in the Rules for Recommendation and Nomination of Board Candidates of the Bank, the Nomination

Committee shall pay attention to the complementarity in terms of expertise, professional competence and experience, cultural and educational background, gender, etc. of the candidates, to ensure the directors are well equipped, experienced and have diversified perspectives and views. In order to implement the requirement, the Nomination Committee assesses the improvement of diversified composition of the Board of Directors in addition to framework, number of directors and formation on a yearly basis, and discusses and designs measurable goals according to actual conditions. As at the disclosure date of this annual report, there were five Independent Non-executive Directors, accounting for more than one third of the total members of the Board of Directors; and there were three female Directors. The Bank attached importance on diversified sources and backgrounds of directors and continued the efforts to build a professional board, thus underpinning the effective operation and scientific decision-making of the Board of the Directors.

Performance of the Nomination Committee During the reporting period, the Nomination Committee held six meetings, considered 13 proposals including the proposals on the nomination of Mr. Yi Huiman, Mr. Gu Shu and Mr. Wang Jingdong as candidates for Executive Directors, the nomination of Mr. Shen Si and Ms. Sheila Colleen Bair as candidates for Independent Non-executive Directors, the appointment of Mr. Li Yunze and Mr. Tan Jiong as Senior Executive Vice Presidents, the appointment of Mr. Wang Bairong as Chief Risk Officer and the appointment of Mr. Guan Xueqing as Board Secretary, and heard the report on the composition of the Board of Directors in 2015. The Nomination Committee put forward comments or suggestions on matters including the recommendation and nomination of candidates for directors, the assessment of the composition of the Board of Directors and the candidates for chairmen and members of special committees of the Board of Directors.

◆ *Compensation Committee*

The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties for directors, organizing the assessment on the performance of duties of Directors, putting forth proposal on remuneration distribution for Directors, putting forth proposal on remuneration distribution for Supervisors based on the performance assessment on Supervisors carried out by the Board of Supervisors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members. As at the disclosure date of this annual report, the Compensation Committee consisted of five directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Mr. Anthony Francis Neoh, Mr. Or Ching Fai and Mr. Yang Siu Shun; and Non-executive Director Ms. Wang Xiaoya. Independent Non-executive Director Mr. Anthony Francis Neoh was the chairman of the committee.

Performance of the Compensation Committee During the reporting period, the Compensation Committee held three meetings, considered four proposals including the proposals on the revisions to the rules on the assessment of performance of duties of directors by the Board of Directors, the payment of remuneration to directors, supervisors and Senior Management members for 2015 and the Senior Management performance evaluation plan for 2016, and heard two reports on the directors' performance assessment by the Board of Directors for 2015 and the plan for the directors' performance assessment by the Board of Directors for 2016. The Compensation Committee put forward comments or suggestions on matters including the revisions to and improvement of the rules and plan on the assessment of performance of duties of directors by the Board of Directors and the remuneration assessment plan for Senior Management members.

The Compensation Committee organized the performance assessment of directors, and put forth proposal on remuneration distribution for directors and submitted the same to the Shareholders' General Meeting after the approval of the Board of Directors. It also formulated and reviewed the assessment measures and compensation plans for Senior Management members of the Bank and evaluated the performance and behaviors of Senior Management members, results of which were submitted to the Board of Directors or the Shareholders' General Meeting, if falling into the responsibilities of the Shareholders' General Meeting, for approval. According to applicable regulations including the Measures on the Assessment of Performance of Duties of Directors in Commercial Banks (Trial) issued by CBRC, the Articles of Association and the Rules on the Assessment of Performance of Duties of Directors by the Board of Directors (Trial) of the Bank, the Compensation Committee organized the performance assessment of directors by the Board of Directors for 2015.

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♦ Related Party Transactions Control Committee

The Related Party Transactions Control Committee is mainly responsible for identifying the Bank's related parties, examining major related party transactions, and receiving related party transaction statistics and reporting information of general related party transactions. As at the disclosure date of this annual report, the Related Party Transactions Control Committee consisted of four directors, including Executive Director Mr. Wang Jingdong, Independent Non-executive Directors Mr. Yang Siu Shun, Mr. Or Ching Fai and Mr. Hong Yongmiao. Independent Non-executive Director Mr. Yang Siu Shun was the chairman of the committee.

Performance of the Related Party Transactions Control Committee During the reporting period, the Related Party Transactions Control Committee held three meetings, considered two proposals including the proposal on identification of related parties of the Bank, and heard two reports on the related party transactions in 2015 and the identification of related parties of the Bank in 2015. The Related Party Transaction Control Committee put forward comments or suggestions on matters including the improvement of management of related party transactions and inside transactions of the Bank.

♦ Important Comments and Suggestions Put Forward by Special Committees of the Board of Directors

During the reporting period, the Strategy Committee put forward comments or suggestions on matters including the strategic development planning, strategic capital allocation, annual final accounts and IT development planning of the Bank. The Audit Committee put forward comments or suggestions on matters including the preparation of regular reports, the arrangements of internal and external audit and improvement of internal control mechanism. The Risk Management Committee put forward comments or suggestions on matters including the risk management strategy, the Group's AML work, the risk management of institutions in USA and the risk of outsourcing business. The Nomination Committee put forward comments or suggestions on matters including the recommendation and nomination of candidates for directors, the assessment of the composition of the Board of Directors and the candidates for chairmen and members of special committees of the Board of Directors. The Compensation Committee put forward comments or suggestions on matters including the revisions to and improvement of the rules and plan on the assessment of performance of duties of directors by the Board of Directors and the remuneration assessment plan for Senior Management members. The Related Party Transaction Control Committee put forward comments or suggestions on matters including the improvement of management of related party transactions and inside transactions of the Bank.

Responsibilities of Directors in Respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. During the reporting period, in strict compliance with relevant provisions, the Bank published the 2015 Annual Report, the First Quarterly Report, the Interim Report and the Third Quarterly Report of 2016 as scheduled.

Term of Directors

The Bank has strictly complied with the exchanges on which the Bank is listed and the Articles of Association of the Bank that Directors are elected by the Shareholders' General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBRC. Directors may be re-appointed through re-election at the Shareholders' General Meeting after expiry of their term. The term for re-appointment is from the date of approval by the Shareholders' General Meeting.

Investigation and Training of Directors

During the reporting period, the Bank developed the training plan for the Board of Directors, increased training resources, and encouraged and actively organized the Directors to attend trainings, with the aim of assisting the Directors in continuing to improve their comprehensive quality and ability to perform their duties. During the reporting period, the Directors of the Bank complied with relevant regulatory requirements, and attended relevant trainings according to work needs. Besides, the Directors of the Bank enhanced their professional level by attending forums and seminars as well as conducting on-site investigations in some domestic and overseas peers and affiliates of the Bank.

Subject matters of the trainings attended by the Directors of the Bank during the reporting period were mainly as follows:

Trainings held by the regulatory institutions:

- SSE Training on Qualifications of Independent Directors
- Beijing Office of CSRC New Business in the Mobile Internet and Big Data Era
- Beijing Office of CSRC Beijing-Tianjin-Hebei Integration and Development of Listed Companies in Beijing
- Beijing Office of CSRC M&A and Reorganization of Enterprises in the SOE reform
- The Hong Kong Institute of Chartered Secretaries Annual Financial Audit and Performance Report

Special business trainings of the Bank:

- Corporate Governance
- Special Financing
- Retail Banking
- Operation Management
- Risk Management and Asset and Liability Management
- IT Development
- International Banking

Introduction trainings for newly-appointed directors of the Bank:

- Introduction to Corporate Governance and Operation of the Board of Directors
- Special Training on Businesses of the Bank
- Introduction to External Regulatory Requirements and Matters to Note during Tenure of Office

Training of Board Secretary

During the reporting period, the Board Secretary of the Bank attended relevant specialized trainings by SSE and the Hong Kong Institute of Chartered Secretaries, with the training hours over 15 hours, which meets relevant regulatory requirements.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank's Independent Non-executive Directors comply with regulatory requirements. The Bank's Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial position in the Bank. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, the Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, gave independent opinions during consideration of issues, and provided recommendations on areas such as strategic management, business transformation, innovative development, corporate

Corporate Governance Report

governance, risk management, internal control management and capital management of the Bank. During the adjournment, Independent Non-executive Directors of the Bank conducted on-site investigations in terms of operation and development of domestic and overseas institutions, the impacts of changes in international conditions on the operation of overseas institutions and the implementation of regulatory standards. Additionally, they also proactively exchanged opinions with the Management during special-topic discussions. During the reporting period, the Bank's Independent Non-executive Directors put forward comments and suggestions in respect of operation and management and the implementation of the strategies of the Bank, such as integrating resources for international operation, improving the service structure based on the customer structure and demands and conducting well management over asset & liability and risk considering the macro economic conditions. The Bank paid close attention to the comments and suggestions, and organized the implementation thereof according to the actual conditions.

During the reporting period, the Bank's Independent Non-executive Directors did not raise any objection on proposals of the Board of Directors and special committees of the Board of Directors.

For information of performance of duties of Independent Non-executive Directors of the Bank during the reporting period, please refer to the Work Report of Independent Non-executive Directors for 2016 issued by the Bank on 30 March 2017.

Board of Supervisors and Special Committee

Composition of the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors of the Bank consisted of six members, including two Shareholder Supervisors, namely Mr. Qian Wenhui and Mr. Zhang Wei, two Employee Supervisors, namely Mr. Hui Ping and Mr. Huang Li, and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

Operation of the Board of Supervisors

The Board of Supervisors discusses official matters at the meeting of the Board of Supervisors, which includes regular meetings and special meetings. Regular meetings shall be held at least four times a year and such meetings shall, in principle, be held before the disclosure of periodical reports.

As the day-to-day administrative organ of the Board of Supervisors, the Supervisory Board Office, as entrusted by the Board of Supervisors, is responsible for supervising and scrutinizing matters such as corporate governance, financial activities, risk management and internal control of the Bank, and organizing meetings of the Board of Supervisors and its special committee, preparing meeting documents, and taking minutes of the meetings.

Supervision Committee

As the special committee of the Board of Supervisors established pursuant to the Articles of Association of the Bank, the Supervision Committee operates in accordance with the authorization of the Board of Supervisors and is accountable to the Board of Supervisors. The Supervision Committee is mainly responsible for formulating plans for the inspection and supervision of financial activities of the Bank; formulating plans for the audits on retiring or resigning Directors, President and other Senior Management members; formulating plans for the audits on business policies, risk management and internal control of the Bank when necessary; providing comments after review of the financial report of the Bank and reporting to the Board of Supervisors; reviewing the investigation report on significant events in the annual operation and financial status of the Bank submitted by the Supervisory Board Office, and reporting to the Board of Supervisors; giving comments on the performance assessment of directors and Senior Management members, and reporting to the Board of Supervisors; giving opinions on the assessment of the development and implementation of risk management and internal control system, and reporting to the Board of Supervisors; and other functions and duties as may be authorized by the Board of Supervisors. The Supervision Committee consists of six Supervisors, including Mr. Qian Wenhui, Mr. Zhang Wei, Mr. Hui Ping, Mr. Huang Li, Mr. Qu Qiang and Mr. Shen Bingxi. Mr. Qian Wenhui serves as the head member of the Supervision Committee. Daily operations of the Supervision Committee are conducted by the Supervisory Board Office.

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries with all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the year ended 31 December 2016.

Chairman and President

Pursuant to Code Provision A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be separated, and the Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

Mr. Yi Huiman is the Chairman and legal representative of the Bank, who is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

Mr. Gu Shu is the President of the Bank, who is responsible for the daily management of the business operations of the Bank. The President is appointed by and accountable to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are separated in strict compliance with the Articles of Association and other corporate governance documents of the Bank. During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was found to be beyond the approval authority of the President.

Inside Information Management

The Bank manages inside information and insiders in strict accordance with regulatory requirements of the exchanges on which the Bank is listed and the Bank's rules, and ensures collection, delivery, sorting, preparation and disclosure of relevant information in compliance with applicable laws and regulations. During the reporting period, the Bank continued to strengthen inside information confidentiality management, timely organized the completion of insider lists and regularly conducted insider transaction self-inspections. After self-inspections, none of the insiders of the Bank were found to be involved in dealings in shares of the Bank who have taken advantage of inside information during the reporting period.

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee, the Risk Management Committee and the Related Party Transactions Control Committee of the Board of Directors perform the responsibilities of internal control management and review the effectiveness of internal control. The Bank has set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The Head Office and branches have internal control and compliance departments which are responsible for the bank-wide organization, promotion and coordination of internal control and the assessment of domestic branches.

The internal control environment has been optimized continuously. The Bank issued the new Basic Regulations on Internal Control, identifying the overall structure of the Group's internal control system in the new era. It also announced the Bank's compliance culture, i.e. "compliance is the fundamental of responsibility of the entire staff to keep risks under control and ensure efficient operation". Based on the operation transformation needs, the Bank completed the structural adjustment of the Head Office, branches and sub-branches as well as staffing, and refined the performance assessment and business evaluation system.

Corporate Governance Report

The enterprise risk management framework has been improved. The Bank continued to monitor, analyze and control the new and existing loans, and assessed overdue loans and NPLs separately. The liquidity risk measurement and treasury management system has been improved. The Bank pushed forward economic capital allocation and limit management, further increasing capital use efficiency and return on capital.

The control activities became more effective. The Bank pressed ahead with credit operation system reform and the preparation of supporting rules, improved credit calculation model and set reasonable approval procedures. Adhering to the e-ICBC upgrading strategy, the Bank built a system for prevention and control of Internet-based financial risk based on big data. It refined the management rules and promoted the application of the management system at all levels of the Bank.

Information communication has been further streamlined. Adhering to the principle of being "true, accurate, complete, timely and fair", the Bank actively disclosed information and strictly carried out various information disclosure management policies to ensure that the information disclosure complied with laws and regulations. Focussed on customer marketing, risk prevention and control and other priorities, the Bank strengthened its mining and analysis of big data and that relevant application. It promoted the platform for monitoring security and handling information securely, and strengthened the Bank's capacity to monitor and handle information security issues.

The internal monitoring has remained effective. The Bank actively launched retrospective checks aiming at strengthening internal control and external supervision and preventing illegal operation and unlawful activities. Efforts were also made to conduct supervision and inspection of activities, strengthen the mechanism for ensuring accountability, deepen the verification of risky events in business operation and the application of findings, define the case prevention responsibility and assess risk on a case by case basis and irregular behavior of employees.

Internal Control Evaluation Report and Internal Control Audit

While disclosing the annual report, the Bank also disclosed the 2016 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited in accordance with the requirements of MOF, CSRC and SSE. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at 31 December 2016 (benchmark date). The Bank engaged KPMG Huazhen LLP to audit and issue standardized audit report on internal control of the Bank.

For details of the internal control assessment report of the Bank, please refer to the 2016 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited published on the websites of SSE, SEHK and the Bank.

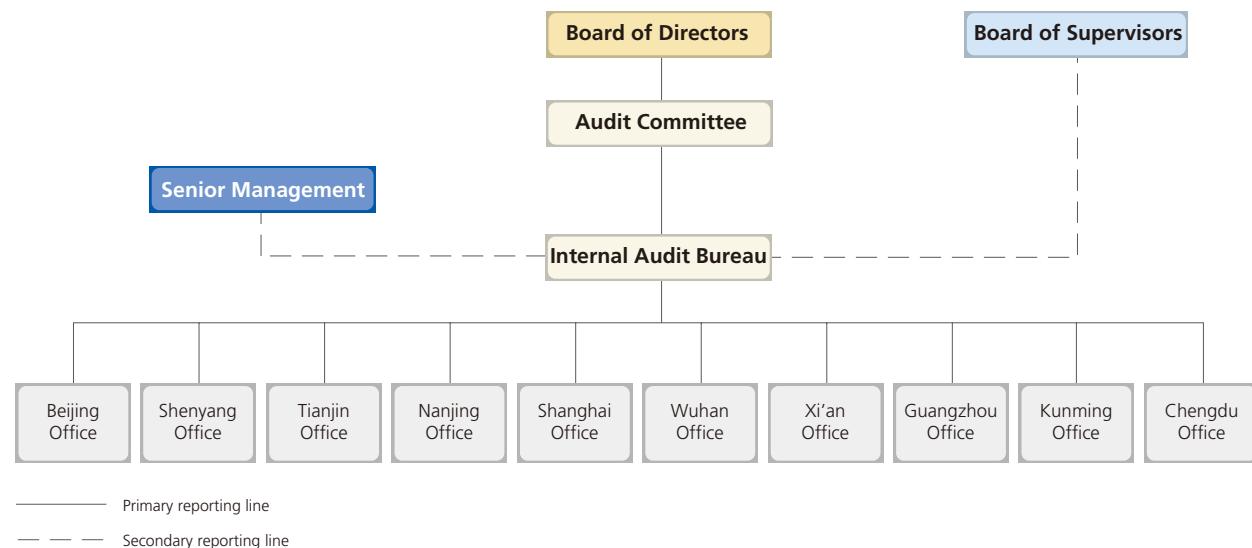
Internal Control Evaluation and Defects

The Board of Directors of the Bank conducted a self-assessment on the effectiveness of the Group's internal control during the reporting period in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines, the Guidelines for Internal Control of Listed Companies issued by SSE and relevant regulatory requirements of CBRC. No material or significant deficiencies were detected in the Bank's internal control system during the assessment. Risks that may arise from ordinary deficiencies are controllable and corrective actions have been or are being taken, which have no material impact on the fulfillment of internal control objectives of the Bank. The Bank had maintained effective internal control in all material aspects in accordance with the standard system for enterprise internal control and relevant rules.

There was no factor that affected the assessment conclusion of internal control effectiveness from the benchmark date to the issuance date of the internal control assessment report.

Internal Audit

The Bank established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The chart below illustrates the internal audit management and reporting framework of the Bank:



During the reporting period, the Bank implemented risk-oriented audit activities according to the development strategy and central tasks of the Bank, and fully accomplished the annual audit plan. The audit activities covered main aspects of operation and management, such as credit business, financial benefit, financial asset services, Internet-based finance, information system security, capital management, overseas institutions, Group's consolidated management, consumer protection and duty performance of Senior Management members in their tenure of office. The audit activities paid close attention to credit risk, market risk, regional risk and financial innovation risk under the complicated operating circumstances as well as systematic and strategic risks in the process of diversified and internationalized development. The audit activities supervised and assessed the effectiveness of the compliance with regulatory requirements, implementation of major strategies, risk management and internal control by some institutions and in main business areas of the Group. The audit findings were sufficiently valued and used, and played its due role in pushing the Bank in preventing risk and improving management. Additionally, the Bank improved project operation process and the distribution of project resources, promoted IT application in audit, upgraded the audit information system platform, and strengthened the efforts in vocational qualification education and project training to build a more professional audit team. As a result, the service capacities and specialized level was constantly enhanced.

Engagement of Auditors

KPMG Huazhen LLP was the domestic auditors of the Bank for the financial statements audit in 2016, and KPMG was the international auditors of the Bank for the financial statements audit in 2016. KPMG Huazhen LLP was also the auditors of internal control of the Bank in 2016.

KPMG Huazhen LLP and KPMG have been providers of audit services for the Bank for four consecutive years (2013, 2014, 2015 and 2016).

During the reporting period, the Group paid KPMG and its member institutions a total fee of RMB180 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches), of which, RMB136 million (including fee for internal control audit of RMB11.50 million) was paid by the Bank.

During the reporting period, KPMG and its member institutions provided the Group with non-audit services such as tax advisory services and the professional services for the bonds issuance, and received RMB10.00 million for such professional non-audit services.

Investor Relations

Overview of Investor Relations Activities in 2016

In 2016, the Bank strove to improve the quality of investor relations services and generate stable return to shareholders following the principle of serving investors in a proactive, detailed, efficient and interactive manner.

The Bank made constant and extensive communication with institutional investors and minority investors through press conference in relation to periodic results, non-transactional road shows, press conferences with large institutions, investor hotline, investor relations mailbox, investor relations website and the online platform of sseinfo.com, which enhanced investors' confidence in economic development of China and the operational transformation of the Bank and helped bring the market value in line with the long-term intrinsic value of the Bank. The Bank improved investor relations information collection and market information feedback transmission mechanism, strengthened dynamic monitoring of share price valuation, analyst reports and media public opinions, followed and analyzed spotlight issues of the capital market, and effectively enhanced the quality of communication with the investors. The Bank actively understood and solicited the comments and suggestions of the capital market on the Bank, facilitated the timely reaction of the Management with the help of many operation and communication strategies, and minimized the influence of emergencies on the share price, so as to continuously strengthen the level of corporate governance and core values of the Bank.

In 2017, the Bank will further and proactively deepen the communication and exchange with investors to enhance the investors' understanding and acceptance of the Bank and protect legitimate interests of the investors, and at the same time expect to arouse more support from, and attention of, the investors.

Investor Enquiries

If an investor wishes to enquire any questions related to operation performance of the Bank, please contact:

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited,
55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC

Postal code: 100140

Report of the Board of Directors

Principal Business

The principal business of the Bank and its subsidiaries is the provision of banking and related financial services. Please refer to the section headed "Discussion and Analysis" for the business review of the Bank.

Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Independent Auditor's Report and Financial Statements of the Annual Report.

Upon approval at the Annual General Meeting for the Year 2015 held on 24 June 2016, the Bank has distributed cash dividends of about RMB83,150 million, or RMB2.333 per ten shares (pre-tax), for the period from 1 January 2015 to 31 December 2015 to the ordinary shareholders whose names appeared on the share register after the close of market on 7 July 2016.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.343 (pre-tax) for each ten shares of 356,406,257,089 ordinary shares for 2016, totaling about RMB83,506 million. The distribution plan will be submitted to the Annual General Meeting for the Year 2016 for approval. Once approved, the above-mentioned dividends will be paid to the holders of A shares and H shares whose names appeared on the share register of the Bank after the close of market on 10 July 2017. The Bank will suspend the registration procedures of H share ownership transfer on 5 July 2017 (inclusive) through 10 July 2017 (inclusive). The holders of H shares of the Bank that desire to receive the proposed cash dividends but have not registered the ownership transfer documents are requested to hand over their ownership transfer documents together with the H shares to the Bank's H share registrar — Computershare Hong Kong Investor Services Limited that is located at Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. of 4 July 2017. Pursuant to relevant regulatory requirements and operational rules, dividends on A shares and H shares will be paid on 11 July 2017 and 2 August 2017, respectively.

The Bank had no plan for converting capital reserve to share capital in the recent three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the recent three years:

Item	2016	2015	2014
Dividend per ten shares (pre-tax, in RMB yuan)	2.343	2.333	2.554
Cash dividends (pre-tax, in RMB millions)	83,506	83,150	91,026
Percentage of cash dividends ⁽¹⁾ (%)	30.5	30.3	33.0

Note: (1) Calculated by dividing cash dividends on ordinary shares (pre-tax) by net profit attributable to ordinary shareholders of the parent company for the period.

For details on the distribution of dividends on preference shares of the Bank, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

Formulation and Implementation of Cash Dividend Policy

The Articles of Association of the Bank explicitly stipulates that the Bank's profit distribution policy shall maintain its continuity and stability and meanwhile take account of the long-term interests of the Bank, the overall interests of all shareholders and the sustainable development of the Bank. It emphasizes the priority to adopt cash dividend as the profit distribution method and provides that the Bank's adjustment to the profit distribution policy shall be discussed by the Board of Directors as a special proposal and the grounds for adjustment shall be argued and proved in detail to form a written argumentative report for Independent Non-executive Directors to issue their opinions, and then the report will be submitted to the Shareholders' General Meeting for approval as a special resolution.

Report of the Board of Directors

The formulation and implementation of the Bank's cash dividend policy, which has been reviewed and approved by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

Distributable Reserves Details of the distributable reserves of the Bank as at 31 December 2016 are set out in "Note 42. to the Financial Statements: Reserves" of this annual report.

Financial Summary The summary of results, assets and liabilities for the five years ended 31 December 2016 is set out in the section headed "Financial Highlights" of this annual report.

Donations During the reporting period, the Group made external donations of RMB65,295.8 thousand equivalent.

Subsidiaries Particulars of the Bank's major subsidiaries as at 31 December 2016 are set out in the sections headed "Discussion and Analysis — Business Overview — Internationalized and Diversified Operation" and "Note 28. to the Financial Statements: Investments in Subsidiaries" in this annual report.

Share Capital and Public Float

Changes in the share capital of the Bank for the year ended 31 December 2016 are set out in "Note 40. to the Financial Statements: Share Capital".

As at the latest practicable date before the publication of this annual report, the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

Purchase, Sale or Redemption of Securities During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

Pre-emptive Rights The Articles of Association of the Bank does not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association, the Bank may increase its registered capital after obtaining approval of the Shareholders' General Meeting and of relevant authorities, by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Major Customers In 2016, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank during the year.

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing growth of the Bank.

For future planning disclosed in the public disclosure documents such as previous offering prospectuses and fund raising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.

For details on the use of funds raised from the issue of preference shares of the Bank, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

Equity-linked Agreement There is neither any agreement to which the Bank is a party, any options to subscribe shares, nor any securities convertible to shares of the Bank that requires the Bank to issue shares. In addition, there is no securities offering holders the right to subscribe shares of the Bank. The employee participation plan and share option plan, etc. meet the disclosure requirements of the Hong Kong Listing Rules.

Administration Contracts During the reporting period, the Bank did not enter into or have any contract regarding the management and administration of the whole or any important business.

Directors' and Supervisors' Interests in Transactions, Agreements or Contracts of Significance During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance regarding the Bank's business to which the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders was a party. None of the Directors or Supervisors of the Bank have entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business None of the Bank's Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures None of the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders entered into any agreement or arrangement enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors As at 31 December 2016, Mr. Zhang Hongli, Executive Director and Senior Executive Vice President of the Bank, held 2,000 H shares of the Bank, and the spouse of Mr. Or Ching Fai, Independent Non-executive Director of the Bank, held 1,316,040 H shares of the Bank. Save as above, as at 31 December 2016, none of the Directors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Connected Transactions

In 2016, the Bank carried out standardized management of the Group's connected transactions in strict accordance with the regulations of CBRC and CSRC as well as listing rules in Shanghai and Hong Kong, and further boosted the Group's refined management of connected transactions by launching special inspections on connected transactions, optimizing the information management system for connected transactions and strengthening the risk management and control of connected transactions.

During the reporting period, the Bank's connected transactions were conducted in accordance with ordinary commercial terms under conditions that were not more favorable than the similar transactions between non-related parties. The terms and conditions of the relevant transactions were reasonable and complied with the overall interests of the Bank.

Report of the Board of Directors

and shareholders. Furthermore, the Bank had no connected transaction to be submitted to the Board of Directors or the Shareholders' General Meeting for review, and all connected transactions occurred complied with the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules on disclosure exemptions.

Please refer to "Note 52. to the Financial Statements: Related Party Disclosures" for particulars of the related party transactions defined under the laws, regulations and accounting standards of China.

Liability Insurance of Directors, Supervisors and Senior Management

Pursuant to the Articles of Association of the Bank, where conditions permit, the Bank may establish the professional liability insurance system of Directors, Supervisors and Senior Management members upon approval of the Shareholders' General Meeting. The Bank will use its own assets to compensate each Director, Supervisor and Senior Management member for any liability arising during their performance period to the maximum extent permitted by laws and administrative regulations or within the scope not prohibited by laws and administrative regulations, unless the Directors, Supervisors and Senior Management members are otherwise proved to have failed to act honestly or in good faith during their duty performance.

During the reporting period, the Bank renewed liability insurance for Directors, Supervisors and Senior Management members.

Relations among Directors, Supervisors and Senior Management Directors, Supervisors and Senior Management members of the Bank did not relate to one another with respect to finance, business, family, or other material relations required to be disclosed.

Remuneration Policy for Directors, Supervisors and Senior Management The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved performance assessment system and incentive & restriction mechanism. From the perspectives of economic benefit, risk cost control and social responsibilities, the Bank adopted a system composed of balanced scorecard-based indicators for management and duties allocation based indicators for individuals. The remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises, which consists of basic annual remuneration, performance-based remuneration and incentive income linked to term appraisal. The remuneration to other Senior Management members and Shareholder Supervisors consist of basic annual remuneration and performance-based remuneration, and part of performance-based remuneration is paid in a deferred manner. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for Directors, Supervisors and Senior Management members concurrently as the employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2016, the Bank did not grant any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Members of the Board of Directors

Executive Directors: Mr. Yi Huiman, Mr. Gu Shu, Mr. Zhang Hongli and Mr. Wang Jingdong;

Non-executive Directors: Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Zheng Fuqing, Mr. Fei Zhoulin and Mr. Cheng Fengchao;

Independent Non-executive Directors: Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Ms. Sheila Colleen Bair.

By Order of the Board of Directors

Yi Huiman

Chairman

Report of the Board of Supervisors

Meetings of the Board of Supervisors and its Special Committee

◆ Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held seven meetings, reviewed and approved 19 proposals including the 2016 Annual Work Plan of the Board of Supervisors, the 2015 Work Report of the Board of Supervisors, the 2015 Supervision Report of the Board of Supervisors, the 2015 Annual Report and its Abstract, and nomination of candidates for shareholder supervisor and external supervisor, and heard 40 reports including the reports on supervision, operating results, internal audit for 2015 and internal audit plan for 2016, internal control and compliance, and implementation of the strategic plan in 2015.

◆ Meetings of the Supervision Committee

During the reporting period, the Supervision Committee held five meetings, reviewed and approved 10 proposals including the 2016 Annual Work Plan of the Supervision Committee of the Board of Supervisors and the Implementation Plan on Supervision and Inspection of the Board of Supervisors for 2016, and heard 18 reports on supervision, special inspections and surveys, etc.

The table below sets out the attendance of Supervisors in meetings of the Board of Supervisors and the meetings of the Supervision Committee in 2016:

Attendances in person/Number of meetings that should be attended		
Supervisor	Board of Supervisors	Supervision Committee
Qian Wenhui	7/7	5/5
Zhang Wei	7/7	5/5
Hui Ping	6/7	5/5
Huang Li	3/3	2/2
Qu Qiang	7/7	5/5
Shen Bingxi	3/3	2/2
Resigned supervisor		
Wang Chixi	3/4	3/3
Dong Juan	4/4	3/3

Notes: (1) During the reporting period, supervisors who could not attend the meetings of the Board of Supervisors and the Supervision Committee in person have appointed other supervisors to attend the meetings and exercise the voting right on their behalf.
(2) For the change of supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors, pursuant to relevant laws and regulations of the State, regulatory requirements and the Articles of Association of the Bank, focused on the key tasks of the Bank, carried out supervision tasks in depth, did a large number of work and played an important role in promoting the Bank to continuously improve the corporate governance, implementing the transformation and upgrading and achieving sound and sustainable development.

Supervision on the performance of duties. The Board of Supervisors strengthened supervision on the implementation of the government's macro-economic policies, regulatory requirements and overall strategies, as well as providing support to the real economy and service to the supply-side structural reform by the Board of Directors and the Senior Management. It focused on the adoption of working measures by the Board of Directors and the Senior Management aimed at strengthening and improving the operational management and promoting the transformation, reform and innovation of operation. The Board of Supervisors paid ongoing attention to the exercise of functions and powers by the Board of Directors and the Senior Management in accordance with the law, their performance of duties and faithful obligations, and issues concerning honesty and self-discipline. It organized and launched the duty performance assessment, conducted individual interviews with members of the Board of Directors and the Senior Management, and the persons in charge of the related Head Office departments and profitability units, reviewed the performance assessment report of the Board of Directors and the persons, and seriously assessed the annual performance of duty of the Board of Directors, the Senior Management and their members on an objective and impartial basis.

Financial supervision. The Board of Supervisors reviewed regular reports in an earnest manner, heard reports on operation information and audit results, and verified the authenticity of financial information. While monitoring and studying financial data changes of the Bank, the Board of Supervisors also analyzed such financial issues as credit cost and replacement of business tax with VAT and promoted the lifting of operational management and profit level. It also strengthened financial examination and surveys, regularly supervised the making and implementation of important financial decisions, organized inspections of financial affairs of selected branches, carried out surveys on the fixed operating expenses and the collection and disposal of NPLs, and procured the Bank to further improve financial management and the effectiveness of financial resource allocation. The Board of Supervisors was highly concerned with the quality of the work done by external auditors, reminded them the areas of focus of the audit and oversaw the independence and effectiveness of audit work.

Supervision on risk management. The Board of Supervisors heightened the supervision on the Group's enterprise risk management, capital management and consolidated management, regularly reviewed the risk management reports, and made a survey on the uniformity of the Group's risk management mechanism and organizational framework. Highlighting the Bank's credit risk management, members of the Board of Supervisors conducted surveys and supervision on business operation and credit asset quality in multiple branches at home and abroad, and also launched a special research into the optimization of credit risk governance mechanism. The Board of Supervisors improved the supervision on the management and control of market risk and liquidity risk and made a special survey on the Group's bond business management. In addition, it strengthened the supervision on risk prevention and control of innovative business, and conducted a research into the impact of payment business by non-bank payment institutions on the Bank so as to guarantee the healthy and well-regulated development of innovative business.

Supervision on internal control. The Board of Supervisors strengthened the supervision on internal control of major risk points of new institutions, new businesses and new products, and surveyed the interface management of third parties. It paid ongoing attention to the corporate governance, compliance management and anti-money laundering management of overseas institutions and carried out a survey on operational management of some overseas institutions. The Board of Supervisors enhanced supervision on the case prevention work, including highlighting the management of behavioral risk and prompting the case prevention risk of key posts, major business and important institutions. It strengthened supervision on the implementation of rectification, studied and acted in accordance with the supervisory opinions with due care, and carried out a special survey on the implementation of rectification based on internal and external inspection findings. The Board of Supervisors fortified guidance on internal audit, internal control and compliance efforts, promoted the integration of supervision resources and demonstrated the advantage of collaborated supervision.

Strengthening of self-building. The Board of Supervisors completed the re-election of supervisors in a serious manner and in accordance with the regulatory requirements and corporate governance procedures, and organized the annual assessment on the supervisors for their performance of duties. The members of the Board of Supervisors could perform their duties in a diligent and faithful manner, performed all supervision work by utilizing their respective strengths and safeguard the interests of the Bank, shareholders, employees and other stakeholders. The Supervisors actively attended meetings, earnestly reviewed proposals, gave opinions on an independent and objective basis, went to relevant institutions for surveys and

researches, participated in relevant training programs, strengthened communication with other banks and made continuous efforts to improve the duty performance capability. The members of the Board of Supervisors played a constructive role in strengthening corporate governance, implementing development strategy, propelling business transformation and promoting reform and development of the Bank. During the reporting period, all external supervisors worked for the Bank for more than 15 working days.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation During the reporting period, the Bank continued to operate in compliance with applicable laws and regulations and improve its internal control system, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management earnestly performed their duties. The Board of Supervisors did not find any violation of laws and regulations, or any act that contravened the interests of the Bank in the performance of duties during the reporting period.

Preparation of Annual Report Preparation and review procedures of this annual report were in compliance with laws, administrative regulations and regulatory rules. Contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Proceeds from Fundraising Activities During the reporting period, the use of proceeds from the Bank's fundraising activities was consistent with the purpose stated in the prospectuses.

Purchase and Sale of Assets During the reporting period, the Board of Supervisors did not find any insider trading or any act that contravened the shareholders' interests or caused the loss of the Bank's assets in the process of the Bank's purchase or sale of assets.

Connected Transactions During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any act that infringed upon the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association of the Bank.

Implementation of Resolutions Passed at the Shareholders' General Meetings During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meetings for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meetings.

Internal Control Assessment Report of the Board of Directors The Board of Supervisors reviewed the 2016 Internal Control Assessment Report of the Board of Directors and had no objection to the report.

Implementation of Information Disclosure Management Rules During the reporting period, the Bank performed its duty of information disclosure in strict compliance with the regulatory requirement, implemented the information disclosure management rules in earnest, and disclosed information in a timely and fair manner. Information disclosed during the reporting period was authentic, accurate and complete.

Save as disclosed above, the Board of Supervisors had no objection to other supervision matters during the reporting period.

Significant Events

Material Legal Proceedings and Arbitration The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings arose from customer disputes. As at 31 December 2016, the amount of pending proceedings in which the Bank and/or its subsidiaries acted as defendants totaled RMB5,515 million. The Bank does not expect any material adverse effect from the above-mentioned pending legal proceedings on the Bank's business, financial position or operating results.

Material Assets Acquisition, Sale and Merger During the reporting period, the Bank had no material assets acquisition, sale and merger.

Credit Standing During the reporting period, there has not been any significant court judgment with which the Bank and its controlling shareholders have not complied, nor has there been any outstanding debt of significant amount.

Implementation of Share Incentive Plan The Fourth Extraordinary General Meeting of 2006 of the Bank held on 31 July 2006 approved the share appreciation rights plan. As at the end of the reporting period, the Bank did not grant any share appreciation right. Please refer to "Note 47. to the Financial Statements: Share Appreciation Rights Plan" for details.

Employee Stock Ownership Plan During the reporting period, the Bank did not implement any employee stock ownership plan.

Performance of the Poverty Relief Social Responsibility Please refer to the section headed "Social Responsibility" for the details of the Bank's poverty-relief social responsibility performance during the reporting period.

Key Audit Issues Key audit issues have been reviewed by the Audit Committee, so it is unnecessary to make a supplementary explanation.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 52. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws, regulations and accounting standards of China.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets, which were subject to disclosure.

Material Guarantees The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and CBRC.

Independent Non-executive Directors' Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with the Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies (Zheng Jian Fa [2003] No. 56) issued by CSRC and relevant provisions of SSE, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principles of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by PBC and CBRC. As at 31 December 2016, the balance of letters of guarantee issued by the Bank totaled RMB432,547 million.

The Bank has attached great importance to the management of risks arising from such business, formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services, and carried out relevant business on such basis.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Or Ching Fai, Hong Yongmiao, Anthony Francis Neoh,

Yang Siu Shun and Sheila Colleen Bair

Entrusted Cash Asset Management During the reporting period, the Bank has not entrusted any other parties to manage cash assets.

Occupation of Fund by Controlling Shareholders and Other Related Parties During the reporting period, none of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank. The auditors have issued the Special Explanation on the Occupation of Fund by Controlling Shareholders and Other Related Parties of Industrial and Commercial Bank of China Limited in 2016.

Significant Events

Commitments

As at 31 December 2016, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

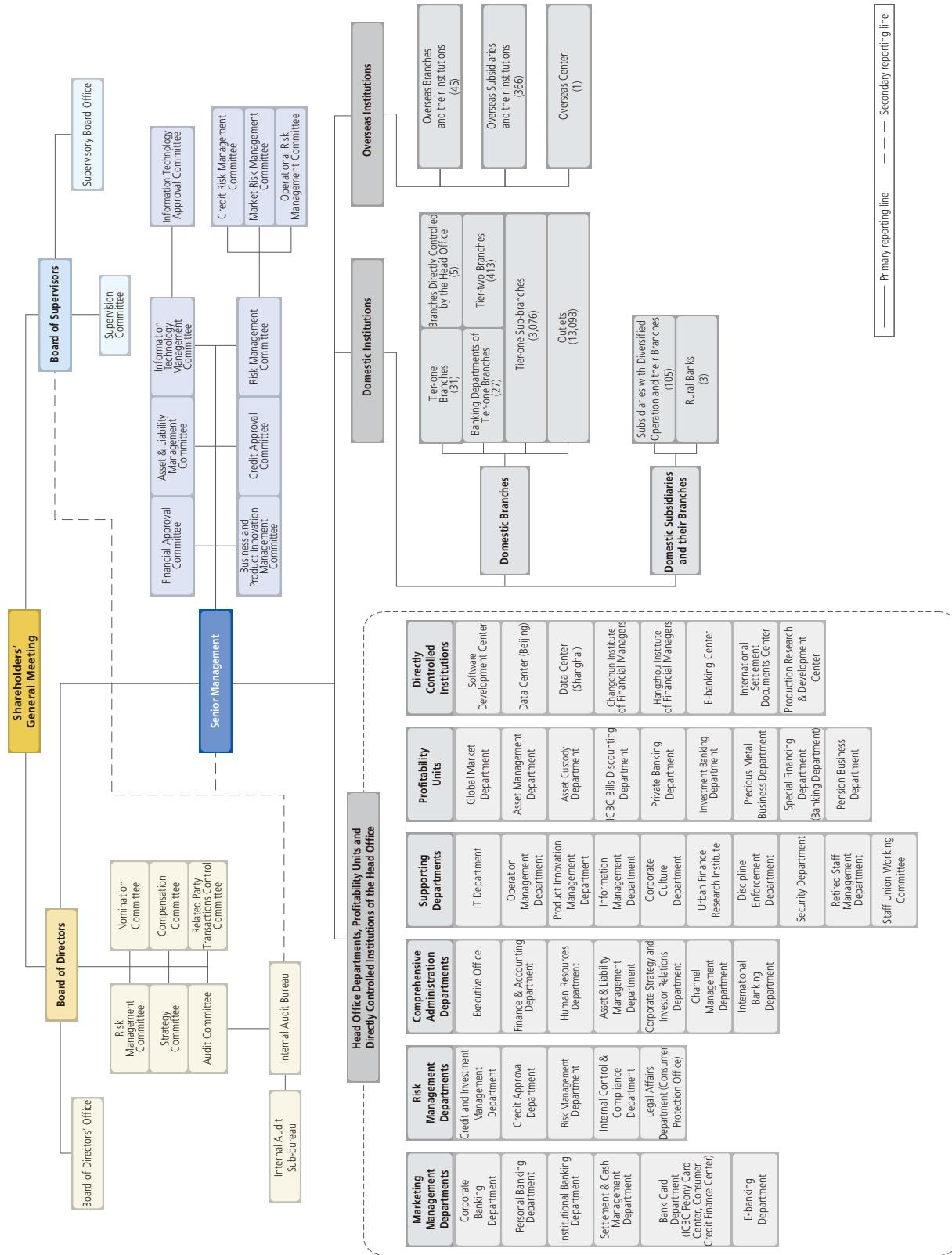
Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	As at 31 December 2016, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.
		November 2010/ No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		

Save as disclosed above, neither the Bank nor any of its other related parties made any commitments.

Investigations, Administrative Penalties by CSRC; Public Reprimand by Stock Exchanges; and Sanctions Imposed by Other Regulatory and Judicial Authorities During the Reporting Period

During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and controlling shareholders was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transferred to judicial authorities or charged for criminal responsibility, case filing investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, major penalty by other administrative authorities of environmental protection, taxation, safety supervision, etc. or public reprimand by the stock exchanges.

Organizational Chart



**Auditor's Report and
Financial Statements**

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Independent Auditor's Report



To the shareholders of Industrial and Commercial Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 132 to 271, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matters (continued)

Impairment of loans and advances to customers	
<p>Refer to the accounting policies in "Note 3.(6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 26. to the Financial Statements: Loans and Advances to Customers".</p>	
The key audit matter	How the matter was addressed in our audit
<p>Impairment of loans and advances to customers is a subjective area due to the level of judgement applied by management in determining impairment allowances.</p> <p>From the Group's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances for loans and advances to customers were those where impairments were derived from models and individual cash flow assessments, where the loans and advances to customers were unsecured or where the loans and advances to customers were subject to potential collateral shortfalls.</p> <p>The determination of the collective impairment allowances is heavily dependent on the external macro environment and internal credit risk management models. The Group's collective impairment allowances for corporate loans and advances are derived from estimates including the Group's historical losses, the historical emergence period for corporate loans and advances (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors. The Group's collective impairment allowances for personal loans are derived from estimates, including the Group's historical overdue data, historical loss experience for personal loans and other adjustment factors.</p>	<p>Our audit procedures to assess impairment of loans and advances to customers included the following:</p> <ul style="list-style-type: none">• assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording, monitoring and restructuring of loans and advances to customers, the credit grading process and the measurement of impairment allowances for individually assessed loans and advances to customers. In particular, we assessed the design, implementation and operating effectiveness of the key internal controls over the classification of loans by credit quality across all grades;• evaluating the validity of the models used and assumptions adopted in the Group's calculation of the collective impairment allowances by critically assessing:<ul style="list-style-type: none">— input parameters involving management judgement;— economic factors used in the models;— the accuracy of the loan grading migration data for the corporate loan portfolios;— the overdue statistical data for the personal loan portfolios; and— historical loss parameters used.• considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses and assessing key internal controls over the input of underlying data into the models. We compared the economic factors used in the models to market information to assess whether they were aligned with market and economic development. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to downgrading the account to a non-performing loan;

Independent Auditor's Report

Key audit matters (continued)

Impairment of loans and advances to customers	
<i>Refer to the accounting policies in "Note 3.(6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 26. to the Financial Statements: Loans and Advances to Customers".</i>	
The key audit matter	How the matter was addressed in our audit
<p>Individual impairment allowances are assessed by management once objective evidence of impairment becomes apparent in a corporate loan. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints external valuers for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of impairment allowances as at the reporting date.</p> <p>We identified assessing impairment of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none">assessing the impairment allowances for individually impaired corporate loans and advances by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples in industries vulnerable to the current economic slowdown. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage;performing credit assessments for the selected individually impaired corporate loans and advances by assessing the forecast of recoverable cash flows through inquiry, applying judgement and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management's application of key assumptions and compared them with our own data sources. Where available, we made use of post reporting date information to evaluate credit quality with hindsight;evaluating the experience, independence, competence and integrity of the external valuers engaged by the Group to value certain property and illiquid collateral. Where possible, we compared the valuations with externally derived data such as commodity prices and real estate valuations;re-calculating the amount of collective impairment allowances to assess the application of the Group's methodology;assessing the disclosures in the consolidated financial statements in relation to impairment of loans and advances to customers with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters (continued)

Recognition of interests in and consolidation of structured entities <i>Refer to the accounting policies in "Note 3. (1) to the Financial Statements: Subsidiaries", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 44. to the Financial Statements: Involvement with Unconsolidated Structured Entities".</i>	
The key audit matter	
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group's assets and liabilities.</p> <p>The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. The Group may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</p> <p>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p> <p>We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</p>	<p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected: <ul style="list-style-type: none"> — inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; — inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity; — evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity; — assessing management's judgement over whether the structured entity should be consolidated or not; • evaluating the disclosures in the consolidated financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters (continued)

Fair value of financial instruments	
<i>Refer to the accounting policies on "Note 3. (5) to the Financial Statements: Financial Instruments", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 55. to the Financial Statements: Fair Value of Financial Instruments".</i>	
The key audit matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p> <p>The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none">assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs;engaging our internal valuation specialists to conduct model validation, on a sample basis, for the valuation of complex financial instruments;assessing the appropriate application of Funding Value, Credit Value and Debit Value Adjustments ("FVA/CVA/DVA") that form an integral part of fair values, inquiring of management about any changes in the FVA/CVA/DVA methodology and assessing the appropriateness of the inputs applied; andassessing whether the disclosures in the consolidated financial statements, including fair value hierarchy information and sensitivity to key inputs, appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters (continued)

IT systems and controls over financial reporting	
The key audit matter	How the matter was addressed in our audit
<p>The Group operates one of the largest and most complex IT systems used by a bank globally.</p> <p>Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.</p> <p>Of particular importance are system calculations, logic regarding significant accounts, including interest calculations, interfaces between business management systems and accounting systems and data migration from certain legacy systems to new systems.</p> <p>We identified IT systems and controls over financial reporting as a key audit matter because the Group's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base both in the corporate and the retail banking businesses in China and globally.</p>	<p>We used our internal IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included:</p> <ul style="list-style-type: none">assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting;examining the framework of governance over the Group's IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required;evaluating the design, implementation and operating effectiveness of the significant accounts-related IT process controls by assessing the operating effectiveness of IT Application Controls, assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the Group's compliance activities and assessing the consistency of data transmission and data migration;assessing the availability and stability of key operating systems, taking into consideration the rapid development of businesses types and transactions volumes as well as IT projects that have a significant impact on business continuity.

Information other than the consolidated financial statements and auditor's report thereon

The Directors are responsible for the other information. The other information comprises all 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.

Independent Auditor's Report

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB 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.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Simon John Edward Gleave

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016
(In RMB millions, unless otherwise stated)

	Notes	2016	2015
Interest income	6	791,480	871,779
Interest expense	6	(319,634)	(363,912)
NET INTEREST INCOME	6	471,846	507,867
Fee and commission income	7	164,714	161,670
Fee and commission expense	7	(19,741)	(18,279)
NET FEE AND COMMISSION INCOME	7	144,973	143,391
Net trading income	8	6,457	4,227
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	(104)	(5,953)
Net gain on financial investments	10	4,545	4,920
Other operating income, net	11	13,964	14,281
OPERATING INCOME		641,681	668,733
Operating expenses	12	(193,112)	(220,835)
Impairment losses on:			
Loans and advances to customers	26	(86,138)	(86,022)
Others	15	(1,756)	(971)
OPERATING PROFIT		360,675	360,905
Share of profits of associates and joint ventures		2,604	2,330
PROFIT BEFORE TAXATION		363,279	363,235
Income tax expense	16	(84,173)	(85,515)
PROFIT FOR THE YEAR		279,106	277,720
Attributable to:			
Equity holders of the parent company		278,249	277,131
Non-controlling interests		857	589
PROFIT FOR THE YEAR		279,106	277,720
EARNINGS PER SHARE			
— Basic (RMB yuan)	19	0.77	0.77
— Diluted (RMB yuan)	19	0.77	0.77

Details of the dividends declared and paid or proposed are disclosed in note 18 to the financial statements.

The notes on pages 140 to 271 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016
(In RMB millions, unless otherwise stated)

	Notes	2016	2015
Profit for the year		279,106	277,720
Other comprehensive income (after tax, net):	43		
Items that will not be reclassified to profit or loss:			
Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss		15	(8)
Others		(3)	–
Items that may be reclassified subsequently to profit or loss:			
Net (losses)/gains from change in fair value of available-for-sale financial assets		(29,449)	25,745
Effective hedging portion of gains or losses arising from cash flow hedging instruments		(751)	(88)
Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss		(860)	156
Foreign currency translation differences		13,608	(5,400)
Others		(75)	–
Subtotal of other comprehensive income for the year		(17,515)	20,405
Total comprehensive income for the year		261,591	298,125
Total comprehensive income attributable to:			
Equity holders of the parent company		261,166	297,024
Non-controlling interests		425	1,101
		261,591	298,125

The notes on pages 140 to 271 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2016

(In RMB millions, unless otherwise stated)

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and balances with central banks	20	3,350,788	3,059,633
Due from banks and other financial institutions	21	797,473	683,793
Financial assets held for trading	22	189,331	132,838
Financial assets designated at fair value through profit or loss	23	285,144	210,434
Derivative financial assets	24	94,452	78,870
Reverse repurchase agreements	25	755,627	996,333
Loans and advances to customers	26	12,767,334	11,652,812
Financial investments	27	5,006,699	4,666,691
Investments in associates and joint ventures	29	30,077	24,185
Property and equipment	30	246,209	224,426
Deferred income tax assets	31	28,398	21,066
Other assets	32	585,733	458,699
TOTAL ASSETS		24,137,265	22,209,780
LIABILITIES			
Due to central banks		545	210
Financial liabilities designated at fair value through profit or loss	33	366,752	303,927
Derivative financial liabilities	24	89,960	76,826
Due to banks and other financial institutions	34	2,016,799	2,265,860
Repurchase agreements	35	589,306	337,191
Certificates of deposit	36	218,427	183,352
Due to customers	37	17,825,302	16,281,939
Income tax payable		52,640	63,266
Deferred income tax liabilities	31	604	995
Debt securities issued	38	357,937	306,622
Other liabilities	39	637,830	589,073
TOTAL LIABILITIES		22,156,102	20,409,261
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	40	356,407	356,407
Other equity instruments	41	86,051	79,375
Including: Preference shares		79,375	79,375
Perpetual bond		6,676	–
Reserves	42	586,630	571,704
Retained profits		940,663	781,988
Non-controlling interests		1,969,751	1,789,474
TOTAL EQUITY		1,981,163	1,800,519
TOTAL EQUITY AND LIABILITIES		24,137,265	22,209,780

Yi Huiman

Chairman

Gu Shu

Vice Chairman and President

Zhang Wenwu

General Manager of Finance
and Accounting Department

The notes on pages 140 to 271 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2016
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
	Reserves													
	Issued share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Non-controlling interests	Total equity	
Balance as at 1 January 2016	356,407	79,375	152,026	178,040	246,356	29,956	(31,432)	(3,926)	684	571,704	781,988	1,789,474	11,045	1,800,519
Profit for the year	-	-	-	-	-	-	-	-	-	-	278,249	278,249	857	279,106
Other comprehensive income (note 43)	-	-	-	-	-	(28,823)	13,382	(719)	(923)	(17,083)	-	(17,083)	(432)	(17,515)
Total comprehensive income	-	-	-	-	-	(28,823)	13,382	(719)	(923)	(17,083)	278,249	261,166	425	261,591
Dividends — ordinary shares 2015 final (note 18)	-	-	-	-	-	-	-	-	-	-	(83,150)	(83,150)	-	(83,150)
Dividends — preference shares (note 18)	-	-	-	-	-	-	-	-	-	-	(4,450)	(4,450)	-	(4,450)
Appropriation to surplus reserve (i)	-	-	-	26,981	-	-	-	-	-	26,981	(26,981)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	4,993	-	-	-	-	4,993	(4,993)	-	-	-
Capital injection by other equity holders	-	6,676	-	-	-	-	-	-	-	-	-	6,676	-	6,676
Change in share holding in subsidiaries	-	-	8	-	-	-	-	-	-	8	-	8	13	21
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(71)	(71)
Others	-	-	9	-	-	-	-	-	18	27	-	27	-	27
Balance as at 31 December 2016	356,407	86,051	152,043	205,021	251,349	1,133	(18,050)	(4,645)	(221)	586,630	940,663	1,969,751	11,412	1,981,163

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB84 million and RMB669 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB194 million.

The notes on pages 140 to 271 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company														
	Reserves														
	Issued share capital	Other equity instrument	Equity component of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2015	353,495	34,428	388	144,424	150,752	221,622	4,809	(26,103)	(3,853)	661	492,312	650,236	1,530,859	6,445	1,537,304
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	277,131	277,131	589	277,720
Other comprehensive income (note 43)	-	-	-	-	-	-	25,147	(5,329)	(73)	148	19,893	-	19,893	512	20,405
Total comprehensive income	-	-	-	-	-	-	25,147	(5,329)	(73)	148	19,893	277,131	297,024	1,101	298,125
Dividends — ordinary shares 2014 final (note 18)	-	-	-	-	-	-	-	-	-	-	-	(91,026)	(91,026)	-	(91,026)
Dividends — preference shares (note 18)	-	-	-	-	-	-	-	-	-	-	-	(2,331)	(2,331)	-	(2,331)
Appropriation to surplus reserve (i)	-	-	-	-	27,288	-	-	-	-	-	27,288	(27,288)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	-	24,734	-	-	-	-	24,734	(24,734)	-	-	-
Capital injection by other equity holders	-	44,947	-	-	-	-	-	-	-	-	-	44,947	-	44,947	
Conversion of convertible bonds	2,912	-	-	7,761	-	-	-	-	-	-	7,761	-	10,673	-	10,673
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	3,438	3,438
Change in share holding in subsidiaries	-	-	-	(159)	-	-	-	-	-	-	(159)	-	(159)	(339)	(498)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	323	323
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Conversion and redemption of equity component of convertible bonds	-	-	(388)	-	-	-	-	-	-	-	-	(388)	-	(388)	
Others	-	-	-	-	-	-	-	-	-	(125)	(125)	-	(125)	85	(40)
Balance as at 31 December 2015	356,407	79,375	-	152,026	178,040	246,356	29,956	(31,432)	(3,926)	684	571,704	781,988	1,789,474	11,045	1,800,519

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB71 million and RMB890 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB1,303 million.

The notes on pages 140 to 271 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2016
(In RMB millions, unless otherwise stated)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		363,279	363,235
Adjustments for:			
Share of profits of associates and joint ventures		(2,604)	(2,330)
Depreciation		19,761	18,049
Amortisation	12	2,059	2,295
Amortisation of financial investments		(2,155)	(1,422)
Impairment losses on loans and advances to customers	26	86,138	86,022
Impairment losses on assets other than loans and advances to customers	15	1,756	971
Gain on unrealised foreign exchange		(9,282)	(7,494)
Interest expense on debt securities issued		14,237	13,349
Accreted interest on impaired loans	6	(5,135)	(4,156)
Gain on disposal of available-for-sale financial assets, net	10	(4,202)	(4,765)
Net trading gain on equity investments	8	(345)	(33)
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	104	5,953
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)		(181)	(848)
Dividend income	10	(343)	(155)
		463,087	468,671
Net (increase)/decrease in operating assets:			
Due from central banks		(273,546)	442,973
Due from banks and other financial institutions		(136,134)	(91,173)
Financial assets held for trading		(54,153)	(98,020)
Financial assets designated at fair value through profit or loss		(72,653)	103,856
Reverse repurchase agreements		(6,395)	130,224
Loans and advances to customers		(1,119,674)	(924,231)
Other assets		(132,697)	(774,096)
		(1,795,252)	(1,210,467)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		63,898	(284,962)
Due to central banks		335	(421)
Due to banks and other financial institutions		(290,032)	703,298
Repurchase agreements		252,115	(43,766)
Certificates of deposit		23,938	1,136
Due to customers		1,477,846	688,632
Other liabilities		136,604	896,426
		1,664,704	1,960,343
Net cash flows from operating activities before tax		332,539	1,218,547
Income tax paid		(93,318)	(86,783)
Net cash flows from operating activities		239,221	1,131,764

The notes on pages 140 to 271 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2016

(In RMB millions, unless otherwise stated)

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(39,281)	(42,297)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		2,850	3,481
Purchases of financial investments		(2,492,693)	(2,007,160)
Proceeds from sale and redemption of financial investments		2,059,722	1,378,079
Investments in associates and joint ventures		(1,373)	(158)
Proceeds from disposal of associates and joint ventures		487	–
Dividends received		1,356	1,094
Net cash flows from investing activities		(468,932)	(666,961)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of other equity instruments		6,691	45,000
Capital injection by non-controlling shareholders		1,520	323
Proceeds from issuance of debt securities		896,665	116,214
Interest paid on debt securities		(13,979)	(10,325)
Repayment of debt securities		(854,012)	(94,205)
Acquisition of non-controlling interests		–	(374)
Dividends paid on ordinary shares		(83,150)	(91,026)
Dividends paid on preference shares		(4,450)	(2,331)
Dividends paid to non-controlling shareholders		(71)	(8)
Net cash flows from financing activities		(50,786)	(36,732)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		1,441,298	994,264
Effect of exchange rate changes on cash and cash equivalents		28,567	18,963
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	45	1,189,368	1,441,298
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		810,718	864,899
Interest paid		(317,533)	(338,014)

The notes on pages 140 to 271 form part of these financial statements.

Statement of Financial Position

31 December 2016

(In RMB millions, unless otherwise stated)

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and balances with central banks	20	3,290,270	2,991,619
Due from banks and other financial institutions	21	927,705	772,568
Financial assets held for trading	22	184,074	115,950
Financial assets designated at fair value through profit or loss	23	272,118	206,282
Derivative financial assets	24	62,892	33,290
Reverse repurchase agreements	25	502,296	792,876
Loans and advances to customers	26	12,033,200	11,026,476
Financial investments	27	4,748,376	4,450,998
Investments in subsidiaries	28	102,288	101,066
Investments in associates	29	34,242	34,242
Property and equipment	30	124,089	129,669
Deferred income tax assets	31	27,334	20,354
Other assets	32	479,196	371,556
TOTAL ASSETS		22,788,080	21,046,946
LIABILITIES			
Due to central banks		379	–
Financial liabilities designated at fair value through profit or loss	33	352,001	297,414
Derivative financial liabilities	24	58,179	33,144
Due to banks and other financial institutions	34	1,920,782	2,103,289
Repurchase agreements	35	304,987	130,830
Certificates of deposit	36	194,503	150,113
Due to customers	37	17,235,587	15,781,673
Income tax payable		51,051	62,136
Debt securities issued	38	279,446	240,175
Other liabilities	39	481,236	486,426
TOTAL LIABILITIES		20,878,151	19,285,200
EQUITY			
Share capital	40	356,407	356,407
Other equity instruments	41	79,375	79,375
Including: Preference shares		79,375	79,375
Reserves	42	601,857	596,181
Retained profits		872,290	729,783
TOTAL EQUITY		1,909,929	1,761,746
TOTAL EQUITY AND LIABILITIES		22,788,080	21,046,946

Yi Huiman
Chairman

Gu Shu
Vice Chairman and President

Zhang Wenwu
General Manager of Finance
and Accounting Department

The notes on pages 140 to 271 form part of these financial statements.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2016
(In RMB millions, unless otherwise stated)

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Yi Huiman and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398, respectively. The Bank's offshore preference shares are listed on the Stock Exchange of Hong Kong Limited and the stock codes are 4603, 4604 and 84602, respectively. The Bank's domestic preference shares are listed on the Shanghai Stock Exchange and the stock code is 360011.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2. BASIS OF PREPARATION

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

(2) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets (unless the fair value cannot be reliably measured) that have been measured at fair value, as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

(3) Change in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASSs")) and amendments to standards that are effective in 2016 and relevant to the Group's operation.

IFRS 14	<i>Regulatory deferral accounts</i>
Amendments to IFRS 11	<i>Joint Arrangements "Accounting for acquisitions of interests in joint operations"</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of acceptable methods of depreciation and amortisation</i>
Amendments to IAS 27	<i>Separate financial statements "Equity method in separate financial statements"</i>
Annual Improvements to IFRSs 2012–2014 Cycle	<i>Investment entities: Applying the consolidation exception</i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Presentation of financial statements "Disclosure initiative"</i>
Amendments to IAS 1	

The principal effects of adopting these new and amended IFRSs are as follows:

IFRS 14, Regulatory deferral accounts

This interim standard permits first-time adopters of IFRS to continue to use previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area.

As an existing IFRS adopter, the new standard is not applicable to the Group.

Amendments to IFRS 11, Joint Arrangements "Accounting for acquisitions of interests in joint operations"

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specifically, the amendments require business combination accounting to be applied in this situation.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation

The amendments introduce a rebuttable presumption to IAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Amendments to IAS 27, Separate financial statements "Equity method in separate financial statements"

The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- at cost;
- in accordance with IFRS 9 (or IAS 39); or
- using the equity method as described in IAS 28.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2016
(In RMB millions, unless otherwise stated)

Annual Improvements to IFRSs 2012–2014 Cycle

The 2012–2014 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 5 Non-current assets held for sale and discounted operations, IFRS 7 Financial instruments: disclosures, IAS 19 Employee benefits, IAS 34 Interim financial reporting.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception

The amendments clarify the following areas of the accounting requirements of investment entities:

- Exemption from preparing consolidated financial statements under IFRS 10.4(a) is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries, including that parent entity, at fair value.
- A subsidiary that is itself an investment entity should not be consolidated even if it provides services related to the parent's investment activities.
- When applying the equity method, a non-investment entity investor is allowed, but not required, to retain the fair value measurement applied by its investment entity associate or joint venture for their subsidiaries, i.e. the investor can make a policy choice.
- An investment entity measuring all of its subsidiaries at fair value is still required to provide the disclosures relating to investment entities required by IFRS 12, even though it is not preparing consolidated financial statements.

The adoption does not have any material impact on the financial position and the financial result of the Group.

Amendments to IAS 1, Presentation of financial statements "Disclosure initiative"

The amendments clarify various presentation issues relating to:

- assessment of materiality versus minimum disclosure requirements of a standard;
- order of notes;
- disaggregation and aggregation;
- presentation of sub-totals; and
- presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

The adoption does not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see note 3(21)).

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associates and Joint ventures

An associate is an entity in which the Group or Bank has significant influence.

A joint venture is an arrangement whereby the Group or Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's investments in associates or joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Under the equity method, unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 3(21)).

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(4) Foreign currency translation

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank's operations in Mainland China. Each entity in the Group determines its own functional currency and the financial statements of each entity are presented using that functional currency.

Foreign currency transactions are initially recorded in the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment of a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rates ruling at the end of the reporting period. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Cash flows arising from transactions in foreign currencies and cash flows of overseas subsidiaries are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in the statement of cash flows as a reconciling item.

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset, etc.), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

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

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

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

- (i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (ii) on initial recognition it is 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) it is a derivative that is not designated as an effective hedging instrument.

Financial assets or financial liabilities held for trading are measured at fair value after initial recognition. Realised or unrealised income or expenses are recognised in profit or loss.

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

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

- (i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognising the gains and losses on them on different bases;
- (ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or
- (iii) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

Financial assets and liabilities designated at fair value through profit or loss are measured at fair value after initial recognition. Realised and unrealised income or expenses are recognised in profit or loss.

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Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss. Gains and losses are recognised in profit or loss when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when such assets are derecognised or impaired, as well as through the amortisation process.

Discounted bills are granted by the Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest rate method and are taken to the statement of profit or loss as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to profit or loss. Dividend and interest income on available-for-sale financial assets are recorded in profit or loss.

In the case of an equity investment classified as available for sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortised cost using the effective interest rate method after initial recognition.

(6) Impairment of the financial assets

An assessment on carrying amount of financial assets is made at the end of each reporting period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets and have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and shall include the value of any relevant collateral. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

When an item of loans and receivables is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in profit or loss. In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, the amount of impairment loss is recognised in profit or loss. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If there is objective evidence that the financial asset is impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Group considers the time period and continuity of the magnitude of the decline to evaluate whether the decline in fair value is prolonged. More significantly the fair value declines relative to the cost, the less the volatility moves, and the longer the decline lasts or the more obvious the continuity of the magnitude of the decline is, the more likely the equity investment impairs. In general, the Group considers the situation when fair value is less than 40% of the cost as significant decline and that when fair value falls below the cost in a period over 12 months as prolonged decline.

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If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

(7) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, and the provision is calculated using the loan's original effective interest rate.

(8) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, derecognise the remaining. The book value of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(9) Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(10) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares, perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bonds issued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(11) Derivatives and hedge accounting

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

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Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Net investment hedges

Net investment hedge is a hedge of a net investment in a foreign operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

(12) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(13) Presentation of financial instruments

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts; and
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(14) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

(15) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

(16) Property and equipment

Property and equipment, other than construction in progress are stated at costs less accumulated depreciation and any impairment loss. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (excluding aircraft and vessels) are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	5–50 years	0%–3%	1.94%–20%
Office equipment and motor vehicles (excluding aircraft and vessels)	2–7 years	–	14.29%–50%
Leasehold improvements		Over the shorter of the economic useful lives and remaining lease terms	

Equipment under operating leases where the Group is the lessor contains aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the real conditions of individual aircraft and vessels. The residual values are assessed by an independent valuer based on historical data. The estimated useful lives range from 15 to 25 years.

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment loss.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment or any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

(17) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") or the consideration paid. The rights are amortised using the straight-line basis over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings as finance leases in property and equipment.

(18) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(19) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

(20) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflows. When determining the best estimate, the Group considers factors pertaining to a contingency such as risks, uncertainties and time of value of money. Where there is a continuous range of the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate shall be the mid-point of that range. In other cases, the best estimate shall be determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate shall be the most likely outcome.
- Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

The Group shall review the carrying amount of a provision at the end of reporting period. The carrying amount shall be adjusted to the current best estimate.

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(21) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(22) Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(23) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organizations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognise termination benefits in profit or loss at the earlier of:

- When the Group can no longer withdraw an offer of those benefits;
- When the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when it is incurred.

(24) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

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(25) Insurance contracts

Insurance contracts classification

The Group's insurance subsidiary executes the contract with the policyholder. Where the Group undertakes insurance risk, which means a risk, rather than a financial risk, transferred from the holder of a contract to the insurance provider and over time, the combined cost of claims, administration and acquisition of the contract may exceed the aggregate amount of premiums received and investment income, the contract is classified as an insurance contract; where the Group undertakes the risks other than insurance risk. The contract is classified as non-insurance contract; and where the Group undertakes both insurance risk and other risks, forming a contract with mixed risks, the following stipulations are applied:

- (i) Where the insurance risk and other risks can be distinguished from each other and separately measured, the insurance risk is separated from other risks. The insurance risk is accounted for as an insurance contract and other risks are accounted for according to the relevant accounting standards;
- (ii) Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, an umbrella contract applies and significant insurance risk test shall be performed based on it. If the insurance risk is significant, the contract is accounted for as an insurance contract; otherwise, it is accounted for as a non-insurance contract.

Insurance income recognition

Insurance premium income is recognised when:

- (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;
- (iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payment that the Group is obliged to pay to fulfill relevant obligations under the insurance contract. At the end of each reporting period, liability adequacy tests are performed. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(26) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- (i) Fee income on transactions conducted or from services provided over a period of time

These fees mainly include fee income on settlement and clearing business, commission income and fee income on asset management, custody and other management advisory services. Fee income is recognised on the basis of when the transaction is completed or on an accrual basis when the service is provided over a period of time.

- (ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted to the bank card holders is deferred and recognised as fee and commission income when the award credits are redeemed or expire.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(27) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

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- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly. Future taxable profits are determined based on business plans for individual subsidiaries in the Group.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(28) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Finance leases

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and advances to customers. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Operating leases

Rental payments applicable to operating leases are charged to profit or loss on the straight-line basis over the lease terms.

When the Group is the lessor under operating leases, the assets subject to operating leases are accounted for as the Group's assets. Rental income is recognised as "other operating income, net" in the statement of profit or loss on the straight-line basis over the lease term.

(29) Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(30) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure being required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.

(31) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(32) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails correctly to assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group would reclassify the whole held-to-maturity investment portfolio as available for sale.

Impairment losses of loans and advances and amounts due from banks and other financial institutions

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and amounts due from banks and other financial institutions. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement, which would affect the amount of impairment losses.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 3(1) indicate that the Group controls a securitisation vehicle, an investment fund, a non-principal guaranteed wealth management product, a segregated asset management plan, trust plans or asset-backed financings.

Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and outside the day-to-day servicing of the receivables (which is carried out by the Group under a servicing contract). Key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Group considers whether it manages these key decisions that most significantly affect these vehicles' returns.

Investment funds, non-principal guaranteed wealth management products, segregated asset management plans, trust plans and asset-backed financings

The Group acts as manager to a number of investment funds, non-principal guaranteed wealth management products, segregated asset management plans, trust plans and assets-backed financings. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated investment funds, non-principal guaranteed wealth management products, segregated asset management plans, trust plans and assets-backed financings in which the Group has an interest or for which it is a sponsor, see Note 44.

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements.

IAS 12 Amendments	<i>Income taxes¹</i>
IAS 7 Amendments	<i>Statement of cash flows¹</i>
IFRS 15	<i>Revenue from contracts with customers²</i>
IFRS 9	<i>Financial instruments²</i>
IFRS 2 Amendments	<i>Share-based payment²</i>
IAS 40 Amendments	<i>Investment Property²</i>
<i>Annual Improvements to IFRSs 2014–2016 Cycle³</i>	
IFRS 4 Amendments	<i>Insurance contracts⁴</i>
IFRS 16	<i>Leases⁵</i>
IFRS 10 and IAS 28 Amendments	<i>Sale or contribution of assets between an investor and its associate or joint venture⁶</i>

1 Effective for annual periods beginning on or after 1 January 2017, early adoption is permitted.

2 Effective for annual periods beginning on or after 1 January 2018, early adoption is permitted.

3 Effective for annual periods beginning on or after 1 January 2018 for IFRS 1, 1 January 2018 with early adoption permission for IAS 28, and 1 January 2017 for IFRS 12.

4 Effective for annual periods beginning on or after 1 January 2018 for deferral approach, effective for annual periods beginning upon initial adoption of IFRS 9 for overlay approach.

5 Effective for annual periods beginning on or after 1 January 2019, early adoption is permitted.

6 Effective for annual periods is to be determined, early adoption is permitted.

Further information about those changes that are expected to affect the Group is as follows:

Amendments to IAS 12, Income taxes “Recognition of deferred tax assets for unrealised losses”

The amendments stemmed from a request to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. However, the amendments address a broader area of accounting for deferred tax assets in general.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

The Group is currently assessing the impact of the amendments on its financial position and performance.

Amendments to IAS 7, Statement of cash flows

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The Group will modify the disclosure of cash flows according to these amendments. The amendments are expected to have no impact on the financial position and the financial result.

IFRS 15 “Revenue from contracts with customers”

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Some of these apply to interim financial reports prepared under IAS 34 as well as to annual financial statements. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

The Group is currently assessing the impact of the standard on its financial position and performance.

IFRS 9 “Financial instruments”

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances.

Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future.

The Group has established a work stream which involves finance, risk, operations, credit and IT functions. The key responsibilities of the work stream include analysing IFRS 9 methodology and accounting policy, developing the expected credit losses model, identifying data and system requirements, and establishing an appropriate operating model and governance framework. The work stream manages the project governance structure, assures the involvement of the pertinent responsible teams, and monitors the progress of the implementation work across the Group.

Amendments to IFRS 2, Share-based payment "Classification and measurement of share-based payment transactions"

The amendments clarify the accounting for the following classification and measurement issues under IFRS 2:

- Measurement of cash-settled share-based payments
The amendments clarify that the fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments — i.e. using the modified grant date method.
- Classification of share-based payments settled net of tax withholdings
The amendments introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee's tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee's tax obligation.
- Accounting for a modification of a share-based payment from cash-settled to equity-settled
The amendments clarify that on such a modification the liability for the original cash-settled share-based payment is derecognised and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date.
Any difference between the carrying amount of the liability derecognised and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

The Group is currently assessing the impact of the amendments on its financial position and performance.

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Amendments to IAS 40, Investment property

The IASB has amended the requirements in IAS 40 Investment property to clarify that a property asset is transferred to, or from, investment property when and only when there is an actual change in use. A change in management intention alone does not support a transfer.

A company has a choice on transition to apply:

- The prospective approach, and also reassess the classification of property assets held at the date of initial application; or
- The retrospective approach, but only if it does not involve the use of hindsight.

The Group is currently assessing the impact of the amendments on its financial position and performance.

Annual Improvements to IFRSs 2014–2016 Cycle

The 2014–2016 cycle of annual improvements contains amendments to three standards including IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 12 Disclosure of interests in other entities and IAS 28 Investments in associates and joint ventures.

The Group is currently assessing the impact of the annual improvements on its financial position and performance.

Amendments to IFRS 4, Insurance contracts “Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts”

The amendments address concerns arising from the different effective dates of IFRS 9 and the forthcoming insurance contracts standard. The amendments introduce the following two approaches:

- Deferral approach — Temporary exemption from IFRS 9

Companies whose activities are predominantly connected with insurance may choose to defer the application of IFRS 9 until 2021.

- Overlay approach

All companies that issue insurance contracts may choose to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued.

The Group is currently assessing the impact of the amendments on its financial position and performance.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which replaces the current guidance in IAS 17. The new standard requires the companies to bring leases on-balance sheet for lessees. The new standard also makes changes in accounting over the life of the lease, and introduces a stark dividing line between leases and service contracts.

Under IFRS 16 there is no longer a distinction between finance leases and operating leases so far as lessees are concerned. Instead, subject to practical expedients, a lessee recognises all leases on-balance sheet by recognising a right-of-use (ROU) asset and lease liability.

Lessor accounting is substantially unchanged — i.e. lessors continue to classify leases as finance and operating leases. However, there are a number of changes in the details of lessor accounting. For example, lessors apply the new definition of a lease, sale-and-leaseback guidance, sub-lease guidance and disclosure requirements.

The Group is currently assessing the impact of the standard on its financial position and performance.

Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture

The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under IFRS 3, Business combination.

The Group is currently assessing the impact of the amendments on its financial position and performance.

6. NET INTEREST INCOME

	2016	2015
Interest income on:		
Loans and advances to customers (i)	538,219	616,541
— Corporate loans and advances	355,313	421,877
— Personal loans	160,106	174,503
— Discounted bills	22,800	20,161
Financial investments (ii)	177,298	170,833
Due from central banks	44,678	47,867
Due from banks and other financial institutions	31,285	36,538
	791,480	871,779
Interest expense on:		
Due to customers	(257,850)	(298,010)
Due to banks and other financial institutions	(44,314)	(49,801)
Debt securities issued	(17,470)	(16,101)
	(319,634)	(363,912)
Net interest income	471,846	507,867

The above interest income and expense were related to financial instruments which are not at fair value through profit or loss.

- (i) Included in interest income on loans and advances to customers for the year is an amount of RMB5,135 million (2015: RMB4,156 million) with respect to the accrued interest on impaired loans.
- (ii) Included in interest income on financial investments for the year is an amount of RMB15 million (2015: RMB28 million) with respect to interest income on impaired debt securities.

7. NET FEE AND COMMISSION INCOME

	2016	2015
Bank card business	37,670	37,684
Personal wealth management and private banking services (i)	37,625	35,910
Settlement, clearing business and cash management	26,108	27,986
Investment banking business	25,024	26,791
Corporate wealth management services (i)	20,440	18,305
Asset custody business (i)	6,893	5,544
Guarantee and commitment business	5,950	4,687
Trust and agency services (i)	1,907	1,979
Others	3,097	2,784
Fee and commission income	164,714	161,670
Fee and commission expense	(19,741)	(18,279)
Net fee and commission income	144,973	143,391

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB21,639 million (2015: RMB18,659 million) with respect to trust and other fiduciary activities.

8. NET TRADING INCOME

	2016	2015
Debt securities	4,450	4,444
Equity investments	345	33
Derivatives	1,662	(250)
	6,457	4,227

The above amounts include gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities held for trading.

9. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
Financial assets	9,992	14,320
Financial liabilities	(10,096)	(20,273)
	(104)	(5,953)

The above amounts represent gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

10. NET GAIN ON FINANCIAL INVESTMENTS

	2016	2015
Dividend income from unlisted investments	170	125
Dividend income from listed investments	173	30
Dividend income	343	155
Gain on disposal of available-for-sale financial assets, net	4,202	4,765
	4,545	4,920

11. OTHER OPERATING INCOME, NET

	2016	2015
Net premium income	28,441	20,633
Operating cost of insurance business	(28,808)	(20,599)
Gain from foreign exchange and foreign exchange products, net	3,204	1,894
Leasing income	5,998	5,866
Net gain on disposal of property and equipment, repossessed assets and others	1,710	1,664
Sundry bank charge income	270	212
Gain on acquisition of subsidiary	—	487
Others	3,149	4,124
	13,964	14,281

12. OPERATING EXPENSES

	2016	2015
Staff costs:		
Salaries and bonuses	73,348	72,721
Staff benefits	25,434	27,563
Post-employment benefits — defined contribution plans (i)	14,572	13,889
	113,354	114,173
Premises and equipment expenses:		
Depreciation	14,660	14,560
Lease payments under operating leases in respect of land and buildings	7,479	7,349
Repairs and maintenance charges	3,808	3,515
Utility expenses	2,467	2,690
	28,414	28,114
Amortisation	2,059	2,295
Other administrative expenses (ii)	20,388	21,219
Taxes and surcharges	17,319	42,320
Others	11,578	12,714
	193,112	220,835

- (i) The defined contribution plans mainly include contributions to the state pension and the Bank's Annuity Plan.
- (ii) Principal auditor's remuneration of RMB190 million for the year (2015: RMB175 million) is included in other administrative expenses.

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13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Chapter 622 Section 383 of the Hong Kong Companies Ordinance, are as follows:

Name	Position	Year ended 31 December 2016			
		Remuneration paid (before tax) RMB'000 (1)	Contributions to defined contribution schemes RMB'000 (2)	Fees RMB'000 (3)	Total emoluments before tax RMB'000 (4)=(1)+(2)+(3)
YI Huiman(i)	Chairman of the Board of Directors, Executive Director	484	107	-	591
GU Shu(ii)	Vice Chairman of the Board of Directors, Executive Director, President	448	107	-	555
QIAN Wenhui	Chairman of the Board of Supervisors	484	107	-	591
ZHANG Hongli	Executive Director, Vice President	436	107	-	543
WANG Jingdong(ii)	Executive Director, Vice President	436	107	-	543
WANG Xiaoya	Non-executive Director	-	-	-	-
GE Rongrong	Non-executive Director	-	-	-	-
ZHENG Fuqing	Non-executive Director	-	-	-	-
FEI Zhoulin	Non-executive Director	-	-	-	-
CHENG Fengchao	Non-executive Director	-	-	-	-
Or Ching Fai	Independent Non-executive Director	-	-	470	470
HONG Yongmiao	Independent Non-executive Director	-	-	470	470
Anthony Francis Neoh	Independent Non-executive Director	-	-	455	455
YANG Siu Shun(iii)	Independent Non-executive Director	-	-	292	292
Sheila Colleen Bair(iv)	Independent Non-executive Director	-	-	-	-
ZHANG Wei(v)	Shareholder Representative Supervisor	394	130	25	549
HUI Ping	Employee Representative Supervisor	-	-	50	50
HUANG Li(vi)	Employee Representative Supervisor	-	-	25	25
QU Qiang	External Supervisor	-	-	280	280
SHEN Bingxi(v)	External Supervisor	-	-	-	-
JIANG Jianqing(vii)	Former Chairman of the Board of Directors, Executive Director	202	43	-	245
WANG Xiquan(viii)	Former Executive Director, Vice President	254	60	-	314
FU Zhongjun (ix)	Former Non-executive Director	-	-	-	-
M-C-McCarthy(x)	Former Independent Non-executive Director	-	-	358	358
Kenneth Patrick CHUNG(xi)	Former Independent Non-executive Director	-	-	440	440
YI Xiqun(xii)	Former Independent Non-executive Director	-	-	118	118
WANG Chixi(xiii)	Former Shareholder Representative Supervisor	364	72	-	436
DONG Juan(xiv)	Former External Supervisor	-	-	-	-
Total		3,502	840	2,983	7,325

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Shareholder Representative Supervisors of the Bank have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's 2016 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Fees of Mr. Zhang Wei, Mr. Hui Ping and Mr. Huang Li are their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

- (i) On 31 May 2016, the Board of Directors of the Bank appointed Mr. Yi Huiman as Chairman of the Board of Directors of the Bank, and his qualification was approved by CBRC in June 2016. At the Annual General Meeting for the Year 2015 of the Bank held on 24 June 2016, Mr. Yi Huiman was appointed as Executive Director of the Bank. The new term of office of Mr. Yi Huiman took effect from the date of review and approval by the meeting.

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- (ii) At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Mr. Gu Shu and Mr. Wang Jingdong were appointed as Executive Directors of the Bank. The qualifications of Mr. Gu Shu and Mr. Wang Jingdong were approved by CBRC in December 2016.
- (iii) At the Second Extraordinary General Meeting of 2015 held on 21 December 2015, Mr. Yang Siu Shun was appointed as Independent Non-executive Director of the Bank, and his qualification was approved by CBRC in April 2016.
- (iv) At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Ms. Sheila Colleen Bair was appointed as Independent Non-executive Director of the Bank, and her qualification was approved by CBRC in March 2017.
- (v) The Bank appointed Mr. Zhang Wei and Mr. Shen Bingxi as Shareholder Representative Supervisor and External Supervisor of the Bank respectively at the 2015 Annual General Meeting on 24 June 2016, and their terms of office took effect from the date of review and approval by the meeting. On 23 June 2016, Mr. Zhang Wei ceased to act as Employee Representative Supervisor of the Bank due to change of job.
- (vi) On 23 June 2016, the Bank appointed Mr. Huang Li as Employee Representative Supervisor of the Bank at the Interim Employees' Congress, and his term of office took effect from the date of review and approval by the Employees' Congress.
- (vii) In May 2016, Mr. Jiang Jianqing resigned from the positions of Chairman of the Board of Directors and Executive Director citing his age.
- (viii) In July 2016, Mr. Wang Xiquan resigned from the position of Executive Director of the Bank due to change of job.
- (ix) In January 2017, due to expiration of the term of office, Mr. Fu Zhongjun ceased to act as Non-executive Director of the Bank.
- (x) In October 2016, due to expiration of the term of office, Sir Malcolm Christopher McCarthy ceased to act as Independent Non-executive Director of the Bank.
- (xi) In March 2017, due to expiration of the term of office, Mr. Kenneth Patrick Chung ceased to act as Independent Non-executive Director of the Bank.
- (xii) In October 2015, the Board of Directors of the Bank reviewed and approved the resignation of Mr. Yi Xiqun as Independent Non-executive Director due to work reasons, which became effective upon approval by CBRC of the qualification of the new Independent Non-executive Director in April 2016.
- (xiii) On 23 June 2016, Ms. Wang Chixi resigned from the position of Shareholder Representative Supervisor of the Bank citing her age.
- (xiv) On 24 June 2016, Ms. Dong Juan ceased to act as External Supervisor of the Bank due to expiration of the term of office.

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Name	Position	Year ended 31 December 2015						
					Contribution by the employer to social insurance and welfare		Total emoluments before tax RMB'000	Of which: deferred payment RMB'000
		Fees RMB'000 (1)	Remuneration paid RMB'000 (2)	Discretionary bonuses RMB'000 (3)	plans, housing allowance, etc. RMB'000 (4)			
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
JIANG Jianqing	Chairman of the Board of Directors, Executive Director	-	277	376	208	861	-	861
YI Huiman	Vice Chairman of the Board of Directors, Executive Director, President	-	277	376	208	861	-	861
QIAN Wenhui(i)	Chairman of the Board of Supervisors	-	231	313	175	719	-	719
ZHANG Hongli(ii)	Executive Director, Vice President	-	249	338	178	765	-	765
WANG Xiquan(iii)	Executive Director, Vice President	-	249	338	178	765	-	765
WANG Xiaoya	Non-executive Director	-	-	-	-	-	-	-
GE Rongrong	Non-executive Director	-	-	-	-	-	-	-
FU Zhongjun	Non-executive Director	-	-	-	-	-	-	-
ZHENG Fuqing(iv)	Non-executive Director	-	-	-	-	-	-	-
FEI Zhoulin(iv)	Non-executive Director	-	-	-	-	-	-	-
CHENG Fengchao(iv)	Non-executive Director	-	-	-	-	-	-	-
M-C McCarthy	Independent Non-executive Director	430	-	-	-	430	-	430
Kenneth Patrick CHUNG	Independent Non-executive Director	440	-	-	-	440	-	440
Or Ching Fai	Independent Non-executive Director	470	-	-	-	470	-	470
HONG Yongmiao	Independent Non-executive Director	470	-	-	-	470	-	470
YI Xiqun(v)	Independent Non-executive Director	463	-	-	-	463	-	463
Anthony Francis Neoh (vi)	Independent Non-executive Director	330	-	-	-	330	-	330
WANG Chixi	Shareholder Representative Supervisor	-	467	887	296	1,650	356	1,294
DONG Juan	External Supervisor	-	-	-	-	-	-	-
QU Qiang(vii)	External Supervisor	8	-	-	-	8	-	8
ZHANG Wei	Employee Representative Supervisor	50	-	-	-	50	-	50
HUI Ping(viii)	Employee Representative Supervisor	13	-	-	-	13	-	13
LI Jun(ix)	Former Non-executive Director	-	-	-	-	-	-	-
WONG Kwong Shing, Frank(x)	Former Independent Non-executive Director	118	-	-	-	118	-	118
ZHAO Lin(xi)	Former Chairman of the Board of Supervisors	-	138	188	102	428	-	428
MENG Yan(xii)	Former External Supervisor	272	-	-	-	272	-	272
LI Mingtian (xiii)	Former Employee Representative Supervisor	38	-	-	-	38	-	38
		3,102	1,888	2,816	1,345	9,151	356	8,795

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

The remuneration before tax payable to Directors and Supervisors for 2015 set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount disclosed in the 2015 Annual Report.

Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred based on the future performance.

Fees of Employee Representative Supervisors Mr. Zhang Wei, Mr. Hui Ping, and Mr. Li Mingtian are their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

- (i) The Bank appointed Mr. Qian Wenhui as Shareholder Representative Supervisor of the Bank at the 2014 Annual General Meeting on 19 June 2015, and his term of office took effect from the date of review and approval by the meeting. The Bank appointed Mr. Qian Wenhui as Chairman of the Board of Supervisors of the Bank at a meeting of the Board of Supervisors.

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- (ii) At the First Extraordinary General Meeting of 2014 held on 15 April 2014, Mr. Zhang Hongli was appointed as Executive Director of the Bank, and his qualification has been approved by CBRC in June 2015.
- (iii) At the Annual General Meeting for the Year of 2014 held on 19 June 2015, Mr. Wang Xiquan was appointed as Executive Director of the Bank, and his qualification has been approved by CBRC in June 2015.
- (iv) At the First Extraordinary General Meeting of 2015 held on 23 January 2015, Mr. Zheng Fuqing was appointed as Non-executive Director of the Bank and his qualification was approved by CBRC in February 2015. Mr. Fei Zhoulin and Mr. Cheng Fengchao were appointed as Non-executive Directors of the Bank, and their qualifications were approved by CBRC in March 2015.
- (v) In October 2015, the Board of Directors of the Bank reviewed and approved the resignation of Mr. Yi Xiqun from Independent Non-executive Director due to work reasons, which will become effective upon approval of new independent non-executive director's qualification by CBRC.
- (vi) At the First Extraordinary General Meeting of 2015 held on 23 January 2015, Mr. Anthony Francis Neoh was appointed as Independent Non-executive Director of the Bank, and his qualification has been approved by CBRC in April 2015.
- (vii) On 21 December 2015, the Bank appointed Mr. Qu Qiang as External Supervisor of the Bank at the Second Extraordinary General Meeting of 2015, and his term of office took effect from the date of review and approval by the meeting.
- (viii) On 25 September 2015, the Bank appointed Mr. Hui Ping as Employee Representative Supervisor of the Bank at the Interim Employees' Congress, and his term of office took effect from the date of review and approval by the Employees' Congress.
- (ix) In March 2015, due to expiration of the term of office, Mr. Li Jun ceased to act as Non-executive Director of the Bank.
- (x) In April 2015, due to expiration of the term of office, Mr. Wong Kwong Shing, Frank ceased to act as Independent Non-executive Director of the Bank.
- (xi) On 19 June 2015, Mr. Zhao Lin resigned from the posts of Supervisor and Chairman of the Board of Supervisors due to his age.
- (xii) On 21 December 2015, Mr. Meng Yan ceased to act as External Supervisor of the Bank due to expiration of the term of office.
- (xiii) On 23 July 2015, the term of office of Employee Representative Supervisor Mr. Li Mingtian expired, and he continued to perform the Supervisor's responsibilities up to 25 September 2015 according to the Articles of Association of the Bank.

The Non-executive Directors of the Bank who were recommended by Huijin received emoluments from Huijin in respect of their services during the year.

During the year, there was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration (2015: Nil).

During the year, no emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2015: Nil).

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14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in notes 13 and 52(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Salaries and allowances	14,862	13,770
Discretionary bonuses	58,592	61,608
Contributions to defined contribution plans	937	394
Compensation for terminating contract	–	2,458
Others	441	2,789
	74,832	81,019

The number of these individuals whose emoluments fell within the following bands is set out below.

	Number of employees	
	2016	2015
RMB12,000,001 Yuan to RMB12,500,000 Yuan	–	1
RMB12,500,001 Yuan to RMB13,000,000 Yuan	–	1
RMB13,000,001 Yuan to RMB13,500,000 Yuan	1	–
RMB14,000,001 Yuan to RMB14,500,000 Yuan	1	–
RMB14,500,001 Yuan to RMB15,000,000 Yuan	1	1
RMB15,000,001 Yuan to RMB15,500,000 Yuan	1	–
RMB17,000,001 Yuan to RMB17,500,000 Yuan	1	–
RMB19,500,001 Yuan to RMB20,000,000 Yuan	–	1
RMB21,500,001 Yuan to RMB22,000,000 Yuan	–	1
	5	5

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group (2015: Nil).

15. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Notes	2016	2015
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	21	77	111
Financial investments:			
Held-to-maturity investments	27(d)	6	(25)
Available-for-sale financial assets	27(c)(i),(d)	581	(4)
Other		1,092	889
		1,756	971

16. INCOME TAX EXPENSE

(a) Income tax

	2016	2015
Current income tax expense:		
Mainland China	80,794	86,541
Hong Kong and Macau	1,952	1,837
Overseas	3,000	2,238
	85,746	90,616
Adjustments in respect of income tax of prior years	(3,052)	(1,232)
Deferred income tax expense	1,479	(3,869)
	84,173	85,515

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2016	2015
Profit before taxation	363,279	363,235
Tax at the PRC statutory income tax rate	90,820	90,809
Effects of different applicable rates of tax prevailing in other countries/regions	(773)	(511)
Non-deductible expenses (i)	10,513	5,774
Non-taxable income (ii)	(15,783)	(10,256)
Profits attributable to associates and joint ventures	(651)	(582)
Adjustment in respect of income tax of prior years	(3,052)	(1,232)
Others	3,099	1,513
Income tax expense	84,173	85,515

- (i) The non-deductible expenses mainly represent non-deductible impairment provision and write-offs.
- (ii) The non-taxable income mainly represents interest income arising from the PRC government bonds, which is exempted from income tax.

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17. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2016 includes a profit of RMB261,218 million (2015: RMB262,322 million) which has been dealt with in the financial statements of the Bank (Note 42).

18. DIVIDENDS

	2016	2015
Dividends on ordinary shares declared and paid:		
Final ordinary shares dividends for 2015: RMB0.2333 per share (2014: RMB0.2554 per share)	83,150	91,026
Dividends on preference shares declared and paid: Dividends	4,450	2,331
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final ordinary shares dividends for 2016: RMB0.2343 per share (2015: RMB0.2333 per share)	83,506	83,150

19. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	2016	2015
Earnings:		
Profit for the year attributable to equity holders of the parent company	278,249	277,131
Less: Profit for the year attributable to other equity holders of the parent company	(4,450)	(2,331)
Profit for the year attributable to ordinary equity holders of the parent company	273,799	274,800
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,027
Basic earnings per share (RMB yuan)	0.77	0.77

Basic earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the parent company divided by the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per ordinary share is based on the following:

	2016	2015
Earnings:		
Profit for the year attributable to equity holders of the parent company	278,249	277,131
Less: Profit for the year attributable to other equity holders of the parent company	(4,450)	(2,331)
Profit for the year attributable to ordinary equity holders of the parent company	273,799	274,800
Add: Interest expense on convertible bonds (net of tax)	–	13
Profit used to determine diluted earnings per share	273,799	274,813
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	356,407	356,027
Diluted earnings per share (RMB yuan)	0.77	0.77

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding. As of the end of the financial reporting period, the balance of outstanding convertible bonds of the Bank is nil.

20. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2016	2015	2016	2015
Cash and unrestricted balances with central banks:				
Cash on hand	84,572	85,226	80,548	81,631
Surplus reserves with the PBOC (i)	7,125	2,946	3,074	512
Unrestricted balances with central banks of overseas countries or regions	105,981	91,897	91,346	64,915
	197,678	180,069	174,968	147,058
Restricted balances with central banks:				
Mandatory reserves with the PBOC (ii)	2,793,933	2,539,660	2,782,756	2,535,503
Fiscal deposits with the PBOC	238,604	291,537	238,604	291,537
Other restricted balances with the PBOC (ii)	77,570	11,054	77,570	11,054
Mandatory reserves with central banks of overseas countries or regions (ii)	43,003	37,313	16,372	6,467
	3,153,110	2,879,564	3,115,302	2,844,561
	3,350,788	3,059,633	3,290,270	2,991,619

- (i) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.
- (ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 31 December 2016, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

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21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2016	2015	2016	2015
Due from banks and other financial institutions:				
Banks operating in Mainland China	223,884	121,745	194,364	102,413
Other financial institutions operating in Mainland China	1,071	1,441	944	1,358
Banks and other financial institutions operating outside Mainland China	45,430	88,702	45,502	86,828
	270,385	211,888	240,810	190,599
Less: Allowance for impairment losses	(327)	(329)	(326)	(329)
	270,058	211,559	240,484	190,270
Placements with banks and other financial institutions:				
Banks operating in Mainland China	105,798	55,375	102,844	46,270
Other financial institutions operating in Mainland China	301,776	284,335	318,119	307,762
Banks and other financial institutions operating outside Mainland China	119,959	132,563	266,373	228,299
	527,533	472,273	687,336	582,331
Less: Allowance for impairment losses	(118)	(39)	(115)	(33)
	527,415	472,234	687,221	582,298
	797,473	683,793	927,705	772,568

As at 31 December 2016, the amount of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB94,914 million (31 December 2015: RMB123,397 million). During the year of 2016, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB163,062 million (2015: RMB199,316 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

Movements of the allowance for impairment losses during the year are as follows:

Group

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2015	231	26	257
Charge for the year	98	13	111
At 31 December 2015 and 1 January 2016	329	39	368
(Reversal)/charge for the year	(2)	79	77
At 31 December 2016	327	118	445

Bank

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2015	231	26	257
Charge for the year	98	7	105
At 31 December 2015 and 1 January 2016	329	33	362
(Reversal)/charge for the year	(3)	82	79
At 31 December 2016	326	115	441

22. FINANCIAL ASSETS HELD FOR TRADING

	Group		Bank	
	2016	2015	2016	2015
Debt securities	183,315	132,465	135,774	115,950
Equity investments	6,016	373	48,300	–
	189,331	132,838	184,074	115,950
Debt securities analysed into:				
Listed in Hong Kong	1,248	687	387	–
Listed outside Hong Kong	7,598	14,848	1,430	–
Unlisted	174,469	116,930	133,957	115,950
	183,315	132,465	135,774	115,950

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2016	2015	2016	2015
Debt securities	40,873	22,224	40,601	22,009
Other debt instruments:				
Banks and other financial institutions	25,706	6,300	25,706	6,300
Others	218,565	181,910	205,811	177,973
	285,144	210,434	272,118	206,282
Analysed into:				
Listed in Hong Kong	231	210	231	210
Listed outside Hong Kong	9,920	3,250	615	563
Unlisted	274,993	206,974	271,272	205,509
	285,144	210,434	272,118	206,282

24. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between markets participates at measured date.

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In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 31 December 2016, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB49,379 million and RMB51,628 million respectively, and the net derivative assets and net derivative liabilities were RMB30,074 million and RMB32,323 million respectively.

At the end of the reporting period, the Group and the Bank had derivative financial instruments as follows:

Group

	2016						
	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,577,351	1,433,229	115,797	4,383	3,130,760	56,972	(58,600)
Option contracts purchased	33,722	69,728	3,444	125	107,019	1,306	–
Option contracts written	37,213	45,126	3,061	–	85,400	–	(1,617)
	1,648,286	1,548,083	122,302	4,508	3,323,179	58,278	(60,217)
Interest rate contracts:							
Swap contracts	195,268	279,975	683,648	180,059	1,338,950	20,456	(20,196)
Forward contracts	116,445	138,559	161,887	–	416,891	44	(212)
Option contracts purchased	1,390	1,157	6,626	167	9,340	109	–
Option contracts written	1,390	1,046	12,216	17	14,669	–	(62)
	314,493	420,737	864,377	180,243	1,779,850	20,609	(20,470)
Commodity derivatives and others							
	632,245	273,591	50,171	3,283	959,290	15,565	(9,273)
	2,595,024	2,242,411	1,036,850	188,034	6,062,319	94,452	(89,960)

	2015						
	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,211,545	1,309,472	139,060	4,290	2,664,367	35,533	(37,722)
Option contracts purchased	39,851	65,470	778	–	106,099	1,074	–
Option contracts written	50,866	53,240	283	–	104,389	–	(1,203)
	1,302,262	1,428,182	140,121	4,290	2,874,855	36,607	(38,925)
Interest rate contracts:							
Swap contracts	209,289	373,438	647,015	161,450	1,391,192	26,769	(28,079)
Forward contracts	69,289	193,918	322,529	–	585,736	119	(111)
Option contracts purchased	5,386	28	8,059	–	13,473	101	–
Option contracts written	5,386	–	7,383	16	12,785	–	(46)
	289,350	567,384	984,986	161,466	2,003,186	26,989	(28,236)
Commodity derivatives and others							
	691,028	266,823	44,352	1,460	1,003,663	15,274	(9,665)
	2,282,640	2,262,389	1,169,459	167,216	5,881,704	78,870	(76,826)

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Bank

	2016						
	Notional amounts with remaining life of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,558,487	1,385,943	67,355	3,743	3,015,528	52,417	(53,871)
Option contracts purchased	20,693	61,999	2,069	–	84,761	918	–
Option contracts written	23,234	38,146	1,976	–	63,356	–	(1,205)
	1,602,414	1,486,088	71,400	3,743	3,163,645	53,335	(55,076)
Interest rate contracts:							
Swap contracts	87,480	110,136	119,323	21,294	338,233	1,479	(1,396)
Forward contracts	–	–	–	–	–	–	–
	87,480	110,136	119,323	21,294	338,233	1,479	(1,396)
Commodity derivatives and others							
	75,301	110,358	33	–	185,692	8,078	(1,707)
	1,765,195	1,706,582	190,756	25,037	3,687,570	62,892	(58,179)
 2015							
	Notional amounts with remaining life of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	951,232	1,093,826	78,220	2,470	2,125,748	27,457	(29,659)
Option contracts purchased	12,961	42,911	26	–	55,898	446	–
Option contracts written	22,495	29,184	238	–	51,917	–	(623)
	986,688	1,165,921	78,484	2,470	2,233,563	27,903	(30,282)
Interest rate contracts:							
Swap contracts	54,607	134,907	95,726	18,354	303,594	1,676	(1,860)
Forward contracts	–	2,286	–	–	2,286	–	–
	54,607	137,193	95,726	18,354	305,880	1,676	(1,860)
Commodity derivatives and others							
	38,407	54,475	439	299	93,620	3,711	(1,002)
	1,079,702	1,357,589	174,649	21,123	2,633,063	33,290	(33,144)

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Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts, currency forward contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

Group

	2016						
	Notional amounts with remaining life of				Fair values	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	–	4,213	9,415	2,108	15,736	245	(20)
Currency swap contracts	211	35,304	748	–	36,263	10	(2,257)
Currency forward contracts	–	4	–	–	4	2	–
Equity derivative	64	53	44	–	161	14	(5)
	275	39,574	10,207	2,108	52,164	271	(2,282)

	2015						
	Notional amounts with remaining life of				Fair values	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	265	503	10,406	2,192	13,366	201	(32)
Currency swap contracts	2,347	1,018	790	–	4,155	20	(30)
Equity derivative	77	84	104	–	265	–	(60)
	2,689	1,605	11,300	2,192	17,786	221	(122)

Bank

	2016						
	Notional amounts with remaining life of				Fair values	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	–	549	202	232	983	10	–
Currency swap contracts	–	34,670	748	–	35,418	10	(2,108)
Currency forward	–	4	–	–	4	2	–
	–	35,223	950	232	36,405	22	(2,108)

	2015						
	Notional amounts with remaining life of				Fair values	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	–	–	513	245	758	4	–
Currency swap contracts	2,081	220	–	–	2,301	20	–
	2,081	220	513	245	3,059	24	–

There is no ineffectiveness recognised in profit or loss that arises from the cash flow hedge for the current year (2015: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in profit or loss during the year is presented as follows:

	Group	
	2016	2015
Gain/(loss) arising from fair value hedges, net:		
Hedging instruments	452	91
Hedged items attributable to the hedged risk	(446)	(73)
	6	18

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

Group

	2016						Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years				
Interest rate swap contracts	1,302	14,801	31,715	6,620	54,438	777	(147)	
	1,302	14,801	31,715	6,620	54,438	777	(147)	

	2015						Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years				
Interest rate swap contracts	279	339	18,828	2,896	22,342	311	(133)	
	279	339	18,828	2,896	22,342	311	(133)	

Bank

	2016						Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years				
Interest rate swap contracts	1,302	14,696	12,956	4,222	33,176	176	(127)	

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	2015						
	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Interest rate swap contracts	162	282	15,290	2,626	18,360	73	(99)

Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

For the year ended 31 December 2016, a net loss from the hedging instrument of RMB75 million was recognised in "Other comprehensive income" on net investment hedges (2015: Nil), and there was no ineffectiveness in profit or loss that arises from the net investment hedges for the current year (2015:Nil).

The credit risk-weighted assets in respect of the above derivatives of the Group and the Bank as at the end of the reporting date are as follows:

	Group		Bank	
	2016	2015	2016	2015
Counterparty credit default risk-weighted assets	61,333	45,372	38,569	26,194
Currency derivatives	32,381	24,281	24,625	17,616
Interest rate derivatives	6,149	3,819	1,699	769
Credit derivatives	25	75	2	–
Commodity derivatives and others	10,843	7,207	9,408	5,541
Netting settled credit default risk-weighted assets	11,935	9,990	2,835	2,268
Credit value adjustment	31,541	20,332	19,188	16,075
	92,874	65,704	57,757	42,269

- (i) The credit risk-weighted assets represent the counterparty credit risk associated with derivative transactions and are calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC, which includes counterparty credit default risk-weighted assets and credit value adjustment.

25. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchases of securities, bills and cash advanced as collateral on securities borrowing.

	Group		Bank	
	2016	2015	2016	2015
Reverse repurchases (i)	700,280	943,351	502,296	792,876
Cash advanced as collateral on securities borrowing	55,347	52,982	–	–
	755,627	996,333	502,296	792,876
Reverse repurchases analysed by counterparty:				
Banks	338,797	569,932	333,410	561,954
Other financial institutions	361,483	373,419	168,886	230,922
	700,280	943,351	502,296	792,876
Reverse repurchases analysed by collateral:				
Securities	511,254	638,863	305,265	483,892
Bills	189,026	304,488	197,031	308,984
	700,280	943,351	502,296	792,876

- (i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting (note 3(13)), and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statement. As at 31 December 2016, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB633,828 million and RMB659,969 million respectively (31 December 2015: RMB572,560 million and RMB597,258 million respectively), and the net reverse repurchase agreements and net repurchase agreements were RMB177,649 million and RMB203,790 million, respectively (31 December 2015: RMB137,066 million and RMB161,764 million, respectively).
- (ii) As at 31 December 2016, the amount of the placements through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB126,706 million (31 December 2015: RMB18,760 million). During the year of 2016, the maximum exposure of the placements through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB126,706 million (2015: RMB33,184 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

26. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2016	2015	2016	2015
Corporate loans and advances	8,140,684	7,869,552	7,496,031	7,315,786
Personal loans	4,196,169	3,541,862	4,108,440	3,471,539
Discounted bills	719,993	522,052	708,339	511,707
	13,056,846	11,933,466	12,312,810	11,299,032
Less: Allowance for impairment losses	(289,512)	(280,654)	(279,610)	(272,556)
	12,767,334	11,652,812	12,033,200	11,026,476

Movements of allowance for impairment losses during the year are as follows:

Group

	Individually assessed	Collectively assessed	Total
At 1 January 2015	41,245	216,336	257,581
Impairment loss:	63,728	22,294	86,022
— impairment allowances charged	91,878	134,262	226,140
— impairment allowances transferred	902	(902)	—
— reversal of impairment allowances	(29,052)	(111,066)	(140,118)
Accreted interest on impaired loans (note 6)	(4,156)	—	(4,156)
Acquisition of subsidiaries	326	88	414
Write-offs	(50,365)	(9,931)	(60,296)
Recoveries of loans and advances previously written off	721	368	1,089
At 31 December 2015 and 1 January 2016	51,499	229,155	280,654
Impairment loss:	83,966	2,172	86,138
— impairment allowances charged	110,992	151,577	262,569
— impairment allowances transferred	865	(865)	—
— reversal of impairment allowances	(27,891)	(148,540)	(176,431)
Accreted interest on impaired loans (note 6)	(5,135)	—	(5,135)
Write-offs	(65,999)	(8,145)	(74,144)
Recoveries of loans and advances previously written off	1,226	773	1,999
At 31 December 2016	65,557	223,955	289,512

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Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2015	39,080	212,082	251,162
Impairment loss:	62,378	22,108	84,486
— impairment allowances charged	90,032	133,877	223,909
— impairment allowances transferred	890	(890)	—
— reversal of impairment allowances	(28,544)	(110,879)	(139,423)
Accreted interest on impaired loans	(4,144)	—	(4,144)
Write-offs	(50,161)	(9,867)	(60,028)
Recoveries of loans and advances previously written off	721	359	1,080
At 31 December 2015 and 1 January 2016	47,874	224,682	272,556
Impairment loss:	83,172	799	83,971
— impairment allowances charged	109,951	149,603	259,554
— impairment allowances transferred	861	(861)	—
— reversal of impairment allowances	(27,640)	(147,943)	(175,583)
Accreted interest on impaired loans	(5,111)	—	(5,111)
Write-offs	(65,699)	(8,035)	(73,734)
Recoveries of loans and advances previously written off	1,222	706	1,928
At 31 December 2016	61,458	218,152	279,610

Movements of allowance for impairment losses during the year analysed into those attributable to corporate loans and advances and discounted bills and personal loans are as follows:

Group

	Corporate loans and advances and discounted bills	Personal loans	Total
At 1 January 2015	177,163	80,418	257,581
Impairment loss:	63,752	22,270	86,022
— impairment allowances charged	171,571	54,569	226,140
— reversal of impairment allowances	(107,819)	(32,299)	(140,118)
Accreted interest on impaired loans (note 6)	(4,156)	—	(4,156)
Acquisition of subsidiaries	372	42	414
Write-offs	(50,365)	(9,931)	(60,296)
Recoveries of loans and advances previously written off	721	368	1,089
At 31 December 2015 and 1 January 2016	187,487	93,167	280,654
Impairment loss:	73,050	13,088	86,138
— impairment allowances charged	192,057	70,512	262,569
— reversal of impairment allowances	(119,007)	(57,424)	(176,431)
Accreted interest on impaired loans (note 6)	(5,135)	—	(5,135)
Write-offs	(65,999)	(8,145)	(74,144)
Recoveries of loans and advances previously written off	1,226	773	1,999
At 31 December 2016	190,629	98,883	289,512

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	Corporate loans and advances and discounted bills	Personal loans	Total
At 1 January 2015	171,439	79,723	251,162
Impairment loss:			
— impairment allowances charged	62,333	22,153	84,486
— reversal of impairment allowances	169,487	54,422	223,909
	(107,154)	(32,269)	(139,423)
Accreted interest on impaired loans	(4,144)	—	(4,144)
Write-offs	(50,161)	(9,867)	(60,028)
Recoveries of loans and advances previously written off	721	359	1,080
At 31 December 2015 and 1 January 2016	180,188	92,368	272,556
Impairment loss:			
— impairment allowances charged	71,136	12,835	83,971
— reversal of impairment allowances	189,421	70,133	259,554
	(118,285)	(57,298)	(175,583)
Accreted interest on impaired loans	(5,111)	—	(5,111)
Write-offs	(65,699)	(8,035)	(73,734)
Recoveries of loans and advances previously written off	1,222	706	1,928
At 31 December 2016	181,736	97,874	279,610

	Group		Bank	
	2016	2015	2016	2015
Loans and advances for which allowance for impairment losses are:				
Individually assessed	160,469	135,780	154,185	130,375
Collectively assessed	12,896,377	11,797,686	12,158,625	11,168,657
	13,056,846	11,933,466	12,312,810	11,299,032
Less: Allowance for impairment losses:				
Individually assessed	(65,557)	(51,499)	(61,458)	(47,874)
Collectively assessed	(223,955)	(229,155)	(218,152)	(224,682)
	(289,512)	(280,654)	(279,610)	(272,556)
Net loans and advances for which allowance for impairment losses are:				
Individually assessed	94,912	84,281	92,727	82,501
Collectively assessed	12,672,422	11,568,531	11,940,473	10,943,975
	12,767,334	11,652,812	12,033,200	11,026,476
Identified impaired loans and advances	211,801	179,518	205,133	173,857
Percentage of impaired loans and advances	1.62%	1.50%	1.67%	1.54%

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27. FINANCIAL INVESTMENTS

		Group		Bank	
		2016	2015	2016	2015
Receivables	(a)	291,370	352,143	263,456	338,839
Held-to-maturity investments	(b)	2,973,042	2,870,353	2,876,081	2,813,091
Available-for-sale financial assets	(c)	1,742,287	1,444,195	1,608,839	1,299,068
		5,006,699	4,666,691	4,748,376	4,450,998

(a) Receivables

The receivables are stated at amortised cost and comprise the following:

		Group		Bank	
		2016	2015	2016	2015
Huarong bonds	(i)	94,249	108,187	94,249	108,187
Special government bond	(ii)	85,000	85,000	85,000	85,000
Others	(iii)	112,121	158,956	84,207	145,652
		291,370	352,143	263,456	338,839

		Group		Bank	
		2016	2015	2016	2015
Analysed into:					
Listed outside Hong Kong		33,781	54,900	31,282	54,900
Unlisted		257,589	297,243	232,174	283,939
		291,370	352,143	263,456	338,839

- (i) The Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Co., Ltd ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the Ministry of Finance of the People's Republic of China (the "MOF") that the maturity dates of the Huarong bonds were extended for another ten years and the interest rate remains unchanged. Additionally, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. As at 31 December 2016, the Bank received early repayments amounting to RMB218,747 million accumulated.
- (ii) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the MOF to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.
- (iii) Others include financial and corporate bonds, debt investment plans, asset backed securities, asset management plans and wealth management products with fixed or determined payments. They will mature from January 2017 to July 2027 and bear interest rates ranging from 3.00% to 9.50% per annum. During the reporting period, the amounts which have been matured have been repaid without overdue history.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	Group		Bank	
	2016	2015	2016	2015
Debt securities	2,973,149	2,870,448	2,876,120	2,813,118
Less: Allowance for impairment losses	(107)	(95)	(39)	(27)
	2,973,042	2,870,353	2,876,081	2,813,091

	Group		Bank	
	2016	2015	2016	2015
Analysed into:				
Listed in Hong Kong	24,732	21,318	6,688	3,830
Listed outside Hong Kong	86,594	35,798	55,102	11,038
Unlisted	2,861,716	2,813,237	2,814,291	2,798,223
	2,973,042	2,870,353	2,876,081	2,813,091
Market value of listed debt securities	111,326	57,116	61,790	14,868

For the year ended 31 December 2016, the total carrying amount of held-to-maturity investments the Group disposed prior to their maturity with remaining maturity more than three months was RMB19,446 million (31 December 2015: RMB14,019 million), which accounted for 0.65% (31 December 2015: 0.49%) of the total amount of the Group's held-to-maturity investments.

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Group		Bank	
	2016	2015	2016	2015
Debt securities, at fair value (i)	1,720,630	1,402,673	1,532,327	1,296,903
Other debt instruments, at fair value	8,804	27,593	–	–
Equity investments:				
At fair value (i)	11,452	13,091	75,874	1,433
At cost (ii)	1,401	838	638	732
Debt for equity swaps	973	1,063	967	1,061
Others	1,106	448	277	277
Less: Allowance for impairment losses of equity investments, at cost	(678)	(673)	(606)	(606)
	1,742,287	1,444,195	1,608,839	1,299,068
Debt securities analysed into:				
Listed in Hong Kong	63,010	44,362	27,367	21,770
Listed outside Hong Kong	169,339	169,180	97,517	116,895
Unlisted	1,488,281	1,189,131	1,407,443	1,158,238
	1,720,630	1,402,673	1,532,327	1,296,903
Equity investments analysed into:				
Listed in Hong Kong	677	508	–	–
Listed outside Hong Kong	2,451	6,730	762	1,433
Unlisted	9,725	6,691	75,750	732
	12,853	13,929	76,512	2,165
Market value of listed securities:				
Debt securities	232,349	213,542	124,884	138,665
Equity investments	3,128	7,238	762	1,433
	235,477	220,780	125,646	140,098

- (i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at 31 December 2016, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount was RMB70 million (31 December 2015: RMB141 million), and impaired equity investments whose carrying amount was RMB65 million (31 December 2015: RMB264 million), with the accrual of impairment loss recognised in profit or loss for the year of RMB419 million (2015: reversal of impairment loss of RMB37 million) on available-for-sale debt securities; and the accrual of impairment loss recognised in profit or loss for the year of RMB162 million (2015: RMB33 million) on available-for-sale equity investments.
- (ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the year, the Group did not dispose of these equity investments (2015: RMB Nil).

(d) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale equity investments measured at cost during the year are as follows:

	Group			Bank		
	Held-to-maturity investments	Available-for-sale equity investments		Held-to-maturity investments	Available-for-sale equity investments	
		Total				Total
At 1 January 2015	142	670	812	24	606	630
Charge for the year	–	–	–	–	–	–
Reversals	(25)	–	(25)	–	–	–
Disposals	(30)	–	(30)	–	–	–
Others	8	3	11	3	–	3
At 31 December 2015						
and 1 January 2016	95	673	768	27	606	633
Charge for the year	13	–	13	13	–	13
Reversals	(7)	–	(7)	(2)	–	(2)
Disposals	–	–	–	–	–	–
Others	6	5	11	1	–	1
At 31 December 2016	107	678	785	39	606	645

28. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2016	2015
Unlisted investments, at cost	102,288	101,066

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Particulars of the Group's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest %		Nominal value of issued share/paid-in capital		Amount invested by the Bank	Place of incorporation/registration and operations	Principal activities
	2016	2015	2016	2016			
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	100	HKD36,379 million	HKD4,930 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	100	HKD4,882 million	HKD4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia ("ICBC Indonesia")	98.61	98.61	98.61	IDR2,692.2 billion	USD286 million	Jakarta, Indonesia	Commercial banking
Bank ICBC (Joint stock company)	100	100	100	RUB2,310 million	RUB2,310 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. * ("ICBC Leasing")	100	100	100	RMB11,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	89.33	MOP589 million	MOP12,064 million	Macau, the PRC	Commercial banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	80	80	80	CAD158 million	CAD178.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	97.86	THB20,132 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million	Delaware and New York United States	Broker dealer
ICBC-AXA Assurance Co., Ltd. *	60	60	60	RMB8,705 million	RMB5,700 million	Shanghai, the PRC	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	80	USD309 million	USD258 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A. ("ICBC Argentina")	80	80	80	ARS1,345 million	ARS3,505 million	Buenos Aires, Argentina	Commercial banking
ICBC PERU BANK	100	100	100	USD50 million	USD50 million	Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brasil) S.A.	100	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial and investment banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	100	NZD145 million	NZD145 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	100	MXN664 million	MXN664 million	Mexico City, Mexico	Commercial banking
ICBC Turkey Bank Anonim Şirketi ("ICBC Turkey")	92.8169	92.8169	92.8169	TRY420 million	USD309 million	Istanbul, Turkey	Commercial banking
ICBC Standard Bank PLC ("ICBC Standard")	60	60	60	USD1,083 million	USD680 million	London, United Kingdom	Banking

* These subsidiaries incorporated in Mainland China are all limited liability companies.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investment in associates and joint ventures comprise the following:

	Group	
	2016	2015
Interest in associates	(a) 27,443	22,095
Interest in joint ventures	(b) 2,634	2,090
	30,077	24,185

	Group	
	2016	2015
Share of net assets	19,663	15,709
Goodwill	10,762	8,824
	30,425	24,533
Less: Allowance for impairment losses	(348)	(348)
	30,077	24,185

	Bank	
	2016	2015
Shares listed outside Hong Kong, at cost	34,242	34,242

(a) Interest in associates

(i) Particulars of the Group's only material associate is as follows:

Name	Percentage of equity interest %		Voting rights %	Place of incorporation/ registration	Principal activities
	31 December 2016	31 December 2015	31 December 2016		
Standard Bank Group Limited ("Standard Bank") (i)	20.08	20.08	20.08	Johannesburg, Republic of South Africa	Commercial banking

(i) Standard Bank, a listed commercial bank in Republic of South Africa and a strategic partner for the Group, enables the Group to widen its customer base in Africa.

The market value of the Group's investment in Standard Bank amounts to RMB25,067 million as at 31 December 2016 (31 December 2015: RMB15,362 million).

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The summarised financial information of Standard Bank, being consistent with the Group's accounting policies, and reconciled to the carrying amounts using equity method in the Group's consolidated financial statements.

	2016	2015
Gross amounts of the associate		
Assets	993,396	827,561
Liabilities	902,225	753,045
Net assets	91,171	74,516
Revenue	48,603	42,950
Profit from continuing operations	10,808	11,197
Other comprehensive income	(5,512)	826
Total comprehensive income	5,296	12,023
Dividends received from the associate	5,579	4,950
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attribute to the parent company	78,814	64,508
Group's effective interest	20.08%	20.08%
Group's share of net assets of the associate	15,825	12,954
Goodwill	10,726	8,788
Carrying amount of the Group's interest in Standard Bank in the consolidated financial statements	26,551	21,742

(ii) The following tables illustrate the summarised financial information of the associates that are not individually material to the Group:

	2016	2015
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	29	22
Other comprehensive income	306	–
Total comprehensive income	335	22

(iii) Reconciliation of carrying amounts to the Group's total interests in the associates:

	2016	2015
Carrying amount of material associates — Standard Bank	26,551	21,742
Carrying amount of individually immaterial associates	1,240	701
Less: Allowance for impairment losses	(348)	(348)
Interest in associates in the consolidated financial statements	27,443	22,095

All of the above associates are accounted for using the equity method in the consolidated financial statements.

(b) Interest in joint ventures

The Group has interests in a number of individually immaterial joint ventures. The following tables illustrate the summarised financial information of the joint ventures that are not individually material to the Group:

	2016	2015
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements		
	2,634	2,090
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operations	405	59
Other comprehensive income	21	–
Total comprehensive income	426	59

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

30. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2015	127,413	24,845	8,662	65,573	66,824	293,317
Additions	1,909	12,305	1,001	7,530	31,782	54,527
CIP transfer in/(out)	5,920	(10,658)	–	188	4,550	–
Acquisition of subsidiaries	319	–	–	160	–	479
Disposals	(1,328)	(350)	(154)	(2,276)	(10,371)	(14,479)
At 31 December 2015 and 1 January 2016	134,233	26,142	9,509	71,175	92,785	333,844
Additions	1,076	6,849	762	6,911	38,252	53,850
CIP transfer in/(out)	5,359	(9,741)	–	404	3,978	–
Disposals	(830)	(241)	(198)	(2,497)	(12,508)	(16,274)
At 31 December 2016	139,838	23,009	10,073	75,993	122,507	371,420
Accumulated depreciation and impairment:						
At 1 January 2015	40,197	41	5,620	44,312	3,867	94,037
Depreciation charge for the year	5,562	–	1,073	7,925	3,489	18,049
Impairment charge for the year	–	–	–	–	324	324
Acquisition of subsidiaries	189	–	–	97	–	286
Disposals	(281)	–	(108)	(2,231)	(658)	(3,278)
At 31 December 2015 and 1 January 2016	45,667	41	6,585	50,103	7,022	109,418
Depreciation charge for the year	5,646	–	1,067	7,947	5,101	19,761
Impairment charge for the year	–	–	–	–	492	492
Disposals	(499)	–	(169)	(2,453)	(1,339)	(4,460)
At 31 December 2016	50,814	41	7,483	55,597	11,276	125,211
Net carrying amount:						
At 31 December 2015	88,566	26,101	2,924	21,072	85,763	224,426
At 31 December 2016	89,024	22,968	2,590	20,396	111,231	246,209

Bank

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Total
Cost:					
At 1 January 2015	125,479	17,792	7,953	64,235	215,459
Additions	1,655	8,353	880	7,424	18,312
CIP transfer in/(out)	5,918	(6,105)	–	187	–
Disposals	(1,238)	(309)	(90)	(2,128)	(3,765)
At 31 December 2015 and 1 January 2016	131,814	19,731	8,743	69,718	230,006
Additions	936	2,900	634	4,800	9,270
CIP transfer in/(out)	5,318	(5,722)	–	404	–
Disposals	(785)	(193)	(82)	(2,487)	(3,547)
At 31 December 2016	137,283	16,716	9,295	72,435	235,729
Accumulated depreciation and impairment:					
At 1 January 2015	39,810	41	5,272	43,468	88,591
Depreciation charge for the year	5,442	–	994	7,783	14,219
Disposals	(276)	–	(89)	(2,108)	(2,473)
At 31 December 2015 and 1 January 2016	44,976	41	6,177	49,143	100,337
Depreciation charge for the year	5,594	–	987	7,713	14,294
Disposals	(475)	–	(68)	(2,448)	(2,991)
At 31 December 2016	50,095	41	7,096	54,408	111,640
Net carrying amount:					
At 31 December 2015	86,838	19,690	2,566	20,575	129,669
At 31 December 2016	87,188	16,675	2,199	18,027	124,089

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The carrying value of the Group's and the Bank's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	Group		Bank	
	2016	2015	2016	2015
Long term leases (over 50 years):				
Held in the PRC (other than Hong Kong)	13,119	13,044	13,115	13,044
Held in Hong Kong	644	615	295	293
Held overseas	741	600	176	172
	14,504	14,259	13,586	13,509
Medium term leases (10 to 50 years):				
Held in the PRC (other than Hong Kong)	70,468	70,459	70,334	70,331
Held in Hong Kong	316	305	152	66
Held overseas	640	602	37	8
	71,424	71,366	70,523	70,405
Short term leases (less than 10 years):				
Held in the PRC (other than Hong Kong)	3,034	2,822	3,034	2,822
Held in Hong Kong	36	34	36	34
Held overseas	26	85	9	68
	3,096	2,941	3,079	2,924
	89,024	88,566	87,188	86,838

As at 31 December 2016, the process of obtaining the title for the Group's properties and buildings with an aggregate net carrying value of RMB13,342 million (31 December 2015: RMB11,852 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2016, the net carrying value of aircraft and vessels leased out by the Group under operating leases was RMB111,231 million (31 December 2015: RMB85,763 million).

As at 31 December 2016, the net carrying value of aircraft and vessels owned by the Group that have been pledged as security for due to banks and other financial institutions was RMB34,174 million (31 December 2015: RMB22,850 million).

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Group

	2016		2015	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	114,765	28,616	113,845	28,443
Change in fair value of available-for-sale financial assets	(4,005)	(973)	(38,283)	(9,670)
Change in fair value of financial instruments at fair value through profit or loss	(9,544)	(2,385)	(3,166)	(790)
Accrued staff costs	28,104	7,026	28,696	7,174
Others	(15,847)	(3,886)	(16,886)	(4,091)
	113,473	28,398	84,206	21,066

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Group

	2016		2015	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Deferred income tax liabilities:				
Allowance for impairment losses	(1,460)	(365)	(1,143)	(296)
Change in fair value of available-for-sale financial assets	563	120	2,848	595
Others	3,368	849	2,304	696
	2,471	604	4,009	995

Bank

	2016		2015	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	112,098	28,066	112,204	28,054
Change in fair value of available-for-sale financial assets	(2,816)	(680)	(37,275)	(9,343)
Change in fair value of financial instruments at fair value through profit or loss	(9,552)	(2,388)	(3,191)	(798)
Accrued staff costs	28,104	7,026	28,696	7,174
Others	(18,813)	(4,690)	(18,900)	(4,733)
	109,021	27,334	81,534	20,354

(b) Movements of deferred income tax

Group

2016	At 1 January 2016	Total gains/ (losses) recorded in profit or loss	At 31 December 2016	
			Total gains recorded in equity	At 31 December 2016
Deferred income tax assets:				
Allowance for impairment losses	28,443	173	–	28,616
Change in fair value of available-for-sale financial assets	(9,670)	–	8,697	(973)
Change in fair value of financial instruments at fair value through profit or loss	(790)	(1,595)	–	(2,385)
Accrued staff costs	7,174	(148)	–	7,026
Others	(4,091)	175	30	(3,886)
	21,066	(1,395)	8,727	28,398

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2015	At 1 January 2015	Total gains/ (losses)	Total (losses)/ gains recorded in equity	Acquisition of subsidiaries	At 31 December 2015
		recorded in profit or loss	recorded in equity		
Deferred income tax assets:					
Allowance for impairment losses	25,807	2,636	–	–	28,443
Change in fair value of available-for-sale financial assets	(1,341)	–	(8,329)	–	(9,670)
Change in fair value of financial instruments at fair value through profit or loss	(602)	(188)	–	–	(790)
Accrued staff costs	6,448	726	–	–	7,174
Others	(5,554)	695	733	35	(4,091)
	24,758	3,869	(7,596)	35	21,066

2016	At 1 January 2016	Total gains/(losses)	Total (gains) recorded in equity	At 31 December 2016
		recorded in profit or loss		
Deferred income tax liabilities:				
Allowance for impairment losses	(296)	(69)	–	(365)
Change in fair value of available-for-sale financial assets	595	–	(475)	120
Others	696	153	–	849
	995	84	(475)	604

2015	At 1 January 2015	Total (gains)/losses	Total losses recorded in equity	At 31 December 2015
		recorded in profit or loss		
Deferred income tax liabilities:				
Allowance for impairment losses	(68)	(228)	–	(296)
Change in fair value of available-for-sale financial assets	70	–	525	595
Others	449	247	–	696
	451	19	525	995

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Bank

2016	At 1 January 2016	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in equity	At 31 December 2016
Deferred income tax assets:				
Allowance for impairment losses	28,054	12	–	28,066
Change in fair value of available-for-sale financial assets	(9,343)	–	8,663	(680)
Change in fair value of financial instruments at fair value through profit or loss	(798)	(1,590)	–	(2,388)
Accrued staff costs	7,174	(148)	–	7,026
Others	(4,733)	45	(2)	(4,690)
	20,354	(1,681)	8,661	27,334

2015	At 1 January 2015	Total gains/(losses) recorded in profit or loss	Total (losses)/gains recorded in equity	At 31 December 2015
Deferred income tax assets:				
Allowance for impairment losses	25,022	3,032	–	28,054
Change in fair value of available-for-sale financial assets	(1,110)	–	(8,233)	(9,343)
Change in fair value of financial instruments at fair value through profit or loss	(601)	(197)	–	(798)
Accrued staff costs	6,448	726	–	7,174
Others	(5,860)	378	749	(4,733)
	23,899	3,939	(7,484)	20,354

The Group and the Bank did not have significant unrecognised deferred income tax assets or liabilities at the end of the reporting period.

32. OTHER ASSETS

	Group		Bank	
	2016	2015	2016	2015
Interest receivable	112,298	108,907	104,463	103,613
Precious metals	220,091	114,619	189,722	92,967
Land use rights	19,264	19,756	19,198	19,682
Advance payments	10,680	11,310	391	428
Settlement accounts	182,118	173,241	148,610	141,516
Goodwill (i)	9,480	8,956	–	–
Repossessed assets	8,273	6,808	8,099	6,624
Others	23,529	15,102	8,713	6,726
	585,733	458,699	479,196	371,556

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- (i) Goodwill arising from business combinations has been allocated to the Group's CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections are based on financial forecasts approved by management of the subsidiaries. The average growth rates are projected based on the similar rates which do not exceed the long term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

As indicated by the impairment tests, goodwill arising from business combinations is not impaired and thus, no impairment loss was recognised.

33. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank	
		2016	2015	2016	2015
Wealth management products	(1)	270,831	205,531	270,831	205,531
Structured deposits	(2)(a)	17,797	27,521	8,674	27,521
Financial liabilities related to precious metals	(2)(b)	59,192	55,871	59,185	55,866
Debt securities	(2)(c)	13,377	8,496	13,311	8,496
Other		5,555	6,508	–	–
Total		366,752	303,927	352,001	297,414

- (1) The principal guaranteed wealth management products issued by the Group and the financial assets invested in by the aforementioned products form part of a group of financial instruments that are together managed on a fair value basis, and are classified as financial liabilities and financial assets designated at fair value through profit or loss, respectively. The fair value of the wealth management products was RMB510 million higher than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity as at 31 December 2016 (31 December 2015: RMB1,496 million higher).
- (2) Structured deposits, certain financial liabilities related to precious metals and debt securities have been matched with derivatives or precious metals as part of a documented risk management strategy of the group to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, whereas the related derivatives or precious metals were measured at fair value with movements in the fair value taken through profit or loss. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the statement of profit or loss.
- (a) As at 31 December 2016, the fair value of structured deposits was approximately the same as the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity (31 December 2015: RMB159 million higher).
 - (b) As at 31 December 2016, the fair value of the financial liabilities related to precious metals was approximately the same as the amount that the Group would be contractually required to pay to the holders (31 December 2015: approximately the same).
 - (c) The debt securities including notes issued by Singapore Branch in 2012 and 2014 at fixed rates, notes issued by London Branch in 2015 at fixed rate and in 2016 at floating rate, 3 notes at floating rates and 8 notes at fixed rates issued by Sydney Branch in 2016 and equity-linked note issued by ICBC Asia in 2016 were classified as financial liabilities designated at fair value through profit or loss. The fair value of the debt securities is lower than the amount that the Group would be contractually required to pay to the holders of these debt securities upon maturity as at 31 December 2016 by RMB555 million (31 December 2015: RMB383 million lower).

There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities that were attributable to changes in credit risk were considered not significant during the year of 2016 and 2015 cumulatively. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2016	2015	2016	2015
Deposits:				
Banks and other financial institutions operating in Mainland China	1,437,462	1,673,179	1,431,325	1,653,551
Banks and other financial institutions operating outside Mainland China	79,230	115,088	40,214	68,198
	1,516,692	1,788,267	1,471,539	1,721,749
Money market takings:				
Banks and other financial institutions operating in Mainland China	134,736	185,789	30,145	74,950
Banks and other financial institutions operating outside Mainland China	365,371	291,804	419,098	306,590
	500,107	477,593	449,243	381,540
	2,016,799	2,265,860	1,920,782	2,103,289

35. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchases of securities, bills and cash received as collateral on securities lending.

	Group		Bank	
	2016	2015	2016	2015
Repurchases (note 25(i))				
Cash received as collateral on securities lending	561,031	313,306	304,987	130,830
	28,275	23,885	–	–
	589,306	337,191	304,987	130,830
Repurchases analysed by counterparty:				
Banks	366,384	180,681	304,587	121,420
Other financial institutions	194,647	132,625	400	9,410
	561,031	313,306	304,987	130,830
Repurchases analysed by collateral:				
Securities	553,278	303,841	297,234	121,365
Bills	7,753	9,465	7,753	9,465
	561,031	313,306	304,987	130,830

36. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by Hong Kong Branch, Tokyo Branch, Singapore Branch, Luxembourg Branch, Seoul Branch, Doha Branch, New York Branch, Sydney Branch, London Branch, Dubai (DIFC) Branch, ICBC Asia, ICBC Macau, ICBC New Zealand and ICBC Standard were recognised at amortised cost.

37. DUE TO CUSTOMERS

	Group		Bank	
	2016	2015	2016	2015
Demand deposits:				
Corporate customers	5,271,686	4,507,661	5,156,745	4,413,305
Personal customers	3,720,374	3,390,514	3,655,850	3,344,216
Time deposits:				
Corporate customers	4,176,834	3,929,353	3,865,570	3,645,906
Personal customers	4,419,907	4,210,600	4,321,056	4,134,525
Others	236,501	243,811	236,366	243,721
	17,825,302	16,281,939	17,235,587	15,781,673

38. DEBT SECURITIES ISSUED

	Group		Bank	
	2016	2015	2016	2015
Subordinated bonds and Tier 2				
Capital Notes issued by	(1)			
The Bank	181,999	181,092	181,999	181,092
Subsidiaries	12,812	14,461	–	–
	194,811	195,553	181,999	181,092
Other debt securities issued by	(2)			
The Bank	97,447	59,083	97,447	59,083
Subsidiaries	65,679	51,986	–	–
	163,126	111,069	97,447	59,083
	357,937	306,622	279,446	240,175

As at 31 December 2016, the amount of debt securities issued due within one year was RMB28,277 million (31 December 2015: RMB38,723 million).

(1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds through open market bidding in 2009, 2010, 2011, 2012 and 2014. Approved by the PBOC, these subordinated bonds were traded in the bond market among banks. The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue Price (In RMB)	Amount (In RMB)	Ending balance (million)		Coupon rate	Value date	Maturity date	Circulation date	Notes
				(In RMB)	(million)					
09 ICBC 02 Bond	16/07/2009	100 Yuan	24,000	24,000	4.00%	20/07/2009	20/07/2024	20/08/2009	(i)	
10 ICBC 02 Bond	10/09/2010	100 Yuan	16,200	16,200	4.10%	14/09/2010	14/09/2025	03/11/2010	(ii)	
11 ICBC 01 Bond	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011	(iii)	
11 ICBC 02 Bond	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012	(iv)	
12 ICBC 01 Bond	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012	(v)	
14 ICBC 01 Bond	04/08/2014	100 Yuan	20,000	20,000	5.80%	05/08/2014	05/08/2024	24/09/2014	(vi)	

- (i) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2019. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points thereafter.
- (ii) The Bank has the option to redeem all of the bonds on 14 September 2020 upon the approval of the relevant regulatory authorities.
- (iii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.
- (iv) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.
- (v) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.
- (vi) The Bank has the option to redeem all of the bonds on 5 August 2019 upon the approval of the relevant regulatory authorities

In 2015, the Bank issued Tier 2 Capital Notes denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the Notes are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issue Price			Coupon rate	Value date	Maturity date	Circulation date	Notes
				Amount (Original Currency)	Ending balance (In RMB) (million)					
15 USD										
Tier 2 Capital Notes	15/09/2015	USD	99.189	2,000	13,896	4.875%	21/09/2015	21/09/2025	22/09/2015	(vii)

- (vii) On 15 September 2015, the Bank issued Tier 2 Capital Notes with an aggregate nominal amount of USD2,000 million, bearing a fixed interest rate of 4.875% per annum. The listing and permission to deal in the Stock Exchange of Hong Kong Limited became effective on 22 September 2015. The Notes were issued at the price fixed at 99.189% of the nominal amount with maturity due on 21 September 2025 and cannot be redeemed before maturity.

The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the period (2015: Nil).

Subsidiaries:

On 30 November 2010, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020.

On 10 October 2013, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 4.50% per annum. The bond was issued at the price fixed at 99.463% of the nominal amount with maturity due on 10 October 2023.

On 10 September 2014, ICBC Macau issued a subordinated bond with an aggregate nominal amount of USD320 million, bearing a floating interest rate. The bond was issued at the price fixed at 99.298% of the nominal amount with maturity due on 10 September 2024.

On 2 December 2009, ICBC Standard issued a subordinated bond with an amount of USD500 million, bearing a fixed interest rate of 8.125% per annum and with maturity due on 2 December 2019.

The above subordinated bonds and notes are separately listed on the Singapore Exchange Securities Trading Limited, the Stock Exchange of Hong Kong Limited and the London Stock Exchange Plc. ICBC Asia, ICBC Macau and ICBC Standard have not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and notes during the period (2015: Nil).

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(2) Other debt securities issued

As at 31 December 2016, the Group's other debt securities issued mainly include:

The Bank:

- (i) Sydney Branch issued debt securities amounting to RMB12,211 million denominated in AUD, CHF, RMB, EUR, HKD and USD with maturities between 2017 and 2024 at fixed or floating interest rates. Of which, in 2016, Sydney Branch issued debt securities amounting to RMB4,486 million denominated in AUD at floating interest rates and in RMB at fixed interest rates with maturity in 2018 and 2019.
- (ii) Singapore Branch issued notes amounting to RMB15,889 million denominated in RMB and USD with maturities between 2018 and 2021 at fixed interest rates. Of which, in 2016, Singapore Branch issued notes amounting to RMB10,618 million denominated USD and RMB with maturity in 2018 and 2019 at fixed rates.
- (iii) In 2016, Tokyo Branch issued notes amounting to RMB1,921 million denominated in JPY and RMB with maturities in 2017 and 2019 at fixed interest rates.
- (iv) New York Branch issued notes amounting to RMB36,953 million denominated in USD with maturities between 2017 and 2021 at fixed or floating interest rates. Of which, in 2016, New York Branch issued notes amounting to RMB14,548 million denominated in USD with maturities in 2017 and 2021 at fixed interest rates.
- (v) Luxembourg Branch issued notes amounting to RMB17,858 million denominated in USD with maturities between 2017 and 2019 at fixed or floating interest rates. Of which, in 2016, Luxembourg Branch issued notes amounting to RMB13,689 million denominated in USD with maturities in 2017 and 2019 at fixed or floating interest rates.
- (vi) Dubai (DIFC) Branch issued debt securities amounting to RMB7,851 million denominated in USD with maturities between 2019 and 2021 at fixed or floating interest rates. Of which, in 2016, Dubai (DIFC) Branch issued debt securities amounting to RMB4,391 million denominated in USD with maturities in 2019 and 2021 at fixed or floating interest rates.
- (vii) In 2016, Hong Kong Branch issued debt securities amounting to RMB3,459 million denominated in USD with maturity in 2019 at floating interest rate.
- (viii) The Head Office issued debt securities in Hong Kong amounting to RMB501 million denominated in RMB with maturity in 2019 at fixed interest rates.
- (ix) The Head Office issued debt securities in London amounting to RMB698 million denominated in RMB with maturities in 2018 at fixed interest rates.

Subsidiaries:

- (i) ICBC Asia issued notes amounting to RMB852 million denominated in HKD and RMB with maturities between 2017 and 2020 at fixed interest rates. Of which, in 2016 ICBC Asia issued interbank deposits amounting to RMB1,236 million denominated in RMB with maturities in 2017 at fixed interest rates.
- (ii) ICBC Financial Leasing issued debt securities and notes amounting to RMB47,979 million denominated in RMB and USD with maturities between 2017 and 2026 at fixed or floating interest rates. Of which, Skysea International Capital Management Limited ("Skysea International"), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 31 December 2016, Skysea International has redeemed USD139 million and the carrying amount of the Notes were RMB4,231 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturities due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.

ICBCIL Finance Co., Ltd., which is controlled by the Group, issued medium-term debt securities and short-term notes amounting to RMB42,473 million denominated in RMB and USD, with maturities between 2017 and 2026 at fixed or floating interest rates. Of which, in 2016, ICBCIL Finance Co., Ltd. issued medium-term debt securities amounting to RMB20,284 million denominated in USD, with maturities between 2018 and 2026 at fixed interest rates. By satisfying certain conditions, ICBCIL Finance Co., Ltd. has the option to redeem all of the debt securities at any time. Above debt securities were guaranteed by ICBC Financial Leasing Co., Ltd. and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively. In 2016, ICBCIL Finance Co., Ltd. issued short-term notes amounting to RMB3,926 million denominated in USD with maturity in 2017.

Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB1,275 million denominated in USD with maturity in 2025 at a fixed interest rate. The bond was guaranteed by The Export-Import Bank of Korea.

- (iii) ICBC Thai issued debt securities amounting to RMB5,669 million denominated in THB with maturities between 2017 and 2026 at fixed interest rates. Of which, in 2016, ICBC Thai issued debt securities of RMB1,629 million denominated in THB with maturities between 2017 and 2026 at fixed interest rates.
- (iv) ICBC International issued medium-term bonds amounting to RMB9,339 million denominated in USD with maturity in 2017 and 2019 at a fixed interest rate. Of which, in 2016, ICBC International issued medium-term bonds amounting to RMB4,825 million denominated in USD with maturity in 2019 at fixed interest rates.
- (v) ICBC New Zealand issued medium-term bonds and notes amounting to RMB502 million denominated in AUD, NZD and USD with maturities between 2017 and 2020 at fixed or floating interest rates. Of which, in 2016, ICBC New Zealand issued medium-term bonds amounting to RMB41 million denominated in NZD with maturity in 2020 at fixed interest rates and in AUD with maturity in 2020 at a floating interest rate.
- (vi) ICBC Indonesia issued a medium-term note amounting to RMB119 million denominated in IDR with maturity in 2017 at a fixed interest rate.
- (vii) ICBC Argentina issued a medium-term note amounting to RMB89 million denominated in ARS with maturities in 2017 at a floating interest rate.

39. OTHER LIABILITIES

	Group		Bank	
	2016	2015	2016	2015
Interest payable	243,064	254,942	237,369	250,425
Settlement accounts	220,899	196,320	169,899	158,757
Salaries, bonuses, allowances and subsidies payables (i)	24,924	23,748	22,923	22,085
Early retirement benefits	2,739	4,716	2,739	4,716
Sundry tax payables	10,916	11,968	10,552	11,455
Promissory notes	2,438	5,052	1,258	4,843
Others	132,850	92,327	36,496	34,145
	637,830	589,073	481,236	486,426

- (i) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 31 December 2016 (31 December 2015: Nil).
- (ii) As at 31 December 2016, the amount of other liabilities due within one year was RMB514,673 million (31 December 2015: RMB518,166 million).

40. SHARE CAPITAL

	2016		2015	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends.

41. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Overseas Preference Shares in:										
USD										
USD	2014-12-10	Equity	6.00%	20USD/Share	147	2,940	17,991	None	Mandatory	No
EUR	2014-12-10	Equity	6.00%	15EUR/Share	40	600	4,558	None	Mandatory	No
RMB	2014-12-10	Equity	6.00%	100RMB/Share	120	12,000	12,000	None	Mandatory	No
Domestic Preference Shares in:										
RMB										
RMB	2015-11-18	Equity	4.50%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
Total					757		79,549			
Less: Issue fees										
Book value						174				
						79,375				

(b) Main Clauses

(1) Overseas preference shares

a. Dividend

Fixed rate for a certain period (5 years for USD and RMB tranche and 7 years for EUR tranche) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The USD, EUR and RMB Preference Shareholders as well as the Domestic Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

f. Redemption

Under the premise of obtaining the approval of the CBRC and condition of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

USD Preference Shares: the First Redemption Date is five years after issuance

EUR Preference Shares: the First Redemption Date is seven years after issuance

RMB Preference Shares: the First Redemption Date is five years after issuance

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(2) Domestic preference shares

a. Dividend

Fixed rate for a certain period (5 years) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

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b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The paying order of domestic preference shares is equal to overseas preference shares. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The Domestic Preference Shareholders as well as Overseas Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares. If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

f. Redemption

Five years after the first redemption date of issuance (18 November 2015) under the premise of obtaining the approval of the CBRC and meets regulatory requirements, the Group has right to redeem all or some of domestic preference shares. The redemption period of preference shares ranges the start date from the date of redemption to conversion of all (redemption price is equal to book value plus accrued dividend in current period).

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(c) *Changes in preference shares outstanding*

Financial instrument outstanding		Preference shares				
		Overseas		Domestic		Total
		USD	EUR	RMB	RMB	
1 January 2016	Amount(million shares)	147	40	120	450	757
and	In original currency(million)	2,940	600	12,000	45,000	N/A
31 December 2016	In RMB (million)	17,991	4,558	12,000	45,000	79,549

(2) Perpetual Bond

(a) *Perpetual bond outstanding at the end of the year*

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million pieces)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
USD Perpetual bond	2016-07-21	Equity	4.25%	1,000USD/Piece	1	1,000	6,691	None	None	No
Total					1		6,691			
Less: Issue fees							15			
Book value							6,676			

Note: USD perpetual bond was issued by ICBC Asia, a subsidiary of the Bank.

(b) *Main Clauses*

On 21 July 2016, ICBC Asia issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (hereinafter referred to as "Perpetual Bond") in the aggregate amount of US\$1 billion (equivalent to approximately RMB6,676 million net of related issuance costs). Fixed rate for the first 5 years after issuance of the bond is 4.25%. If perpetual bonds are not called, distribution will be reset based on the then prevailing 5-year USA national bonds yield plus a fixed initial spread (3.135 percent. Per annum) every 5 years.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2017. ICBC Asia has the right to cancel distribution payment (subject to the requirement as set out in the terms and conditions of the perpetual bond) and the distribution cancelled shall not be cumulative.

The perpetual bond will be written off up to the amount as directed by the Hong Kong Monetary Authority (hereinafter referred to as "HKMA") if the HKMA notifies ICBC Asia that in the opinion of the HKMA or a relevant government body, ICBC Asia would become non-viable if there is no written off of the principal. The perpetual bond also contain Hong Kong Bail-in Power. Each holder of the perpetual bond shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

- (1) reduction or cancellation of all or a part of the principal and/or distribution of the perpetual bond;
- (2) the conversion of all or a part of the principal and/or distribution of the perpetual bond into shares of ICBC Asia or another person; and/or
- (3) the amendment of the maturity, distribution payment date and/or the distribution amount of the perpetual bond.

ICBC Asia has a call option to redeem all the outstanding perpetual bond from 21 July 2021 or any subsequent distribution payment date thereafter.

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(c) Changes in perpetual bond outstanding

Financial instrument outstanding	1 January 2016		Increase during the year				31 December 2016		
	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)
USD Perpetual bond	-	-	-	1	1,000	6,691	1	1,000	6,691
Total	-	-	-	1	1,000	6,691	1	1,000	6,691

(3) Interests attribute to equity instruments' holders

Equity instrument		1 January 2016	31 December 2016
1	Total equity attribute to equity holders of the parent company	1,789,474	1,969,751
	(1) Equity attribute to ordinary equity holders of the parent company	1,710,099	1,883,700
	(2) Equity attribute to other equity holders of the parent company	79,375	86,051
2.	Total equity attribute to non-controlling interests	11,045	11,412
	(1) Equity attribute to non-controlling interests of ordinary shares	11,045	11,412
	(2) Equity attribute to non-controlling interests of other equity instruments	-	-

42. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 30 March 2017, the total surplus reserve of the Bank was RMB26,312 million (2015: RMB26,398 million), among which an appropriation of 10% of the profit of the Bank for the year determined under the generally accepted accounting principles of PRC ("PRC GAAP") to the statutory surplus reserve, in the amount of RMB26,228 million (2015: RMB26,327 million) was approved and the total surplus reserve made by some overseas branches was RMB84 million (2015: RMB71 million) pursuant to the requirements of local authorities.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserve in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The general reserve balance of the Bank as at 31 December 2016 amounted to RMB246,308 million (2015: RMB241,509 million), which has reached 1.5% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

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The statement of changes in equity of the Bank during the year are set out below.

	Reserves												
	Issued share capital	Other equity instrument	Equity component of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total equity
Balance as at 1 January 2015	353,495	34,428	388	148,437	149,270	218,078	3,852	(1,698)	(4,036)	-	513,903	610,647	1,512,861
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	262,322	262,322
Other comprehensive income	-	-	-	-	-	-	24,637	97	(43)	-	24,691	-	24,691
Total comprehensive income	-	-	-	-	-	-	24,637	97	(43)	-	24,691	262,322	287,013
Capital injection by other equity holders	-	44,947	-	-	-	-	-	-	-	-	-	-	44,947
Convertible bonds	2,912	-	(388)	7,761	-	-	-	-	-	-	7,761	-	10,285
Dividends – ordinary shares													
2014 final (note 18)	-	-	-	-	-	-	-	-	-	-	-	(91,026)	(91,026)
Dividends – preference shares (note 18)	-	-	-	-	-	-	-	-	-	-	-	(2,331)	(2,331)
Appropriation to surplus reserve (i)	-	-	-	-	26,398	-	-	-	-	-	26,398	(26,398)	-
Appropriation to general reserve	-	-	-	-	-	23,431	-	-	-	-	23,431	(23,431)	-
Others	-	-	-	(3)	-	-	-	-	-	-	(3)	-	(3)
Balance as at 31 December 2015 and 1 January 2016	356,407	79,375	-	156,195	175,668	241,509	28,489	(1,601)	(4,079)	-	596,181	729,783	1,761,746
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	261,218	261,218
Other comprehensive income	-	-	-	-	-	-	(26,055)	1,364	(672)	(81)	(25,444)	-	(25,444)
Total comprehensive income	-	-	-	-	-	-	(26,055)	1,364	(672)	(81)	(25,444)	261,218	235,774
Dividends – ordinary shares													
2015 final (note 18)	-	-	-	-	-	-	-	-	-	-	-	(83,150)	(83,150)
Dividends – preference shares (note 18)	-	-	-	-	-	-	-	-	-	-	-	(4,450)	(4,450)
Appropriation to surplus reserve (i)	-	-	-	-	26,312	-	-	-	-	-	26,312	(26,312)	-
Appropriation to general reserve	-	-	-	-	-	4,799	-	-	-	-	4,799	(4,799)	-
Others	-	-	-	9	-	-	-	-	-	-	9	-	9
Balance as at 31 December 2016	356,407	79,375	-	156,204	201,980	246,308	2,434	(237)	(4,751)	(81)	601,857	872,290	1,909,929

(i) Includes the appropriation made by overseas branches in the amount of RMB84 million (2015: RMB71 million).

43. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2016	2015
Items that will not be reclassified to profit or loss:		
Share of the other comprehensive income of the investees accounted for using equity method which will not be reclassified to profit or loss	15	(8)
Others	(3)	-
Items that may be reclassified subsequently to profit or loss:		
Net (losses)/gains from change in fair value of available-for-sale financial assets	(37,375)	36,956
Less: Transfer to profit or loss arising from disposal/impairment	(1,246)	(2,357)
Income tax effect	9,172	(8,854)
	(29,449)	25,745
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
Loss during the year	(781)	(88)
Less: Income tax effect	30	-
	(751)	(88)
Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss	(860)	156
Foreign currency translation differences	13,608	(5,400)
Others	(75)	-
	(17,515)	20,405

44. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(1) Structured entities sponsored by third party institutions in which the Group held an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment funds, wealth management products, segregated asset management plans, trust plans and asset-backed securities and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2016 in the structured entities sponsored by third party institutions:

	Group			
	31 December 2016		31 December 2015	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	8,570	8,570	5,679	5,679
Wealth management products	6,189	6,189	27,793	27,793
Segregated asset management plans	243,722	243,722	215,504	215,504
Trust plans	12,560	12,560	3,657	3,657
Asset-backed securities	11,214	11,214	7,182	7,182
	282,255	282,255	259,815	259,815

The following table sets out an analysis of the line items in the statement of financial position as at 31 December 2016 in which assets were recognised relating to the Group's interests in structured entities sponsored by third parties:

	Group			
	31 December 2016			
	Held-to maturity investments	Available-for-sale financial assets	Financial assets designated at fair value through profit or loss	Receivables
Investment funds	–	7,070	–	1,500
Wealth management products	–	4,125	–	2,064
Segregated asset management plans	–	4,679	207,963	31,080
Trust plans	–	–	–	12,560
Asset-backed securities	179	9,367	619	1,049
	179	25,241	208,582	48,253

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	Group			
	31 December 2015			
	Held-to maturity investments	Available-for-sale financial assets	Financial assets designated at fair value through profit or loss	Receivables
Investment funds	–	5,679	–	–
Wealth management products	–	27,593	–	200
Segregated asset management plans	–	–	181,376	34,128
Trust plans	–	–	–	3,657
Asset-backed securities	306	6,480	306	90
	306	39,752	181,682	38,075

The maximum exposures to loss in the above investment funds, wealth management products, segregated asset management plans, trust plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

(2) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2016, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2016, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,423,950 million (31 December 2015: RMB2,385,200 million) and RMB1,127,964 million (31 December 2015: RMB936,220 million) respectively.

(3) Unconsolidated structured entities sponsored by the Group during the year which the Group does not have an interest in 31 December 2016

During the year of 2016, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB2,169 million (2015: RMB6,076 million).

During the year of 2016, the amount of income received from such category of investment funds was RMB1 million. (2015: RMB57 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 was RMB252,931 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2015 but matured before 31 December 2015 was RMB821,477 million).

The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 was RMB5,244 million (The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2015 but matured before 31 December 2015 was RMB57,936 million).

45. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of balances of cash and cash equivalents

	Note	2016	2015
Cash on hand	20	84,572	85,226
Balances with central banks other than restricted deposits	20	113,106	94,843
Nostro accounts with banks and other financial institutions with original maturity of three months or less		86,312	122,082
Placements with banks and other financial institutions with original maturity of three months or less		249,296	235,904
Reverse repurchase agreements with original maturity of three months or less		656,082	903,243
		1,189,368	1,441,298

46. 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.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral in certain circumstance. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2016		31 December 2015	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	25,228	25,160	7,191	7,107
Securities lending agreements	75,081	–	63,834	–
	100,309	25,160	71,025	7,107

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it has retained control of them, those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 31 December 2016, loans with an original carrying amount of RMB45,290 million (31 December 2015: RMB29,527 million) had been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 31 December 2016, the carrying amount of assets that the Group continues to recognise was RMB2,107 million (31 December 2015: RMB1,310 million).

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With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. As at 31 December 2016, the Group does not have carrying amount of transferred assets that did not qualify for derecognition and carrying amount of their associated liabilities (31 December 2015: RMB122 million and RMB17 million respectively).

47. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

48. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2016	2015	2016	2015
Authorised, but not contracted for	535	719	495	701
Contracted, but not provided for	27,833	22,081	3,602	3,261
	28,368	22,800	4,097	3,962

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group and the Bank leased certain office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	Group		Bank	
	2016	2015	2016	2015
Within one year	5,455	5,516	4,922	4,965
Over one year but within five years	9,899	11,093	9,034	10,030
Over five years	2,266	2,369	2,044	2,094
	17,620	18,978	16,000	17,089

Operating lease commitments — Lessor

At the end of the reporting period, the Group leased certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants were as follows:

	Group	
	2016	2015
Within one year	10,046	10,198
Over one year but within five years	39,092	39,463
Over five years	37,331	39,344
	86,469	89,005

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	Group		Bank	
	2016	2015	2016	2015
Bank acceptances	271,691	339,494	265,625	336,461
Guarantees issued:				
Financing letters of guarantees	137,076	61,839	175,554	110,738
Non-financing letters of guarantees	295,471	281,804	301,898	295,055
Sight letters of credit	45,752	27,148	42,966	25,588
Usance letters of credit and other commitments	143,393	219,199	135,910	210,786
Loan commitments:				
With an original maturity of under one year	173,392	102,375	159,962	91,546
With an original maturity of one year or over	1,064,189	727,316	1,011,280	691,737
Undrawn credit card limit	647,448	538,709	620,680	527,533
	2,778,412	2,297,884	2,713,875	2,289,444

	Group		Bank	
	2016	2015	2016	2015
Credit risk-weighted assets of credit commitments(i)	1,231,376	1,071,193	1,194,507	1,042,388

- (i) Internal Ratings-Based approach was adopted to calculate the credit risk-weighted assets according to the scope approved by the CBRC, and others were calculated by weighted approach.

(d) Legal proceedings

As at 31 December 2016, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB5,515 million (31 December 2015: RMB4,715 million).

In the opinion of management, the Group and the Bank have made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group and the Bank.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2016, the Bank had underwritten and sold bonds with an accumulated amount of RMB97,646 million (31 December 2015: RMB97,477 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2016, the Group and the Bank had no unexpired securities underwriting obligations (31 December 2015: Nil).

49. DESIGNATED FUNDS AND LOANS

	Group	
	2016	2015
Designated funds	1,170,264	1,013,303
Designated loans	1,169,979	1,012,587

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

50. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 31 December 2016, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB341,593 million (31 December 2015: RMB144,813 million).

51. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "net fee and commission income" set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

52. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 2016, the MOF directly owned approximately 34.60% (31 December 2015: approximately 34.60%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the material transactions are as follows:

	2016	2015
Balances at end of the year:		
The PRC government bonds and the special government bond	847,923	834,549
Transactions during the year:		
Subscription of the PRC government bonds	225,366	48,340
Redemption of the PRC government bonds	127,314	89,719
Interest income on the PRC government bonds	31,006	29,169
Interest rate ranges during the year are as follows:	%	%
Bond investments	2.10 to 6.15	2.16 to 6.34

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As at 31 December 2016, the Group holds a series of long term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB94,249 million (31 December 2015: RMB108,187 million). The details of the Huarong bonds are included in note 27.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 52(g) "transactions with state-owned entities in the PRC".

(ii) Huijin

As at 31 December 2016, Central Huijin Investment Ltd ("Huijin") directly owned approximately 34.71% (31 December 2015: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2016, the Huijin Bonds held by the Bank are of an aggregate face value of RMB16.91 billion (31 December 2015: RMB16.91 billion), with terms ranging from 3 to 30 years and coupon rates ranging from 3.16% to 4.20% per annum. The Huijin Bonds are government-backed and the Bank's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the material transactions are as follows:

	2016	2015
Balances at end of the year:		
Debt securities purchased	16,786	16,897
Interest receivable	200	200
Due to customers	18,322	22,765
Interest payable	59	21
Financial liabilities designated at fair value through profit or loss	–	5,000

	2016	2015
Transactions during the year:		
Interest income on debt securities purchased	621	722
Interest expense on due to customers	569	662
Net loss on financial liabilities designated at fair value through profit or loss	146	515
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	3.16 to 4.20	3.16 to 4.20
Due to customers	0.01 to 2.00	0.01 to 2.99

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the year conducted with these banks and financial institutions, and the corresponding balances as at 31 December 2016 are as follows:

	2016	2015
Balances at end of the year:		
Debt securities purchased	781,753	870,280
Due from banks and other financial institutions	59,283	76,449
Loans and advances to customers	702	2,366
Derivative financial assets	2,329	814
Due to banks and other financial institutions	140,601	158,662
Derivative financial liabilities	2,533	833
Credit commitments	13,530	14,945

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	2016	2015
Transactions during the year:		
Interest income on debt securities purchased	28,746	32,756
Interest income on amounts due from banks and other financial institutions	130	263
Interest income on loans and advances to customers	31	16
Interest expense on amounts due to banks and other financial institutions	1,051	1,666
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	0.12 to 6.80	0.50 to 6.50
Due from banks and other financial institutions	0 to 15.00	0 to 6.20
Loans and advances to customers	1.33 to 6.50	0.70 to 3.80
Due to banks and other financial institutions	0 to 6.95	0 to 5.45

The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain significant or long dated transactions can vary across the market.

(b) Subsidiaries

	2016	2015
Balances at end of the year:		
Debt securities purchased	25,971	19,827
Due from banks and other financial institutions	427,149	362,556
Loans and advances to customers	15,442	31,906
Derivative financial assets	8,757	3,169
Due to banks and other financial institutions	435,283	385,187
Derivative financial liabilities	3,643	1,893
Reverse repurchase agreements	18,456	4,496
Repurchase agreements	21,328	11,689
Financial investments	3,599	12,500
Credit commitments	103,473	109,424

	2016	2015
Transactions during the year:		
Interest income on debt securities purchased	135	55
Interest income on amounts due from banks and other financial institutions	955	779
Interest income on loans and advances to customers	314	91
Interest expense on amounts due to banks and other financial institutions	917	616
Net trading expense	350	106
Net fee and commission income	1,285	881
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	0.72 to 4.50	0.73 to 4.50
Due from banks and other financial institutions	-0.12 to 60.00	0 to 8.00
Loans and advances to customers	0.70 to 6.61	0.05 to 6.46
Due to banks and other financial institutions	0 to 20.00	0.01 to 9.00

The material balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(c) Associates and affiliates

	2016	2015
Balances at end of the year:		
Due from banks and other financial institutions	1,714	1,062
Loans and advances to customers	1,802	329
Derivative financial assets	1,151	2,242
Due to banks and other financial institutions	8,588	11,957
Due to customers	7	66
Derivative financial liabilities	941	2,003
Credit commitments	43	305

	2016	2015
Transactions during the year:		
Interest income on amounts due from banks and other financial institutions	57	65
Interest income on loans and advances to customers	163	5
Interest expense on amounts due to banks and other financial institutions	104	129
Interest rate ranges during the year are as follows:		
Due from banks and other financial institutions	% 0 to 9.81	% 0 to 8.99
Loans and advances to customers	1.77 to 2.11	1.61 to 2.69
Due to banks and other financial institutions	0 to 4.92	0 to 4.51
Due to customers	0 to 0.30	0 to 0.45

The major transactions between the Group and the associates and their affiliates mainly comprised due from banks and other financial institutions, loans and advances to customers and due to banks and other financial institutions and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Joint ventures and affiliates

	2016	2015
Balances at end of the year:		
Due to customers	227	16
Transactions during the year:		
Interest expense on due to customers	2	–
Interest rate ranges during the year are as follows:		
Due to customers	% 0 to 1.30	% 0.35 to 1.15

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 13 above, is as follows:

	2016 RMB'000	2015 RMB'000
Short term employment benefits	2,665	6,699
Post-employment benefits	159	245
	2,824	6,944

Note: The above remuneration before tax payable to key management personnel for 2015 represents the total amount of annual remuneration, which includes the amount disclosed in the 2015 Annual Report.

The total compensation packages for senior management of the Bank for the year ended 31 December 2016 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's 2016 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

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Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control directly or indirectly are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

	2016	2015
	RMB'000	RMB'000
Loans	2,693	-

There were no other material transactions and balances with key management personnel on an individual basis for the year ended 31 December 2016. The Group enters into banking transactions with key management personnel in the normal course of business.

The aggregated balance of loans and credit card overdraft to the person which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB28.58 million as at 31 December 2016 (31 December 2015: RMB6.86 million).

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund does not hold any share or bond issued by the Group as at 31 December 2016 (31 December 2015: Nil).

(g) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organizations (collectively the "state-owned entities"). During the year, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

53. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

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Others

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expenses arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expenses relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Year ended 31 December 2016				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	242,432	30,433	198,981	–	471,846
Internal net interest (expense)/income	(13,456)	142,221	(128,765)	–	–
Net fee and commission income	79,012	65,882	79	–	144,973
Other income/(expense), net (i)	6,410	(403)	14,193	4,662	24,862
Operating income	314,398	238,133	84,488	4,662	641,681
Operating expenses	(76,432)	(93,718)	(16,628)	(6,334)	(193,112)
Impairment losses on:					
Loans and advances to customers	(73,050)	(13,088)	–	–	(86,138)
Others	(83)	–	(1,004)	(669)	(1,756)
Operating profit/(loss)	164,833	131,327	66,856	(2,341)	360,675
Share of profits of associates and joint ventures	–	–	–	2,604	2,604
Profit before taxation	164,833	131,327	66,856	263	363,279
Income tax expense					(84,173)
Profit for the year					279,106
Other segment information:					
Depreciation	6,535	5,254	2,578	293	14,660
Amortisation	948	657	397	57	2,059
Capital expenditure	24,779	19,758	9,716	1,131	55,384
As at 31 December 2016					
Segment assets	8,914,597	4,245,097	10,840,773	136,798	24,137,265
Including: Investments in associates and joint ventures	–	–	–	30,077	30,077
Property and equipment	99,810	79,878	39,045	27,476	246,209
Other non-current assets (ii)	19,817	7,189	4,547	11,390	42,943
Segment liabilities	10,088,166	8,376,975	3,536,514	154,447	22,156,102
Other segment information:					
Credit commitments	2,130,964	647,448	–	–	2,778,412

- (i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).
- (ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

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	Year ended 31 December 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	287,137	26,963	193,767	-	507,867
Internal net interest (expense)/income	(45,613)	152,758	(107,145)	-	-
Net fee and commission income	78,211	64,709	471	-	143,391
Other income, net (i)	6,179	15	5,519	5,762	17,475
Operating income	325,914	244,445	92,612	5,762	668,733
Operating expenses	(95,797)	(100,962)	(17,966)	(6,110)	(220,835)
Impairment losses on:					
Loans and advances to customers	(63,752)	(22,270)	-	-	(86,022)
Others	(200)	(1)	(202)	(568)	(971)
Operating profit/(loss)	166,165	121,212	74,444	(916)	360,905
Share of profits of associates and joint ventures	-	-	-	2,330	2,330
Profit before taxation	166,165	121,212	74,444	1,414	363,235
Income tax expense					(85,515)
Profit for the year					277,720
Other segment information:					
Depreciation	6,534	5,109	2,625	292	14,560
Amortisation	1,053	704	474	64	2,295
Capital expenditure	25,873	20,045	10,394	1,189	57,501
As at 31 December 2015					
Segment assets	8,427,930	3,587,372	10,075,355	119,123	22,209,780
Including: Investments in associates and joint ventures	-	-	-	24,185	24,185
Property and equipment	89,197	69,444	35,629	30,156	224,426
Other non-current assets (ii)	18,472	7,148	5,077	11,083	41,780
Segment liabilities	9,073,983	7,843,009	3,379,557	112,712	20,409,261
Other segment information:					
Credit commitments	1,759,175	538,709	-	-	2,297,884

- (i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).
- (ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh and Istanbul, etc.).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

- Head Office ("HO"): the HO business division (including institutions directly controlled by the HO and their offices);
- Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;
- Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;
- Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;
- Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
- Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
- Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.
- Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

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	Year ended 31 December 2016									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze	Pearl	Bohai	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	207,530	44,617	41,865	21,868	43,602	67,278	14,378	30,708	-	471,846
Internal net interest (expense)/income	(142,386)	29,542	13,398	70,362	15,497	7,927	7,796	(2,136)	-	-
Net fee and commission income	4,357	38,348	23,417	24,919	19,993	20,293	6,068	7,600	(22)	144,973
Other income, net (i)	786	923	1,294	6,342	611	1,534	209	13,163	-	24,862
Operating income	70,287	113,430	79,974	123,491	79,703	97,032	28,451	49,335	(22)	641,681
Operating expenses	(16,026)	(30,480)	(21,877)	(31,807)	(29,630)	(33,374)	(12,744)	(17,196)	22	(193,112)
Impairment (losses)/reversal on:										
Loans and advances to customers	(7,940)	(15,477)	(12,278)	(18,194)	(10,489)	(16,384)	(2,549)	(2,827)	-	(86,138)
Others	24	(85)	(333)	(104)	(74)	(75)	(14)	(1,095)	-	(1,756)
Operating profit	46,345	67,388	45,486	73,386	39,510	47,199	13,144	28,217	-	360,675
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	2,604	-	2,604
Profit before taxation	46,345	67,388	45,486	73,386	39,510	47,199	13,144	30,821	-	363,279
Income tax expense										(84,173)
Profit for the year										279,106
Other segment information:										
Depreciation	1,841	2,074	1,412	2,198	2,566	3,010	1,161	398	-	14,660
Amortisation	597	235	187	93	263	389	77	218	-	2,059
Capital expenditure	3,772	4,747	3,458	5,339	7,328	8,948	4,236	17,556	-	55,384

- (i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

	As at 31 December 2016									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze	Pearl	Bohai	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	8,368,773	5,194,868	3,096,641	3,626,559	2,275,456	2,827,331	1,068,632	3,129,868	(5,479,261)	24,108,867
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	30,077	-	30,077
Property and equipment	13,020	28,803	11,072	17,791	19,263	23,418	10,391	122,451	-	246,209
Other non-current assets (i)	10,561	5,811	3,557	3,985	5,691	7,563	1,358	4,417	-	42,943
Unallocated assets										28,398
Total assets										24,137,265
Liabilities by geographical areas	6,820,411	5,453,036	3,318,068	5,242,654	2,384,189	2,771,987	1,074,621	517,154	(5,479,261)	22,102,859
Unallocated liabilities										53,243
Total liabilities										22,156,102
Other segment information:										
Credit commitments	662,510	441,169	314,846	485,726	158,583	249,912	67,703	397,963	-	2,778,412

- (i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

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	Year ended 31 December 2015									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze	Pearl	Bohai	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	210,421	56,386	47,333	24,031	49,421	78,677	17,092	24,506	-	507,867
Internal net interest (expense)/income	(135,954)	26,121	10,207	76,079	13,620	3,182	8,185	(1,440)	-	-
Net fee and commission income	4,639	35,803	22,685	24,685	21,179	20,588	5,751	8,167	(106)	143,391
Other (expense)/income, net (i)	(2,146)	(649)	1,082	6,209	227	1,811	(131)	11,072	-	17,475
Operating income	76,960	117,661	81,307	131,004	84,447	104,258	30,897	42,305	(106)	668,733
Operating expenses	(19,094)	(35,297)	(25,271)	(37,297)	(34,545)	(39,482)	(14,593)	(15,362)	106	(220,835)
Impairment losses on:										
Loans and advances to customers	(6,047)	(24,946)	(20,546)	(11,034)	(9,080)	(10,984)	(1,769)	(1,616)	-	(86,022)
Others	(185)	(113)	(176)	(24)	(7)	(21)	(2)	(443)	-	(971)
Operating profit	51,634	57,305	35,314	82,649	40,815	53,771	14,533	24,884	-	360,905
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	2,330	-	2,330
Profit before taxation	51,634	57,305	35,314	82,649	40,815	53,771	14,533	27,214	-	363,235
Income tax expense										(85,515)
Profit for the year										277,720
Other segment information:										
Depreciation	1,823	2,178	1,435	2,131	2,528	2,968	1,117	380	-	14,560
Amortisation	779	267	104	144	261	372	68	300	-	2,295
Capital expenditure	2,488	6,026	1,081	1,906	2,727	3,649	1,137	38,487	-	57,501

- (i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

	As at 31 December 2015									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze	Pearl	Bohai	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,142,237	4,862,465	3,366,173	3,633,597	2,216,719	2,819,807	1,069,622	2,450,563	(7,372,469)	22,188,714
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	24,185	-	24,185
Property and equipment	14,164	29,480	11,843	18,844	19,906	24,329	10,771	95,089	-	224,426
Other non-current assets (i)	10,717	5,839	3,086	4,031	5,610	7,209	1,318	3,970	-	41,780
Unallocated assets										21,066
Total assets										22,209,780
Liabilities by geographical areas	7,568,090	4,995,033	3,497,543	4,799,262	2,289,592	2,732,706	1,024,661	810,582	(7,372,469)	20,345,000
Unallocated liabilities										64,261
Total liabilities										20,409,261
Other segment information:										
Credit commitments	558,184	398,045	250,410	415,973	149,897	207,604	54,608	263,163	-	2,297,884

- (i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

54. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the "Board") has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments monitoring financial risks within the Group, including the Credit Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the Head Office and management of the relevant branches.

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(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Group's credit risk management function include:

- Centralised credit management policies and procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Group also makes available to its customers' guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

The Group will normally sign an International Swaps and Derivatives Association ("ISDA") Master Agreement, a China Interbank Market Financial Derivatives Master Agreement ("NAFMII master agreement") with its counterparties for documenting over-the-counter derivative activities. Each of these master agreements provides the contractual framework within which derivative dealing activities are conducted. Under each of these master agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

(a) Credit risk (continued)

If there is objective evidence that an impairment loss on a loan or advance has 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. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

Homogenous groups of loans not considered individually significant

For homogeneous groups of loans, the Group uses a collective assessment approach for impairment losses. The approach analyses historical trends of probability of default and the amount of the consequential loss, as well as evaluates current economic conditions that may have a consequential impact on inherent losses in the portfolio.

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(a) Credit risk (continued)

Individually assessed loans with no objective evidence of impairment

Individually assessed loans with no objective evidence of impairment 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:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether these, in management's experience, indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

As soon as information that specifically identifies objective evidence of impairment on individual assets in a pool is available, those assets are excluded and individually assessed. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. Fair value of collateral is shown in note 25.

Corporate loans are mainly collateralised by properties or other assets. As at 31 December 2016, the carrying value of corporate loans and discounted bills covered by collateral amounted to RMB8,860,677 million (31 December 2015: RMB8,391,604 million), of which credit exposure of corporate loans covered by collateral amounted to RMB3,771,915 million (31 December 2015: RMB3,712,124 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2016, the carrying value of retail loans covered by collateral amounted to RMB4,196,169 million (31 December 2015: RMB3,541,862 million), of which credit exposure of retail loans covered by collateral amounted to RMB3,666,608 million (31 December 2015: RMB3,027,428 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of a collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair value of collateral of past due but not impaired loans and impaired loans are disclosed in note 54(a)(iii).

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

(a) Credit risk (continued)

- (i) *Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

As at the end of the reporting period, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

	Group		Bank	
	2016	2015	2016	2015
Balances with central banks	3,266,216	2,974,407	3,209,722	2,909,988
Due from banks and other financial institutions	797,473	683,793	927,705	772,568
Financial assets held for trading	183,315	132,465	135,775	115,950
Financial assets designated at fair value through profit or loss	285,144	210,434	272,118	206,282
Derivative financial assets	94,452	78,870	62,892	33,290
Reverse repurchase agreements	755,627	996,333	502,296	792,876
Loans and advances to customers	12,767,334	11,652,812	12,033,200	11,026,476
Financial investments				
— Receivables	291,370	352,143	263,456	338,839
— Held-to-maturity investments	2,973,042	2,870,353	2,876,081	2,813,091
— Available-for-sale financial assets	1,729,434	1,430,266	1,532,327	1,296,903
Others	315,725	272,777	252,944	219,948
	23,459,132	21,654,653	22,068,516	20,526,211
Credit commitments	2,778,412	2,297,884	2,713,875	2,289,444
Total maximum credit risk exposure	26,237,544	23,952,537	24,782,391	22,815,655

- (ii) *Risk concentrations*

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

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(a) Credit risk (continued)

By geographical distribution

The following tables set out the breakdown of the Group's and the Bank's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution:

Group

31 December 2016

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	2,860,191	44,528	50,706	84,806	23,158	29,242	9,372	164,213	3,266,216
Due from banks and other financial institutions	529,573	11,524	1,347	449	1,970	1,089	162	251,359	797,473
Financial assets held for trading	135,775	-	-	-	-	-	-	47,540	183,315
Financial assets designated at fair value through profit or loss	119	259	182	270,197	193	205	46	13,943	285,144
Derivative financial assets	40,803	3,107	2,255	1,634	178	640	416	45,419	94,452
Reverse repurchase agreements	483,320	-	-	-	-	-	-	272,307	755,627
Loans and advances to customers	534,225	2,361,303	1,704,380	2,112,523	1,783,466	2,264,366	691,375	1,315,696	12,767,334
Financial investments									
— Receivables	236,101	153	494	2,756	3,800	312	240	47,514	291,370
— Held-to-maturity investments	2,678,442	35,640	17,402	16,551	27,706	39,190	9,607	148,504	2,973,042
— Available-for-sale financial assets	1,083,560	51,435	29,902	227,690	20,845	26,833	2,408	286,761	1,729,434
Others	170,596	15,449	13,374	18,327	13,000	14,371	3,130	67,478	315,725
	8,752,705	2,523,398	1,820,042	2,734,933	1,874,316	2,376,248	716,756	2,660,734	23,459,132
Credit commitments	662,510	441,169	314,846	485,726	158,583	249,912	67,703	397,963	2,778,412
Total maximum credit risk exposure	9,415,215	2,964,567	2,134,888	3,220,659	2,032,899	2,626,160	784,459	3,058,697	26,237,544

The compositions of each geographical distribution above are set out in note 53(b).

31 December 2015

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	2,546,091	66,674	72,786	84,112	16,509	30,432	22,002	135,801	2,974,407
Due from banks and other financial institutions	411,713	4,210	592	21,413	1,471	1,256	362	242,776	683,793
Financial assets held for trading	115,855	-	-	95	-	-	-	16,515	132,465
Financial assets designated at fair value through profit or loss	277	64	42	204,917	19	50	12	5,053	210,434
Derivative financial assets	17,758	2,746	1,347	1,726	238	206	843	54,006	78,870
Reverse repurchase agreements	788,380	-	-	-	-	-	-	207,953	996,333
Loans and advances to customers	472,341	2,237,047	1,513,330	1,970,272	1,636,115	2,129,451	654,867	1,039,389	11,652,812
Financial investments									
— Receivables	327,410	635	484	5,508	4,260	302	240	13,304	352,143
— Held-to-maturity investments	2,643,343	42,541	21,454	13,469	11,844	28,973	9,607	99,122	2,870,353
— Available-for-sale financial assets	875,753	54,154	34,253	237,336	19,189	20,394	2,642	186,545	1,430,266
Others	136,643	19,021	10,966	20,274	11,813	13,253	3,177	57,630	272,777
	8,335,564	2,427,092	1,655,254	2,559,122	1,701,458	2,224,317	693,752	2,058,094	21,654,653
Credit commitments	558,184	398,045	250,410	415,973	149,897	207,604	54,608	263,163	2,297,884
Total maximum credit risk exposure	8,893,748	2,825,137	1,905,664	2,975,095	1,851,355	2,431,921	748,360	2,321,257	23,952,537

The compositions of each geographical distribution above are set out in note 53(b).

(a) Credit risk (continued)

Bank

31 December 2016

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	2,860,191	44,528	50,706	84,806	23,158	29,242	9,372	107,719	3,209,722
Due from banks and other financial institutions	645,979	13,308	5,282	543	1,990	1,220	162	259,221	927,705
Financial assets held for trading	135,775	—	—	—	—	—	—	—	135,775
Financial assets designated at fair value through profit or loss	119	259	182	270,197	193	205	46	917	272,118
Derivative financial assets	47,920	3,107	2,255	1,634	178	640	416	6,742	62,892
Reverse repurchase agreements	501,776	—	—	—	—	—	—	520	502,296
Loans and advances to customers	534,225	2,362,003	1,704,380	2,120,405	1,783,466	2,264,366	691,375	572,980	12,033,200
Financial investments									
— Receivables	255,701	153	494	2,756	3,800	312	240	—	263,456
— Held-to-maturity investments	2,685,913	35,640	17,402	16,551	27,706	39,190	9,607	44,072	2,876,081
— Available-for-sale financial assets	1,084,057	51,435	29,902	227,690	20,845	26,833	2,408	89,157	1,532,327
Others	170,667	15,449	13,374	18,327	13,000	14,371	3,130	4,626	252,944
	8,922,323	2,525,882	1,823,977	2,742,909	1,874,336	2,376,379	716,756	1,085,954	22,068,516
Credit commitments	664,711	454,359	329,705	497,717	168,277	253,367	69,844	275,895	2,713,875
Total maximum credit risk exposure	9,587,034	2,980,241	2,153,682	3,240,626	2,042,613	2,629,746	786,600	1,361,849	24,782,391

The compositions of each geographical distribution above are set out in note 53(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

31 December 2015

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	2,546,091	66,674	72,786	84,112	16,509	30,432	22,002	71,382	2,909,988
Due from banks and other financial institutions	526,428	4,265	5,133	21,434	1,763	949	555	212,041	772,568
Financial assets held for trading	115,855	—	—	95	—	—	—	—	115,950
Financial assets designated at fair value through profit or loss	277	64	42	204,917	19	50	12	901	206,282
Derivative financial assets	18,916	2,746	1,347	1,726	238	206	843	7,268	33,290
Reverse repurchase agreements	792,876	—	—	—	—	—	—	—	792,876
Loans and advances to customers	472,341	2,237,047	1,513,330	1,977,195	1,636,115	2,130,405	654,867	405,176	11,026,476
Financial investments									
— Receivables	327,410	635	484	5,508	4,260	302	240	—	338,839
— Held-to-maturity investments	2,647,078	42,541	21,454	13,469	11,844	28,973	9,607	38,125	2,813,091
— Available-for-sale financial assets	875,753	54,154	34,253	237,336	19,189	20,394	2,642	53,182	1,296,903
Others	136,668	19,021	10,966	20,274	11,813	13,253	3,177	4,776	219,948
	8,459,693	2,427,147	1,659,795	2,566,066	1,701,750	2,224,964	693,945	792,851	20,526,211
Credit commitments	558,584	412,366	268,690	432,707	155,694	211,347	57,204	192,852	2,289,444
Total maximum credit risk exposure	9,018,277	2,839,513	1,928,485	2,998,773	1,857,444	2,436,311	751,149	985,703	22,815,655

The compositions of each geographical distribution above are set out in note 53(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

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(a) Credit risk (continued)

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 54(a)(iv) to the financial statements. The composition of the Group's and of the Bank's gross loans and advances to customers by industry is analysed as follows:

	Group		Bank	
	2016	2015	2016	2015
Transportation, storage and postal services	1,640,498	1,551,248	1,553,297	1,458,156
Manufacturing	1,550,544	1,603,631	1,487,718	1,527,906
Production and supply of electricity, heating, gas and water	891,870	835,616	860,182	799,646
Leasing and commercial services	828,686	724,246	792,786	696,444
Wholesale and retail	776,739	866,779	723,799	821,903
Real estate	642,423	562,917	495,609	453,665
Water, environment and public utility management	536,718	472,791	520,598	463,172
Mining	274,273	280,556	244,543	261,988
Finance	251,733	198,069	173,701	164,422
Construction	212,450	226,619	195,771	213,570
Science, education, culture and sanitation	136,799	137,497	127,104	128,682
Others	397,951	409,583	320,923	326,232
Subtotal for corporate loans	8,140,684	7,869,552	7,496,031	7,315,786
Personal mortgage and business loans	3,497,110	2,811,288	3,435,078	2,758,696
Others	699,059	730,574	673,362	712,843
Subtotal for personal loans	4,196,169	3,541,862	4,108,440	3,471,539
Discounted bills	719,993	522,052	708,339	511,707
Total for loans and advances to customers	13,056,846	11,933,466	12,312,810	11,299,032

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	Group		Bank	
	2016	2015	2016	2015
Neither past due nor impaired	12,706,016	11,599,446	11,980,647	10,979,700
Past due but not impaired	139,029	154,502	127,030	145,475
Impaired	211,801	179,518	205,133	173,857
	13,056,846	11,933,466	12,312,810	11,299,032
Less: Allowance for impairment losses	(289,512)	(280,654)	(279,610)	(272,556)
	12,767,334	11,652,812	12,033,200	11,026,476

(a) Credit risk (continued)

Neither past due nor impaired

The balance of loans and advances to customers of the Group and the Bank that are neither past due nor impaired analysed by five-tier classification and by collateral are as follows:

Group

	2016			2015		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	3,445,069	60,195	3,505,264	3,209,224	38,155	3,247,379
Guaranteed loans	1,676,309	137,312	1,813,621	1,425,870	119,735	1,545,605
Loans secured by mortgages	5,561,633	227,619	5,789,252	5,131,186	189,839	5,321,025
Pledged loans	1,570,704	27,175	1,597,879	1,454,131	31,306	1,485,437
	12,253,715	452,301	12,706,016	11,220,411	379,035	11,599,446

Bank

	2016			2015		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	3,376,134	58,996	3,435,130	3,135,856	36,398	3,172,254
Guaranteed loans	1,554,106	136,101	1,690,207	1,352,375	118,830	1,471,205
Loans secured by mortgages	5,092,031	215,490	5,307,521	4,701,956	184,160	4,886,116
Pledged loans	1,521,499	26,290	1,547,789	1,419,713	30,412	1,450,125
	11,543,770	436,877	11,980,647	10,609,900	369,800	10,979,700

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group and the Bank that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

Group

	2016			2015		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	57,540	17,324	74,864	68,926	15,913	84,839
One to two months	13,414	7,437	20,851	22,052	7,870	29,922
Two to three months	33,458	9,856	43,314	30,099	9,642	39,741
Total	104,412	34,617	139,029	121,077	33,425	154,502
Fair value of collateral held	103,327	67,707	171,034	118,814	65,453	184,267

(a) Credit risk (continued)

Bank

	2016			2015		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	48,816	14,962	63,778	62,514	15,138	77,652
One to two months	12,988	7,237	20,225	21,964	7,544	29,508
Two to three months	33,267	9,760	43,027	28,699	9,616	38,315
Total	95,071	31,959	127,030	113,177	32,298	145,475
Fair value of collateral held	99,153	65,137	164,290	116,546	63,324	179,870

Impaired

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated. These loans and advances include corporate loans and personal loans which are graded as "Substandard", "Doubtful" or "Loss".

The fair values of collateral that the Group and the Bank hold relating to loans individually determined to be impaired as at 31 December 2016 amounted to RMB42,046 million (31 December 2015: RMB43,771 million) and RMB40,477 million (31 December 2015: RMB42,196 million), respectively. The collateral mainly consists of land and buildings, equipment and others.

Renegotiated loans and advances to customers

The Group has formulated a set of loan restructuring policies to renegotiate the contractual terms with customers, to maximise the collectability of loans and to manage customer relationships.

The carrying amount of renegotiated loans and advances to customers is as follows:

	Group		Bank	
	2016	2015	2016	2015
Renegotiated loans and advances to customers	5,541	4,557	5,052	4,441
Including: Impaired loans and advances to customers included in above	2,085	1,942	1,652	1,905

Collateral repossessed

During the year, the Group took possession of collateral held as security with a carrying amount of RMB2,106 million (2015: RMB3,690 million). Such collateral mainly comprises land and buildings, equipment and others.

(a) Credit risk (continued)

(iv) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities by types of issuers and investments:

Group

31 December 2016

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	85,000	1,897,917	545,382	14,188	–	2,542,487
Policy banks	–	969,849	334,477	4,548	10,576	1,319,450
Public sector entities	2,200	22,236	141,405	10,938	2,212	178,991
Banks and other financial institutions	134,579	47,724	369,938	107,963	21,277	681,481
Corporate entities	22,386	35,329	329,358	45,678	6,808	439,559
Subtotal	244,165	2,973,055	1,720,560	183,315	40,873	5,161,968
Less: Collective allowance for impairment losses	–	(13)	–	–	–	(13)
Subtotal	244,165	2,973,042	1,720,560	183,315	40,873	5,161,955
Impaired (*)						
Banks and other financial institutions	–	68	–	–	–	68
Corporate entities	–	26	427	–	–	453
–	–	94	427	–	–	521
Less: Individual allowance for impairment losses	–	(94)	(357)	–	–	(451)
Subtotal	–	–	70	–	–	70
Total	244,165	2,973,042	1,720,630	183,315	40,873	5,162,025

31 December 2015

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	85,000	1,639,828	179,759	5,512	–	1,910,099
Policy banks	15,090	1,159,165	327,141	1,726	9,970	1,513,092
Public sector entities	1,500	17,726	93,269	4,272	907	117,674
Banks and other financial institutions	171,997	21,393	360,194	82,320	1,139	637,043
Corporate entities	40,572	32,244	442,169	38,635	10,208	563,828
Subtotal	314,159	2,870,356	1,402,532	132,465	22,224	4,741,736
Less: Collective allowance for impairment losses	–	(3)	–	–	–	(3)
Subtotal	314,159	2,870,353	1,402,532	132,465	22,224	4,741,733
Impaired (*)						
Banks and other financial institutions	–	92	–	–	–	92
Corporate entities	–	–	434	–	–	434
–	–	92	434	–	–	526
Less: Individual allowance for impairment losses	–	(92)	(293)	–	–	(385)
Subtotal	–	–	141	–	–	141
Total	314,159	2,870,353	1,402,673	132,465	22,224	4,741,874

(*) Impaired debt securities above are mainly determined based on individual assessments. In determining whether a debt security is impaired, the Group considers the evidence of a loss event and the decreases in estimated future cash flows. No collateral was held by the Group as security of the impaired debt securities.

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(a) Credit risk (continued)

Bank

31 December 2016

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	85,000	1,859,025	508,190	7,818	–	2,460,033
Policy banks	–	944,086	275,427	1,095	10,576	1,231,184
Public sector entities	2,200	20,023	137,463	1,207	2,212	163,105
Banks and other financial institutions	137,180	45,435	314,156	103,133	21,277	621,181
Corporate entities	22,386	7,525	297,021	22,521	6,536	355,989
Subtotal	246,766	2,876,094	1,532,257	135,774	40,601	4,831,492
Less: Collective allowance for impairment losses	–	(13)	–	–	–	(13)
Subtotal	246,766	2,876,081	1,532,257	135,774	40,601	4,831,479
Impaired (*)						
Corporate entities	–	26	195	–	–	221
–	–	26	195	–	–	221
Less: Individual allowance for impairment losses	–	(26)	(125)	–	–	(151)
Subtotal	–	–	70	–	–	70
Total	246,766	2,876,081	1,532,327	135,774	40,601	4,831,549

31 December 2015

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	85,000	1,607,344	153,413	842	–	1,846,599
Policy banks	15,090	1,149,092	323,325	1,609	9,970	1,499,086
Public sector entities	1,500	16,671	90,748	4,272	907	114,098
Banks and other financial institutions	171,997	28,169	324,828	76,100	1,104	602,198
Corporate entities	40,572	11,818	404,528	33,127	10,028	500,073
Subtotal	314,159	2,813,094	1,296,842	115,950	22,009	4,562,054
Less: Collective allowance for impairment losses	–	(3)	–	–	–	(3)
Subtotal	314,159	2,813,091	1,296,842	115,950	22,009	4,562,051
Impaired (*)						
Banks and other financial institutions	–	24	–	–	–	24
Corporate entities	–	–	107	–	–	107
–	–	24	107	–	–	131
Less: Individual allowance for impairment losses	–	(24)	(46)	–	–	(70)
Subtotal	–	–	61	–	–	61
Total	314,159	2,813,091	1,296,903	115,950	22,009	4,562,112

(*) Impaired debt securities above are mainly determined based on individual assessments. In determining whether a debt security is impaired, the Bank considers the evidence of a loss event and the decreases in estimated future cash flows. No collateral was held by the Bank as security of the impaired debt securities.

(b) Liquidity risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although remaining solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(i) Analysis of the remaining maturity of the assets and liabilities

The Group and the Bank's expected remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

31 December 2016

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	436,282	11,639	18,517	47,281	–	–	2,837,069	3,350,788
Due from banks and other financial institutions (*)	158,433	849,479	244,926	228,917	71,304	41	–	1,553,100
Financial assets held for trading	–	46,100	25,488	102,658	935	8,134	6,016	189,331
Financial assets designated at fair value through profit or loss	1,448	206	14,260	36,078	205,253	23,791	4,108	285,144
Derivative financial assets	254	14,989	20,320	39,732	14,489	4,668	–	94,452
Loans and advances to customers	62,087	874,345	774,633	2,785,447	2,970,082	5,144,336	156,404	12,767,334
Financial investments	–	70,726	185,303	610,237	2,534,397	1,593,183	12,853	5,006,699
Investments in associates and joint ventures	–	–	–	–	–	–	30,077	30,077
Property and equipment	–	–	–	–	–	–	246,209	246,209
Others	377,080	44,195	28,506	53,039	33,428	35,983	41,900	614,131
Total assets	1,035,584	1,911,679	1,311,953	3,903,389	5,829,888	6,810,136	3,334,636	24,137,265
Liabilities:								
Due to central banks	–	–	–	118	427	–	–	545
Financial liabilities designated at fair value through profit or loss	59,279	75,000	168,142	46,949	15,144	2,238	–	366,752
Derivative financial liabilities	409	10,099	21,143	36,924	15,687	5,698	–	89,960
Due to banks and other financial institutions (**)	1,283,492	816,224	191,175	239,314	24,320	51,580	–	2,606,105
Certificates of deposit	–	29,968	67,031	103,774	17,201	453	–	218,427
Due to customers	9,783,195	859,223	1,286,200	3,705,472	2,185,850	5,362	–	17,825,302
Debt securities issued	–	6,006	8,318	13,953	136,514	193,146	–	357,937
Others	300,535	72,155	60,357	135,012	70,885	52,130	–	691,074
Total liabilities	11,426,910	1,868,675	1,802,366	4,281,516	2,466,028	310,607	–	22,156,102
Net liquidity gap	(10,391,326)	43,004	(490,413)	(378,127)	3,363,860	6,499,529	3,334,636	1,981,163

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2016
(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

31 December 2015

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	471,606	-	-	-	-	-	2,588,027	3,059,633
Due from banks and other financial institutions (*)	206,836	1,091,447	153,808	197,090	30,904	41	-	1,680,126
Financial assets held for trading	-	12,700	24,030	81,757	11,660	2,318	373	132,838
Financial assets designated at fair value through profit or loss	534	1,051	6,750	9,211	174,786	13,665	4,437	210,434
Derivative financial assets	681	11,116	12,841	31,758	18,134	4,340	-	78,870
Loans and advances to customers	68,278	755,892	739,152	2,918,622	2,881,766	4,139,152	149,950	11,652,812
Financial investments	-	97,632	207,490	808,375	2,344,194	1,194,931	14,069	4,666,691
Investments in associates and joint ventures	-	-	-	-	-	-	24,185	24,185
Property and equipment	-	-	-	-	-	-	224,426	224,426
Others	270,430	51,295	9,188	53,048	23,629	33,018	39,157	479,765
Total assets	1,018,365	2,021,133	1,153,259	4,099,861	5,485,073	5,387,465	3,044,624	22,209,780
Liabilities:								
Due to central banks	-	-	20	30	160	-	-	210
Financial liabilities designated at fair value through profit or loss	59,151	81,382	122,790	22,124	17,267	1,213	-	303,927
Derivative financial liabilities	512	11,467	12,890	28,555	17,170	6,232	-	76,826
Due to banks and other financial institutions (**)	1,541,535	590,578	178,260	210,401	45,149	37,128	-	2,603,051
Certificates of deposit	-	35,579	53,158	77,938	16,234	443	-	183,352
Due to customers	8,515,746	891,898	1,241,541	3,574,017	2,055,662	3,075	-	16,281,939
Debt securities issued	-	9,880	11,789	17,054	72,154	195,745	-	306,622
Others	287,242	77,754	73,697	143,495	64,250	6,896	-	653,334
Total liabilities	10,404,186	1,698,538	1,694,145	4,073,614	2,288,046	250,732	-	20,409,261
Net liquidity gap	(9,385,821)	322,595	(540,886)	26,247	3,197,027	5,136,733	3,044,624	1,800,519

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(b) Liquidity risk (continued)

Bank

31 December 2016

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	413,572	11,639	18,517	47,281	-	-	2,799,261	3,290,270
Due from banks and other financial institutions (*)	66,696	761,207	292,443	248,963	56,690	4,002	-	1,430,001
Financial assets held for trading	-	42,588	12,889	77,676	1,783	838	48,300	184,074
Financial assets designated at fair value through profit or loss	1,297	206	14,260	30,745	201,682	19,820	4,108	272,118
Derivative financial assets	-	12,974	16,639	30,743	1,749	787	-	62,892
Loans and advances to customers	49,222	840,779	725,987	2,675,726	2,682,913	4,904,653	153,920	12,033,200
Financial investments	-	61,974	168,848	580,312	2,334,396	1,526,334	76,512	4,748,376
Investments in subsidiaries and associates	-	-	-	-	-	-	136,530	136,530
Property and equipment	-	-	-	-	-	-	124,089	124,089
Others	319,652	38,678	8,739	49,645	25,465	34,468	29,883	506,530
Total assets	850,439	1,770,045	1,258,322	3,741,091	5,304,678	6,490,902	3,372,603	22,788,080
Liabilities:								
Due to central banks	-	-	-	-	379	-	-	379
Financial liabilities designated at fair value through profit or loss	59,185	74,912	168,127	36,092	13,685	-	-	352,001
Derivative financial liabilities	-	8,762	18,411	27,813	2,210	983	-	58,179
Due to banks and other financial institutions (**)	1,246,298	644,608	141,150	189,312	4,401	-	-	2,225,769
Certificates of deposit	-	27,002	56,391	93,721	16,936	453	-	194,503
Due to customers	9,603,296	724,528	1,154,911	3,591,901	2,155,589	5,362	-	17,235,587
Debt securities issued	-	3,308	1,042	10,832	80,530	183,734	-	279,446
Others	226,524	59,374	53,285	128,418	58,133	6,553	-	532,287
Total liabilities	11,135,303	1,542,494	1,593,317	4,078,089	2,331,863	197,085	-	20,878,151
Net liquidity gap	(10,284,864)	227,551	(334,995)	(336,998)	2,972,815	6,293,817	3,372,603	1,909,929

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2016
(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

31 December 2015

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	438,595	-	-	-	-	-	2,553,024	2,991,619
Due from banks and other financial institutions (*)	128,273	1,012,629	179,239	222,886	20,299	2,118	-	1,565,444
Financial assets held for trading	-	12,091	23,854	77,365	1,844	796	-	115,950
Financial assets designated at fair value through profit or loss	534	1,051	6,750	8,994	170,851	13,665	4,437	206,282
Derivative financial assets	-	6,854	5,689	18,098	1,897	752	-	33,290
Loans and advances to customers	65,032	731,234	708,366	2,785,871	2,616,127	3,973,504	146,342	11,026,476
Financial investments	-	84,014	197,508	745,343	2,245,551	1,176,355	2,227	4,450,998
Investments in subsidiaries and associates	-	-	-	-	-	-	135,308	135,308
Property and equipment	-	-	-	-	-	-	129,669	129,669
Others	211,640	38,449	7,730	51,224	22,751	32,679	27,437	391,910
Total assets	844,074	1,886,322	1,129,136	3,909,781	5,079,320	5,199,869	2,998,444	21,046,946
Liabilities:								
Financial liabilities designated at fair value through profit or loss	55,866	81,380	122,646	21,682	15,840	-	-	297,414
Derivative financial liabilities	-	8,404	7,140	14,665	2,004	931	-	33,144
Due to banks and other financial institutions (**)	1,500,867	424,289	125,601	160,226	23,136	-	-	2,234,119
Certificates of deposit	-	24,572	40,220	69,614	15,264	443	-	150,113
Due to customers	8,372,090	765,431	1,136,934	3,476,619	2,027,537	3,062	-	15,781,673
Debt securities issued	-	1,240	7,197	8,872	38,850	184,016	-	240,175
Others	219,042	57,126	69,291	139,405	57,009	6,689	-	548,562
Total liabilities	10,147,865	1,362,442	1,509,029	3,891,083	2,179,640	195,141	-	19,285,200
Net liquidity gap	(9,303,791)	523,880	(379,893)	18,698	2,899,680	5,004,728	2,998,444	1,761,746

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(b) Liquidity risk (continued)

Group

31 December 2016

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	436,282	11,639	22,347	47,281	–	–	2,837,069	3,354,618
Due from banks and other financial institutions (*)	158,439	851,293	247,894	235,908	74,923	50	–	1,568,507
Financial assets held for trading	–	46,188	25,796	105,143	3,398	13,085	6,016	199,626
Financial assets designated at fair value through profit or loss	1,448	219	14,536	36,907	206,982	24,149	4,108	288,349
Loans and advances to customers (**)	62,950	937,939	924,671	3,313,707	4,824,943	7,560,269	263,899	17,888,378
Financial investments	–	72,261	191,060	632,463	2,621,704	1,642,179	12,853	5,172,520
Others	373,172	27,824	4,295	6,061	6,614	416	3,249	421,631
	1,032,291	1,947,363	1,430,599	4,377,470	7,738,564	9,240,148	3,127,194	28,893,629

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2016

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	–	119	427	–	–	546
Financial liabilities designated at fair value through profit or loss	59,943	75,114	169,503	48,348	16,141	2,277	–	371,326
Due to banks and other financial institutions (*)	1,283,844	817,628	192,176	242,106	27,095	68,179	–	2,631,028
Certificates of deposit	–	30,075	67,511	105,233	17,590	480	–	220,889
Due to customers	9,791,273	861,958	1,316,461	3,777,425	2,305,827	6,017	–	18,058,961
Debt securities issued	–	6,035	9,400	28,511	186,995	245,210	–	476,151
Others	293,113	8,894	4,237	5,340	13,900	10,383	–	335,867
	11,428,173	1,799,704	1,759,288	4,207,082	2,567,975	332,546	–	22,094,768
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	(52)	(137)	(181)	115	182	–	(73)
Derivative financial instruments settled on gross basis:								
— Cash inflow	15,916	1,009,201	1,107,223	1,724,950	171,304	17,675	–	4,046,269
— Cash outflow	(15,820)	(1,005,076)	(1,103,824)	(1,714,270)	(166,880)	(17,001)	–	(4,022,871)
	96	4,125	3,399	10,680	4,424	674	–	23,398

(*) Includes repurchase agreements.

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Financial Statements for the year ended 31 December 2016
(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

31 December 2015

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	471,606	-	3,480	-	-	-	2,588,027	3,063,113
Due from banks and other financial institutions (*)	206,837	1,093,314	155,711	202,647	34,250	50	-	1,692,809
Financial assets held for trading	-	12,729	24,225	83,231	13,790	4,916	373	139,264
Financial assets designated at fair value through profit or loss	534	1,065	6,802	9,776	174,944	13,689	4,437	211,247
Loans and advances to customers (**)	69,484	815,009	878,558	3,407,083	4,481,120	5,903,532	235,756	15,790,542
Financial investments	-	98,461	212,512	835,939	2,414,570	1,225,527	14,104	4,801,113
Others	222,918	33,767	5,282	7,374	5,815	508	2,242	277,906
	971,379	2,054,345	1,286,570	4,546,050	7,124,489	7,148,222	2,844,939	25,975,994

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2015

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	-	-	20	31	160	-	-	211
Financial liabilities designated at fair value through profit or loss	59,200	81,491	123,294	22,503	19,300	1,240	-	307,028
Due to banks and other financial institutions (*)	1,541,557	592,445	180,183	214,820	47,487	37,141	-	2,613,633
Certificates of deposit	-	35,766	53,905	79,441	17,207	522	-	186,841
Due to customers	8,516,764	893,282	1,264,680	3,632,057	2,128,421	3,457	-	16,438,661
Debt securities issued	-	9,987	12,784	25,980	106,603	250,514	-	405,868
Others	196,112	9,825	2,497	3,387	34,126	30,908	-	276,855
	10,313,633	1,622,796	1,637,363	3,978,219	2,353,304	323,782	-	20,229,097
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	557	(105)	(37)	67	37	-	519
Derivative financial instruments settled on gross basis:								
— Cash inflow	55,558	1,234,460	752,515	1,592,386	267,045	35,759	-	3,937,723
— Cash outflow	(55,435)	(1,235,452)	(754,756)	(1,587,293)	(264,255)	(36,900)	-	(3,934,091)
	123	(992)	(2,241)	5,093	2,790	(1,141)	-	3,632

(*) Includes repurchase agreements.

(b) Liquidity risk (continued)

Bank

31 December 2016

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	413,572	11,639	22,296	47,281	—	—	2,799,261	3,294,049
Due from banks and other financial institutions (*)	66,701	763,079	295,868	254,645	58,529	4,814	—	1,443,636
Financial assets held for trading	—	42,658	13,020	79,141	2,189	895	48,300	186,203
Financial assets designated at fair value through profit or loss	1,297	219	14,536	31,574	203,245	20,178	4,108	275,157
Loans and advances to customers (**)	49,988	901,221	867,533	3,173,863	4,425,087	7,210,629	257,043	16,885,364
Financial investments	—	63,376	174,177	600,938	2,413,765	1,569,467	76,512	4,898,235
Others	311,382	23,554	119	242	59	—	1,425	336,781
	842,940	1,805,746	1,387,549	4,187,684	7,102,874	8,805,983	3,186,649	27,319,425

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2016

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	—	—	—	—	379	—	—	379
Financial liabilities designated at fair value through profit or loss	59,185	75,114	169,491	36,934	15,752	—	—	356,476
Due to banks and other financial institutions (*)	1,246,649	645,735	141,531	191,340	4,436	—	—	2,229,691
Certificates of deposit	—	27,104	56,790	95,079	17,359	480	—	196,812
Due to customers	9,604,216	725,189	1,178,132	3,651,288	2,227,466	6,017	—	17,392,308
Debt securities issued	—	3,311	1,686	21,491	122,264	237,300	—	386,052
Others	184,801	1,042	164	557	1,403	3,311	—	191,278
	11,094,851	1,477,495	1,547,794	3,996,689	2,389,059	247,108	—	20,752,996
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	113	(99)	(214)	102	(39)	—	(137)
Derivative financial instruments settled on gross basis:								
— Cash inflow	—	808,559	999,032	1,605,798	66,739	1,644	—	3,481,772
— Cash outflow	—	(807,068)	(997,897)	(1,599,245)	(67,176)	(1,804)	—	(3,473,190)
	—	1,491	1,135	6,553	(437)	(160)	—	8,582

(*) Includes repurchase agreements.

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(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

31 December 2015

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	438,595	-	3,432	-	-	-	2,553,024	2,995,051
Due from banks and other financial institutions (*)	128,273	1,014,641	181,145	228,150	22,038	2,500	-	1,576,747
Financial assets held for trading	-	12,102	23,960	78,395	2,396	802	-	117,655
Financial assets designated at fair value through profit or loss	534	1,065	6,802	9,404	171,009	13,689	4,437	206,940
Loans and advances to customers (**)	66,217	787,695	840,412	3,248,159	4,125,373	5,669,778	228,326	14,965,960
Financial investments	-	84,740	202,449	772,957	2,312,027	1,206,316	2,227	4,580,716
Others	181,205	24,743	255	487	5	5	1,192	207,892
	814,824	1,924,986	1,258,455	4,337,552	6,632,848	6,893,090	2,789,206	24,650,961

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2015

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	55,866	81,489	123,150	22,046	17,829	-	-	300,380
Due to banks and other financial institutions (*)	1,500,891	425,997	127,520	164,771	25,199	-	-	2,244,378
Certificates of deposit	-	24,723	40,857	70,933	16,214	522	-	153,249
Due to customers	8,372,886	766,165	1,159,609	3,534,130	2,099,811	3,441	-	15,936,042
Debt securities issued	-	1,242	7,894	16,240	67,818	229,869	-	323,063
Others	175,509	2,377	100	727	748	3,952	-	183,413
	10,105,152	1,301,993	1,459,130	3,808,847	2,227,619	237,784	-	19,140,525
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	256	(127)	(87)	(19)	(68)	-	(45)
Derivative financial instruments settled on gross basis:								
— Cash inflow	-	707,203	458,376	1,212,795	78,293	1,432	-	2,458,099
— Cash outflow	-	(709,123)	(460,906)	(1,208,811)	(77,517)	(1,488)	-	(2,457,845)
	-	(1,920)	(2,530)	3,984	776	(56)	-	254

(*) Includes repurchase agreements.

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

Group

31 December 2016

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	756,778	105,676	230,641	611,356	760,743	313,218	2,778,412

31 December 2015

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	719,327	151,167	249,287	480,940	554,572	142,591	2,297,884

Bank

31 December 2016

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	748,492	91,832	225,685	620,022	727,543	300,301	2,713,875

31 December 2015

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	712,885	142,472	249,381	490,244	557,562	136,900	2,289,444

(c) Market risk

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

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

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(c) Market risk (continued)

The Group considers the market risk arising from stock price fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and currency risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Bank adopts VaR analysis as the major tool for calculating and monitoring the market risk of trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios of the parent company and a sensitivity analysis based on the Group's interest rate risk exposure and currency risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of VaR by risk type of the Bank's trading portfolios is as follows:

	2016			
	31 December 2016	Average	Highest	Lowest
Interest rate risk	66	58	76	38
Currency risk	240	189	325	65
Commodity risk	12	18	54	4
Total portfolio VaR	258	204	328	76

	2015			
	31 December 2015	Average	Highest	Lowest
Interest rate risk	55	46	72	21
Currency risk	63	64	141	34
Commodity risk	13	17	41	4
Total portfolio VaR	81	90	156	60

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaR does not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

- (1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- (2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and
- (3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(c) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net interest income and equity.

The effect of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year, including the effect of hedging instruments. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at year end, including the effect of any associated hedges.

Group

2016

Currency	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(8,885)	(46,604)	8,885	50,242
USD	(178)	(4,450)	178	4,453
HKD	139	(8)	(139)	8
Others	467	(635)	(467)	635
Total	(8,457)	(51,697)	8,457	55,338

2015

	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
Total	(5,926)	(38,609)	5,926	41,729

(c) Market risk (continued)

Bank

2016

Currency	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(8,909)	(42,723)	8,909	45,581
USD	250	(1,726)	(250)	1,727
HKD	(186)	(8)	186	8
Others	185	(347)	(185)	347
Total	(8,660)	(44,804)	8,660	47,663

2015

	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
Total	(6,348)	(34,323)	6,348	36,791

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(c) Market risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

31 December 2016

	Less than three months	Three months to one year	One to five years	More than five years	Non- interest- bearing	Total
Assets:						
Cash and balances with central banks	2,950,175	–	–	–	400,613	3,350,788
Due from banks and other financial institutions (*)	1,281,652	175,706	65,244	41	30,457	1,553,100
Financial assets held for trading	73,827	102,259	4,126	3,103	6,016	189,331
Financial assets designated at fair value through profit or loss	16,157	40,807	203,561	19,063	5,556	285,144
Derivative financial assets	–	–	–	–	94,452	94,452
Loans and advances to customers	8,042,786	4,331,521	154,613	139,700	98,714	12,767,334
Financial investments	403,284	637,160	2,375,341	1,578,061	12,853	5,006,699
Investments in associates and joint ventures	–	–	–	–	30,077	30,077
Property and equipment	–	–	–	–	246,209	246,209
Others	9,294	209	–	–	604,628	614,131
Total assets	12,777,175	5,287,662	2,802,885	1,739,968	1,529,575	24,137,265
Liabilities:						
Due to central banks	–	118	427	–	–	545
Financial liabilities designated at fair value through profit or loss	247,084	45,217	9,870	–	64,581	366,752
Derivative financial liabilities	–	–	–	–	89,960	89,960
Due to banks and other financial institutions (**)	2,285,839	270,853	12,912	10,200	26,301	2,606,105
Certificates of deposit	118,407	93,236	6,331	453	–	218,427
Due to customers	11,660,480	3,705,066	2,166,979	5,362	287,415	17,825,302
Debt securities issued	34,242	16,039	116,722	190,934	–	357,937
Others	8,569	382	2,264	1,584	678,275	691,074
Total liabilities	14,354,621	4,130,911	2,315,505	208,533	1,146,532	22,156,102
Interest rate mismatch	(1,577,446)	1,156,751	487,380	1,531,435	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

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(c) Market risk (continued)

31 December 2015

	Less than three months	Three months to one year	One to five years	More than five years	Non- interest- bearing	Total
Assets:						
Cash and balances with central banks	2,672,292	–	–	–	387,341	3,059,633
Due from banks and other financial institutions (*)	1,438,201	197,465	27,608	41	16,811	1,680,126
Financial assets held for trading	41,451	82,154	6,619	2,241	373	132,838
Financial assets designated at fair value through profit or loss	9,405	9,339	173,054	13,665	4,971	210,434
Derivative financial assets	–	–	–	–	78,870	78,870
Loans and advances to customers	6,897,524	4,333,873	188,200	130,887	102,328	11,652,812
Financial investments	447,620	869,374	2,158,378	1,177,390	13,929	4,666,691
Investments in associates and joint ventures	–	–	–	–	24,185	24,185
Property and equipment	–	–	–	–	224,426	224,426
Others	10,045	225	–	–	469,495	479,765
Total assets	11,516,538	5,492,430	2,553,859	1,324,224	1,322,729	22,209,780
Liabilities:						
Due to central banks	20	30	160	–	–	210
Financial liabilities designated at fair value through profit or loss	204,160	21,682	15,953	–	62,132	303,927
Derivative financial liabilities	–	–	–	–	76,826	76,826
Due to banks and other financial institutions (**)	2,332,698	234,978	13,113	6,805	15,457	2,603,051
Certificates of deposit	107,758	66,575	8,576	443	–	183,352
Due to customers	10,316,969	3,563,821	2,052,611	3,075	345,463	16,281,939
Debt securities issued	33,046	16,674	63,223	193,679	–	306,622
Others	3,371	150	617	623	648,573	653,334
Total liabilities	12,998,022	3,903,910	2,154,253	204,625	1,148,451	20,409,261
Interest rate mismatch	(1,481,484)	1,588,520	399,606	1,119,599	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(c) Market risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities:

31 December 2016

	Less than three months	Three months to one year	One to five years	More than five years	Non- interest- bearing	Total
Assets:						
Cash and balances with central banks	2,893,681	–	–	–	396,589	3,290,270
Due from banks and other financial institutions (*)	1,166,598	196,166	54,667	–	12,570	1,430,001
Financial assets held for trading	56,958	76,803	1,706	307	48,300	184,074
Financial assets designated at fair value through profit or loss	16,157	31,502	199,990	19,063	5,406	272,118
Derivative financial assets	–	–	–	–	62,892	62,892
Loans and advances to customers	7,506,073	4,240,147	106,364	86,977	93,639	12,033,200
Financial investments	351,472	600,860	2,210,827	1,508,705	76,512	4,748,376
Investments in subsidiaries and associates	–	–	–	–	136,530	136,530
Property and equipment	–	–	–	–	124,089	124,089
Others	–	–	–	–	506,530	506,530
Total assets	11,990,939	5,145,478	2,573,554	1,615,052	1,463,057	22,788,080
Liabilities:						
Due to central banks	–	–	379	–	–	379
Financial liabilities designated at fair value through profit or loss	247,029	36,092	9,695	–	59,185	352,001
Derivative financial liabilities	–	–	–	–	58,179	58,179
Due to banks and other financial institutions (**)	2,029,768	184,154	2,755	–	9,092	2,225,769
Certificates of deposit	104,292	83,427	6,331	453	–	194,503
Due to customers	11,251,659	3,591,913	2,154,995	5,362	231,658	17,235,587
Debt securities issued	21,953	10,827	62,932	183,734	–	279,446
Others	–	–	–	–	532,287	532,287
Total liabilities	13,654,701	3,906,413	2,237,087	189,549	890,401	20,878,151
Interest rate mismatch	(1,663,762)	1,239,065	336,467	1,425,503	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

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(c) Market risk (continued)

31 December 2015

	Less than three months	Three months to one year	One to five years	More than five years	Non- interest- bearing	Total
Assets:						
Cash and balances with central banks	2,607,873	–	–	–	383,746	2,991,619
Due from banks and other financial institutions (*)	1,311,681	221,232	20,299	2,118	10,114	1,565,444
Financial assets held for trading	36,356	77,365	1,433	796	–	115,950
Financial assets designated at fair value through profit or loss	9,405	9,122	169,119	13,665	4,971	206,282
Derivative financial assets	–	–	–	–	33,290	33,290
Loans and advances to customers	6,457,483	4,218,448	130,127	120,707	99,711	11,026,476
Financial investments	420,217	806,570	2,060,875	1,161,171	2,165	4,450,998
Investments in subsidiaries and associates	–	–	–	–	135,308	135,308
Property and equipment	–	–	–	–	129,669	129,669
Others	–	–	–	–	391,910	391,910
Total assets	10,843,015	5,332,737	2,381,853	1,298,457	1,190,884	21,046,946
Liabilities:						
Financial liabilities designated at fair value through profit or loss	204,026	21,682	15,840	–	55,866	297,414
Derivative financial liabilities	–	–	–	–	33,144	33,144
Due to banks and other financial institutions (**)	2,029,557	179,112	1,894	–	23,556	2,234,119
Certificates of deposit	83,033	58,563	8,074	443	–	150,113
Due to customers	10,051,225	3,463,631	2,027,361	3,061	236,395	15,781,673
Debt securities issued	17,189	8,872	30,098	184,016	–	240,175
Others	–	–	–	–	548,562	548,562
Total liabilities	12,385,030	3,731,860	2,083,267	187,520	897,523	19,285,200
Interest rate mismatch	(1,542,015)	1,600,877	298,586	1,110,937	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(c) Market risk (continued)

(iii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge currency risk, and performing currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this currency risk.

Group

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		2016	2015	2016	2015
USD	-1%	66	75	(313)	(280)
HKD	-1%	275	402	(929)	(795)

Bank

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		2016	2015	2016	2015
USD	-1%	78	49	(27)	(22)
HKD	-1%	188	152	(19)	(14)

While the tables above indicates the effect on profit before taxation and equity of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

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(c) Market risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows:

Group

31 December 2016

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	3,081,709	195,520	17,442	56,117	3,350,788
Due from banks and other financial institutions (*)	1,023,286	483,688	7,557	38,569	1,553,100
Financial assets held for trading	180,632	5,732	–	2,967	189,331
Financial assets designated at fair value through profit or loss	271,780	9,536	272	3,556	285,144
Derivative financial assets	41,478	32,020	8,575	12,379	94,452
Loans and advances to customers	11,490,448	863,960	220,280	192,646	12,767,334
Financial investments	4,674,842	240,949	20,374	70,534	5,006,699
Investments in associates and joint ventures	660	875	1,627	26,915	30,077
Property and equipment	131,354	112,653	758	1,444	246,209
Others	293,855	125,161	4,261	190,854	614,131
Total assets	21,190,044	2,070,094	281,146	595,981	24,137,265
Liabilities:					
Due to central banks	30	–	–	515	545
Financial liabilities designated at fair value through profit or loss	289,238	13,949	–	63,565	366,752
Derivative financial liabilities	19,889	46,150	13,210	10,711	89,960
Due to banks and other financial institutions (**)	1,729,007	723,289	35,485	118,324	2,606,105
Certificates of deposit	30,154	137,310	13,330	37,633	218,427
Due to customers	16,722,751	699,543	235,360	167,648	17,825,302
Debt securities issued	182,367	153,201	726	21,643	357,937
Others	579,749	93,117	6,335	11,873	691,074
Total liabilities	19,553,185	1,866,559	304,446	431,912	22,156,102
Net position	1,636,859	203,535	(23,300)	164,069	1,981,163
Credit commitments	2,120,542	500,612	30,896	126,362	2,778,412

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(c) Market risk (continued)

31 December 2015

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,892,981	72,522	19,253	74,877	3,059,633
Due from banks and other financial institutions (*)	1,226,502	373,998	14,612	65,014	1,680,126
Financial assets held for trading	116,092	11,654	139	4,953	132,838
Financial assets designated at fair value through profit or loss	209,444	252	166	572	210,434
Derivative financial assets	26,643	37,476	6,736	8,015	78,870
Loans and advances to customers	10,629,123	714,769	171,499	137,421	11,652,812
Financial investments	4,423,990	165,656	16,668	60,377	4,666,691
Investments in associates and joint ventures	231	352	1,508	22,094	24,185
Property and equipment	138,760	83,631	688	1,347	224,426
Others	274,586	95,968	9,029	100,182	479,765
Total assets	19,938,352	1,556,278	240,298	474,852	22,209,780
Liabilities:					
Due to central banks	50	–	–	160	210
Financial liabilities designated at fair value through profit or loss	233,169	11,249	–	59,509	303,927
Derivative financial liabilities	26,349	34,905	7,610	7,962	76,826
Due to banks and other financial institutions (**)	1,829,716	624,804	22,891	125,640	2,603,051
Certificates of deposit	40,813	108,770	7,211	26,558	183,352
Due to customers	15,435,986	515,515	202,105	128,333	16,281,939
Debt securities issued	196,986	89,408	2,485	17,743	306,622
Others	564,520	73,183	5,548	10,083	653,334
Total liabilities	18,327,589	1,457,834	247,850	375,988	20,409,261
Net position	1,610,763	98,444	(7,552)	98,864	1,800,519
Credit commitments	1,840,354	355,858	25,449	76,223	2,297,884

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

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Financial Statements for the year ended 31 December 2016
(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

Bank

31 December 2016

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	3,069,074	179,180	7,264	34,752	3,290,270
Due from banks and other financial institutions (*)	1,020,638	291,929	73,128	44,306	1,430,001
Financial assets held for trading	182,281	1,543	–	250	184,074
Financial assets designated at fair value through profit or loss	271,781	231	–	106	272,118
Derivative financial assets	40,325	18,623	2	3,942	62,892
Loans and advances to customers	11,284,741	643,173	9,155	96,131	12,033,200
Financial investments	4,554,549	132,229	14,757	46,841	4,748,376
Investments in subsidiaries and associates	17,353	10,011	44,820	64,346	136,530
Property and equipment	123,613	249	9	218	124,089
Others	266,238	51,642	504	188,146	506,530
Total assets	20,830,593	1,328,810	149,639	479,038	22,788,080
Liabilities:					
Due to central banks	–	–	–	379	379
Financial liabilities designated at fair value through profit or loss	279,504	12,512	–	59,985	352,001
Derivative financial liabilities	20,119	31,911	2	6,147	58,179
Due to banks and other financial institutions (**)	1,623,678	401,106	97,087	103,898	2,225,769
Certificates of deposit	25,667	122,962	10,691	35,183	194,503
Due to customers	16,640,183	502,777	12,709	79,918	17,235,587
Debt securities issued	177,971	94,553	723	6,199	279,446
Others	471,796	52,601	795	7,095	532,287
Total liabilities	19,238,918	1,218,422	122,007	298,804	20,878,151
Net position	1,591,675	110,388	27,632	180,234	1,909,929
Credit commitments	2,096,950	514,280	4,868	97,777	2,713,875

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(c) Market risk (continued)

31 December 2015

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,884,990	61,956	1,698	42,975	2,991,619
Due from banks and other financial institutions (*)	1,246,867	223,412	42,911	52,254	1,565,444
Financial assets held for trading	115,950	–	–	–	115,950
Financial assets designated at fair value					
through profit or loss	205,509	210	–	563	206,282
Derivative financial assets	26,269	5,133	–	1,888	33,290
Loans and advances to customers	10,440,810	514,733	5,614	65,319	11,026,476
Financial investments	4,325,530	87,616	657	37,195	4,450,998
Investments in subsidiaries and associates	17,352	10,012	44,820	63,124	135,308
Property and equipment	129,195	255	9	210	129,669
Others	252,894	35,499	5,174	98,343	391,910
Total assets	19,645,366	938,826	100,883	361,871	21,046,946
Liabilities:					
Financial liabilities designated at fair value					
through profit or loss	233,052	8,496	–	55,866	297,414
Derivative financial liabilities	25,202	5,255	–	2,687	33,144
Due to banks and other financial institutions (**)	1,732,680	348,135	47,131	106,173	2,234,119
Certificates of deposit	36,340	86,173	1,974	25,626	150,113
Due to customers	15,361,944	360,613	12,466	46,650	15,781,673
Debt securities issued	180,693	50,227	1,898	7,357	240,175
Others	506,821	34,326	2,677	4,738	548,562
Total liabilities	18,076,732	893,225	66,146	249,097	19,285,200
Net position	1,568,634	45,601	34,737	112,774	1,761,746
Credit commitments	1,824,981	377,739	10,982	75,742	2,289,444

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

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(d) Capital management

The Group's objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, qualifying other tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy ratios regularly based on regulations issued by the CBRC. The required information is respectively filed with the CBRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the CBRC. In April 2014, CBRC officially approved the Bank to adopt advanced capital management approaches. Within the scope of the approval, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For systemically important banks, CBRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements promulgated by the CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

(d) Capital management (continued)

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

	31 December 2016	31 December 2015
Core tier 1 capital	1,886,536	1,713,160
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,998	151,963
Surplus reserve	205,021	178,040
General reserve	251,349	246,356
Retained profits	940,237	781,853
Valid portion of minority interests	3,164	4,340
Others	(21,640)	(5,799)
Core tier 1 capital deductions	11,560	11,665
Goodwill	9,001	8,478
Other intangible assets other than land use rights	1,477	1,356
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,618)	(3,869)
Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	5,700
Net core tier 1 capital	1,874,976	1,701,495
Additional tier 1 capital	79,794	79,567
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	419	192
Net tier 1 capital	1,954,770	1,781,062
Tier 2 capital	178,292	244,641
Valid portion of tier 2 capital instruments and related premium	154,861	180,242
Surplus provision for loan impairment	19,195	63,398
Valid portion of minority interests	4,236	1,001
Tier 2 capital deductions	5,600	13,600
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,600	13,600
Net capital base	2,127,462	2,012,103
Risk-weighted assets (i)	14,564,617	13,216,687
Core tier 1 capital adequacy ratio	12.87%	12.87%
Tier 1 capital adequacy ratio	13.42%	13.48%
Capital adequacy ratio	14.61%	15.22%

(i) Refers to risk-weighted assets after capital floor and adjustments.

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using valuation techniques consist of debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc.. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc..

Structured products are mainly valued using dealer's quotations.

Other liabilities designated at fair value through profit or loss

For unquoted other liabilities designated at fair value through profit or loss, the discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Equity investments	6,016	–	–	6,016
Debt securities	3,140	179,984	191	183,315
	9,156	179,984	191	189,331
Financial assets designated at fair value through profit or loss				
Debt securities	919	39,954	–	40,873
Other debt instruments	–	25,706	–	25,706
Others	–	61,269	157,296	218,565
	919	126,929	157,296	285,144
Derivative financial asset				
Exchange rate contracts	188	57,770	320	58,278
Interest rate contracts	30	20,167	412	20,609
Commodity derivatives and others	5,662	9,836	67	15,565
	5,880	87,773	799	94,452
Available-for-sale financial assets				
Equity investments	11,114	338	–	11,452
Debt securities	83,873	1,635,493	1,264	1,720,630
Other debt instruments	–	8,804	–	8,804
	94,987	1,644,635	1,264	1,740,886
	110,942	2,039,321	159,550	2,309,813
Financial liabilities which are measured at fair value on a recurring basis:				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	–	270,831	–	270,831
Structured deposits	–	17,797	–	17,797
Financial liabilities related to precious metals	–	59,192	–	59,192
Other debt securities issued	12,512	865	–	13,377
Others	365	3,089	2,101	5,555
	12,877	351,774	2,101	366,752
Derivative financial liabilities				
Exchange rate contracts	326	59,581	310	60,217
Interest rate contracts	1	19,161	1,308	20,470
Commodity derivatives and others	5,239	3,861	173	9,273
	5,566	82,603	1,791	89,960
	18,443	434,377	3,892	456,712

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(a) Financial instruments recorded at fair value (continued)

31 December 2015

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Equity investments	373	–	–	373
Debt securities	14,808	117,657	–	132,465
	15,181	117,657	–	132,838
Financial assets designated at fair value through profit or loss				
Debt securities	824	21,400	–	22,224
Other debt instruments	–	6,300	–	6,300
Others	–	534	181,376	181,910
	824	28,234	181,376	210,434
Derivative financial assets				
Exchange rate contracts	102	36,277	228	36,607
Interest rate contracts	25	26,249	715	26,989
Commodity derivatives and others	8,662	6,511	101	15,274
	8,789	69,037	1,044	78,870
Available-for-sale financial assets				
Equity investments	12,331	134	626	13,091
Debt securities	130,441	1,266,712	5,520	1,402,673
Other debt instruments	–	27,593	–	27,593
	142,772	1,294,439	6,146	1,443,357
	167,566	1,509,367	188,566	1,865,499
Financial liabilities which are measured at fair value on a recurring basis:				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	–	205,531	–	205,531
Structured deposits	–	27,521	–	27,521
Financial liabilities related to precious metals	–	55,871	–	55,871
Other debt securities issued	1,947	6,549	–	8,496
Others	144	4,153	2,211	6,508
	2,091	299,625	2,211	303,927
Derivative financial liabilities				
Exchange rate contracts	116	38,575	234	38,925
Interest rate contracts	3	26,052	2,181	28,236
Commodity derivatives and others	6,244	3,366	55	9,665
	6,363	67,993	2,470	76,826
	8,454	367,618	4,681	380,753

(a) Financial instruments recorded at fair value (continued)

Bank

31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Equity investments	–	48,300	–	48,300
Debt securities	–	135,774	–	135,774
	–	184,074	–	184,074
Financial assets designated at fair value through profit or loss				
Debt securities	919	39,682	–	40,601
Other debt instruments	–	25,706	–	25,706
Others	–	52,019	153,792	205,811
	919	117,407	153,792	272,118
Derivative financial assets				
Exchange rate contracts	136	53,033	166	53,335
Interest rate contracts	–	1,128	351	1,479
Commodity derivatives and others	–	8,076	2	8,078
	136	62,237	519	62,892
Available-for-sale financial assets				
Equity investments	831	75,043	–	75,874
Debt securities	66,300	1,465,826	201	1,532,327
	67,131	1,540,869	201	1,608,201
	68,186	1,904,587	154,512	2,127,285
Financial liabilities which are measured at fair value on a recurring basis:				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	–	270,831	–	270,831
Structured deposits	–	8,674	–	8,674
Financial liabilities related to precious metals	–	59,185	–	59,185
Debt securities issued	12,512	799	–	13,311
	12,512	339,489	–	352,001
Derivative financial liabilities				
Exchange rate contracts	324	54,586	166	55,076
Interest rate contracts	–	1,045	351	1,396
Commodity derivatives and others	–	1,705	2	1,707
	324	57,336	519	58,179
	12,836	396,825	519	410,180

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(a) Financial instruments recorded at fair value (continued)

31 December 2015

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Debt securities	–	115,950	–	115,950
	–	115,950	–	115,950
Financial assets designated at fair value through profit or loss				
Debt securities	773	21,236	–	22,009
Other debt instruments	–	6,300	–	6,300
Others	–	534	177,439	177,973
	773	28,070	177,439	206,282
Derivative financial assets				
Exchange rate contracts	–	27,695	208	27,903
Interest rate contracts	–	1,146	530	1,676
Commodity derivatives and others	–	3,674	37	3,711
	–	32,515	775	33,290
Available-for-sale financial assets				
Equity investments	1,433	–	–	1,433
Debt securities	71,517	1,224,821	565	1,296,903
	72,950	1,224,821	565	1,298,336
	73,723	1,401,356	178,779	1,653,858
Financial liabilities which are measured at fair value on a recurring basis:				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	–	205,531	–	205,531
Structured deposits	–	27,521	–	27,521
Financial liabilities related to precious metals	–	55,866	–	55,866
Debt securities issued	1,947	6,549	–	8,496
	1,947	295,467	–	297,414
Derivative financial liabilities				
Exchange rate contracts	–	30,074	208	30,282
Interest rate contracts	–	1,330	530	1,860
Commodity derivatives and others	–	986	16	1,002
	–	32,390	754	33,144
	1,947	327,857	754	330,558

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

Group

	As at 1 January 2016	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of Level 3	As at 31 December 2016
Financial assets:								
Derivative financial assets								
Exchange rate contracts	228	72	-	15	(3)	(27)	35	320
Interest rate contracts	715	(21)	-	2	(139)	(179)	34	412
Commodity derivatives and others	101	(13)	-	33	(8)	(46)	-	67
	1,044	38	-	50	(150)	(252)	69	799
Financial assets held for trading	-	96	-	497	(92)	(310)	-	191
Financial assets designated at fair value through profit or loss	181,376	7,258	-	11,659	(13,493)	-	(29,504)	157,296
Available-for-sale financial assets								
Debt securities	5,520	10	(38)	239	(900)	(3,567)	-	1,264
Equity investments	626	-	-	-	(316)	-	(310)	-
	188,566	7,402	(38)	12,445	(14,951)	(4,129)	(29,745)	159,550

	As at 1 January 2015	Total (losses)/gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of Level 3	As at 31 December 2015
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	(2,211)	67	-	12	92	(83)	22	(2,101)
Derivative financial liabilities								
Exchange rate contracts	(234)	(24)	-	(9)	(3)	36	(76)	(310)
Interest rate contracts	(2,181)	736	-	(2)	147	26	(34)	(1,308)
Commodity derivatives and others	(55)	(39)	-	(134)	6	48	1	(173)
	(4,681)	740	-	(133)	242	27	(87)	(3,892)

	As at 1 January 2015	Total (losses)/gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of Level 3	As at 31 December 2015
Financial assets:								
Derivative financial assets								
Exchange rate contracts	1,140	(153)	-	149	-	(855)	(53)	228
Interest rate contracts	770	(113)	-	121	-	(6)	(57)	715
Commodity derivatives and others	32	38	-	34	-	(3)	-	101
	1,942	(228)	-	304	-	(864)	(110)	1,044
Financial assets designated at fair value through profit or loss	139,004	8,411	-	83,053	(49,092)	-	-	181,376
Available-for-sale financial assets								
Debt securities	13,852	334	48	4,172	(218)	(12,668)	-	5,520
Equity investments	304	-	322	-	-	-	-	626
	155,102	8,517	370	87,529	(49,310)	(13,532)	(110)	188,556
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	-	202	-	(2,413)	-	-	-	(2,211)
Derivative financial liabilities								
Exchange rate contracts	(1,319)	173	-	(205)	-	1,012	105	(234)
Interest rate contracts	(726)	(746)	-	(725)	-	14	2	(2,181)
Commodity derivatives and others	(34)	28	-	(378)	-	329	-	(55)
	(2,079)	(343)	-	(3,721)	-	1,355	107	(4,681)

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(b) Movement in level 3 financial instruments measured at fair value (continued)

Bank

	As at 1 January 2016	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of Level 3	As at 31 December 2016
Financial assets:								
Derivative financial assets								
Exchange rate contracts	208	(44)	—	2	—	—	—	166
Interest rate contracts	530	(181)	—	2	—	—	—	351
Commodity derivatives and others	37	(37)	—	2	—	—	—	2
	775	(262)	—	6	—	—	—	519
Financial assets designated at fair value through profit or loss	177,439	7,172	—	11,481	(12,796)	—	(29,504)	153,792
Available-for-sale financial assets								
Debt securities	565	11	(17)	—	(358)	—	—	201
	178,779	6,921	(17)	11,487	(13,154)	—	(29,504)	154,512
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(208)	44	—	(2)	—	—	—	(166)
Interest rate contracts	(530)	181	—	(2)	—	—	—	(351)
Commodity derivatives and others	(16)	16	—	(2)	—	—	—	(2)
	(754)	241	—	(6)	—	—	—	(519)

	As at 1 January 2015	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of Level 3	As at 31 December 2015
Financial assets:								
Derivative financial assets								
Exchange rate contracts	1,149	6	—	—	—	(864)	(83)	208
Interest rate contracts	770	(177)	—	—	—	(6)	(57)	530
Commodity derivatives and others	32	8	—	—	—	(3)	—	37
	1,951	(163)	—	—	—	(873)	(140)	775
Financial assets designated at fair value through profit or loss	137,116	8,075	—	81,340	(49,092)	—	—	177,439
Available-for-sale financial assets								
Debt securities	5,617	(62)	16	200	(218)	(4,988)	—	565
	144,684	7,850	16	81,540	(49,310)	(5,861)	(140)	178,779
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(1,263)	(6)	—	—	—	961	100	(208)
Interest rate contracts	(721)	176	—	—	—	11	4	(530)
Commodity derivatives and others	(34)	13	—	—	—	5	—	(16)
	(2,018)	183	—	—	—	977	104	(754)

(b) Movement in level 3 financial instruments measured at fair value (continued)

Gains or losses on level 3 financial instruments included in the statement of profit or loss for the year comprise:

	2016					
	Group			Bank		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the year	5,302	2,840	8,142	5,061	2,101	7,162

	2015					
	Group			Bank		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the year	6,754	1,420	8,174	6,483	1,550	8,033

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy on the balance sheet date.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy on the balance sheet date.

During the year, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(ii) Transfers between level 2 and level 3

On the balance sheet date, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the year, certain derivatives financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2016, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

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(e) Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, receivables, subordinated bonds and tier 2 capital notes:

Group

	2016				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	2,973,042	2,996,641	3,440	2,992,779	422
Receivables	291,370	291,577	–	56,753	234,824
Subtotal	3,264,412	3,288,218	3,440	3,049,532	235,246
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	194,811	202,034	–	202,034	–
Subtotal	194,811	202,034	–	202,034	–

	2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	2,870,353	2,944,661	56,841	2,654,913	232,907
Receivables	352,143	353,223	–	109,005	244,218
Subtotal	3,222,496	3,297,884	56,841	2,763,918	477,125
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	195,553	215,581	–	215,581	–
Subtotal	195,553	215,581	–	215,581	–

Bank

	2016				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	2,876,081	2,899,455	2,388	2,897,067	–
Receivables	263,456	263,698	–	75,189	188,509
Subtotal	3,139,537	3,163,153	2,388	2,972,256	188,509
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	181,999	188,693	–	188,693	–
Subtotal	181,999	188,693	–	188,693	–

	2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	2,813,091	2,887,836	19,943	2,637,893	230,000
Receivables	338,839	339,918	-	121,305	218,613
Subtotal	3,151,930	3,227,754	19,943	2,759,198	448,613
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	181,092	192,431	-	192,431	-
Subtotal	181,092	192,431	-	192,431	-

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

- (i) The receivables are not quoted in an active market. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the basis of pricing models or discounted cash flows.
- (ii) The fair values of held-to-maturity investments, subordinated bonds and tier 2 capital notes are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.
- (iii) Available-for-sale equity investments measured at cost were all non-listed shares. The fair values are estimated on the basis of pricing models or discounted cash flows. The fair value was approximately the same with its book value and classified in fair value hierarchy level 3.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Balances with central banks	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

56. OTHER IMPORTANT MATTERS

The impact of value added tax replacing business tax

On 23 March 2016, the MOF issued "Notice of Overall Implementation of Pilot Program for Value Added Tax Replacing Business Tax" (Cai Shui [2016] No. 36). Pursuant to the Notice, value added tax replacing the existing business tax has been levied for certain pilot industries, including financial industry, since 1 May 2016 on a national-wide basis, the applicable tax rate for the Bank is 6%. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately. Such changes had impacts on both the Group's consolidated financial statements and related financial indicators.

57. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and balances with central banks	20	3,290,270	2,991,619
Due from banks and other financial institutions	21	927,705	772,568
Financial assets held for trading	22	184,074	115,950
Financial assets designated at fair value through profit or loss	23	272,118	206,282
Derivative financial assets	24	62,892	33,290
Reverse repurchase agreements	25	502,296	792,876
Loans and advances to customers	26	12,033,200	11,026,476
Financial investments	27	4,748,376	4,450,998
Investments in subsidiaries	28	102,288	101,066
Investments in associates	29	34,242	34,242
Property and equipment	30	124,089	129,669
Deferred income tax assets	31	27,334	20,354
Other assets	32	479,196	371,556
TOTAL ASSETS		22,788,080	21,046,946
LIABILITIES			
Due to central banks		379	–
Financial liabilities designated at fair value through profit or loss	33	352,001	297,414
Derivative financial liabilities	24	58,179	33,144
Due to banks and other financial institutions	34	1,920,782	2,103,289
Repurchase agreements	35	304,987	130,830
Certificates of deposit	36	194,503	150,113
Due to customers	37	17,235,587	15,781,673
Income tax payable		51,051	62,136
Debt securities issued	38	279,446	240,175
Other liabilities	39	481,236	486,426
TOTAL LIABILITIES		20,878,151	19,285,200
EQUITY			
Share capital	40	356,407	356,407
Other equity instruments	41	79,375	79,375
Including: Preference shares		79,375	79,375
Reserves	42	601,857	596,181
Retained profits		872,290	729,783
TOTAL EQUITY		1,909,929	1,761,746
TOTAL EQUITY AND LIABILITIES		22,788,080	21,046,946

58. AFTER THE REPORTING PERIOD EVENT

The profit distribution plan

A final dividend of RMB0.2343 per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors' meeting held on 30 March 2017, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. Based on the number of ordinary shares issued as at 31 December 2016, the final dividend amounted to approximately RMB83,506 million. The dividend payable was not recognised as a liability as at 31 December 2016.

59. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

60. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

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(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the year ended 31 December 2016 (2015: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2016 (31 December 2015: no differences).

(b) Liquidity ratios

	Average for the year ended		Average for the year ended	
	As at 31 December 2016	31 December 2016	As at 31 December 2015	31 December 2015
RMB current assets to RMB current liabilities	35.72%	35.81%	35.50%	35.58%
Foreign currency current assets to foreign currency current liabilities	82.28%	94.37%	98.12%	103.42%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

The Group prepares the liquidity ratios on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(c) Foreign currency concentrations

	31 December 2016			
	USD	HKD	Others	Total
Spot assets	1,956,566	278,761	567,622	2,802,949
Spot liabilities	(1,836,172)	(303,924)	(431,912)	(2,572,008)
Forward purchases	2,797,668	173,932	1,007,928	3,979,528
Forward sales	(2,887,047)	(104,903)	(1,122,168)	(4,114,118)
Net option position	(43,266)	543	(102)	(42,825)
Net (short)/long position	(12,251)	44,409	21,368	53,526
Net structural position	83,141	1,863	28,359	113,363

	31 December 2015			
	USD	HKD	Others	Total
Spot assets	1,472,295	238,102	451,411	2,161,808
Spot liabilities	(1,432,026)	(247,850)	(375,988)	(2,055,864)
Forward purchases	1,263,904	53,298	528,589	1,845,791
Forward sales	(1,277,231)	(21,979)	(579,439)	(1,878,649)
Net option position	(3,322)	58	(200)	(3,464)
Net long position	23,620	21,629	24,373	69,622
Net structural position	58,175	2,196	23,441	83,812

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The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. 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:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

(d) International claims

International claims refer to the sum of cross-border claims in all currencies and local claims in foreign currencies, including loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

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 claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	31 December 2016				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	350,812	180,831	928,700	73,934	1,534,277
— of which attributed to Hong Kong	21,608	16,904	262,675	69,083	370,270
North and South America	50,526	100,621	124,562	9,332	285,041
	401,338	281,452	1,053,262	83,266	1,819,318

	31 December 2015				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	265,804	121,857	892,630	65,720	1,346,011
— of which attributed to Hong Kong	20,074	18,258	257,330	55,769	351,431
North and South America	78,850	64,007	79,366	7,706	229,929
	344,654	185,864	971,996	73,426	1,575,940

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(e) Loans and advances to customers

(i) Analysis by industry sector

31 December 2016

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Transportation, storage and postal services	1,640,498	402,876	11,629	3,588	1,499	24,707	26,206
Manufacturing	1,550,544	596,535	100,133	63,253	24,641	27,168	51,809
Production and supply of electricity, heating gas and water	891,870	166,134	1,518	511	241	12,983	13,224
Leasing and commercial services	828,686	432,921	9,836	5,103	2,250	12,146	14,396
Wholesale and retail	776,739	349,761	80,928	59,057	24,665	12,875	37,540
Real estate	642,423	423,175	22,288	9,556	4,083	9,155	13,238
Water, environment and public utility management	536,718	228,496	2,068	1,302	243	7,820	8,063
Mining	274,273	43,017	9,613	6,819	3,672	5,249	8,921
Finance	251,733	78,695	879	50	34	976	1,010
Construction	212,450	80,341	6,434	4,396	1,970	3,394	5,364
Science, education, culture and sanitation	136,799	42,783	927	687	270	1,987	2,257
Others	397,951	207,188	12,397	5,549	1,689	6,568	8,257
Subtotal of corporate loans	8,140,684	3,051,922	258,650	159,871	65,257	125,028	190,285
Personal mortgage and business loans	3,497,110	3,458,734	53,022	—	—	82,410	82,410
Others	699,059	207,874	32,727	—	—	16,473	16,473
Subtotal of personal loans	4,196,169	3,666,608	85,749	—	—	98,883	98,883
Discounted bills	719,993	719,993	1,728	598	300	44	344
Total loans and advances to customers	13,056,846	7,438,523	346,127	160,469	65,557	223,955	289,512
Current market value of collateral held against the covered portion of overdue loans and advances *							302,018
Covered portion of overdue loans and advances *							140,692
Uncovered portion of overdue loans and advances *							205,435

* Please see section (e) (iii) for the definition of overdue loans and advances to customers.

31 December 2015

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Manufacturing	1,603,631	644,478	94,341	54,124	21,447	25,390	46,837
Transportation, storage and postal services	1,551,248	437,972	11,537	4,262	1,817	25,349	27,166
Wholesale and retail	866,779	433,413	83,422	48,829	16,747	13,403	30,150
Production and supply of electricity, heating gas and water	835,616	161,857	2,726	2,341	1,462	13,654	15,116
Leasing and commercial services	724,246	425,061	9,762	5,229	1,995	11,782	13,777
Real estate	562,917	398,193	17,653	6,434	2,722	9,119	11,841
Water, environment and public utility management	472,791	249,396	1,685	286	139	7,742	7,881
Mining	280,556	43,415	9,313	4,008	1,235	4,532	5,767
Construction	226,619	96,557	10,064	3,304	1,470	3,659	5,129
Lodging and catering	224,215	147,758	7,964	3,599	995	3,615	4,610
Science, education, culture and sanitation	137,497	44,063	1,024	576	197	2,244	2,441
Others	383,437	107,909	4,888	2,264	1,009	6,245	7,254
Subtotal of corporate loans	7,869,552	3,190,072	254,379	135,256	51,235	126,734	177,969
Personal mortgage and business loans	2,811,288	2,745,301	48,487	—	—	73,950	73,950
Others	730,574	282,127	29,115	—	—	19,217	19,217
Subtotal of personal loans	3,541,862	3,027,428	77,602	—	—	93,167	93,167
Discounted bills	522,052	522,052	717	524	264	9,254	9,518
Total loans and advances to customers	11,933,466	6,739,552	332,698	135,780	51,499	229,155	280,654
Current market value of collateral held against the covered portion of overdue loans and advances *							300,497
Covered portion of overdue loans and advances *							146,208
Uncovered portion of overdue loans and advances *							186,490

* Please see section (e) (iii) for the definition of overdue loans and advances to customers.

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The amount of new impairment loss charged to the consolidated statement of profit or loss and the amount of impaired loans and advances written off during the year are set out below:

	2016		2015	
	New impairment loss	Write-offs of impaired loans	New impairment loss	Write-offs of impaired loans
Transportation, storage and postal services	10,232	1,395	24,724	1,148
Manufacturing	73,061	30,920	38,239	22,354
Production and supply of electricity, heating, gas and water	6,422	803	20,114	163
Leasing and commercial services	11,037	1,073	21,818	844
Wholesale and retail	51,328	23,754	37,653	22,265
Real estate	10,168	1,955	2,619	377
Water, environment and public utility management	5,764	430	132	17
Mining	6,375	1,492	1,737	572
Finance	1,393	2	209	30
Construction	6,559	1,528	3,396	960
Science, education, culture and sanitation	1,776	74	2,924	187
Others	7,873	2,573	7,707	1,448
Subtotal for corporate loans	191,988	65,999	161,272	50,365
Personal mortgage and business loans	27,336	3,531	26,211	7,156
Others	43,176	4,614	28,358	2,775
Subtotal for personal loans	70,512	8,145	54,569	9,931
Discounted bills	69	—	10,299	—
Total for loans and advances to customers	262,569	74,144	226,140	60,296

(ii) Analysis by location of the counterparties

	2016	2015
Mainland China	12,053,041	11,207,140
Asia Pacific (excluding Mainland China)	622,803	510,034
— of which attributed to Hong Kong	449,217	363,267
Europe	112,985	81,203
Africa	115,371	37,533
North and South America	152,646	97,556
	13,056,846	11,933,466

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(iii) Overdue loans and advances to customers

	2016	2015
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	24,128	31,177
Between 6 and 12 months	51,422	53,631
Over 12 months	119,462	77,988
	195,012	162,796
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.18%	0.26%
Between 6 and 12 months	0.39%	0.45%
Over 12 months	0.91%	0.65%
	1.48%	1.36%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(iv) Overdue and impaired loans and advances to customers by geographical distribution

31 December 2016

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	19,725	1,205	518	1,205	518	46,341
Bohai Rim	77,630	35,970	12,043	36,058	12,073	31,426
Western China	64,688	26,498	12,241	28,178	12,668	36,473
Yangtze River Delta	52,983	27,327	10,551	27,693	10,675	37,747
Pearl River Delta	47,815	29,414	13,571	29,901	13,798	25,394
Central China	46,969	20,570	7,398	21,427	7,628	28,049
Northeastern China	16,716	8,363	3,665	8,452	3,711	11,386
Overseas and others	19,601	6,998	3,459	7,555	4,486	7,139
Total	346,127	156,345	63,446	160,469	65,557	223,955

31 December 2015

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	20,288	600	476	598	476	68,270
Yangtze River Delta	67,431	27,867	9,980	28,627	10,111	36,233
Western China	63,411	24,800	8,783	25,265	8,870	32,952
Bohai Rim	58,973	25,973	8,304	26,305	8,431	28,325
Pearl River Delta	51,568	24,372	9,113	24,610	9,187	22,883
Central China	39,890	18,294	7,335	18,673	7,352	24,669
Northeastern China	15,109	5,997	3,215	6,038	3,304	10,401
Overseas and others	16,028	5,829	3,090	5,664	3,768	5,422
Total	332,698	133,732	50,296	135,780	51,499	229,155

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(v) Renegotiated loans and advances to customers

	31 December 2016		31 December 2015	
		% of total loans and advances		% of total loans and advances
Renegotiated loans and advances	5,541	0.04%	4,557	0.04%
Less: Renegotiated loans and advances overdue for more than three months	(1,398)	(0.01%)	(1,570)	(0.01%)
Renegotiated loans and advances overdue for less than three months	4,143	0.03%	2,987	0.03%

(f) Overdue placements with banks and other financial institutions

	2016	2015
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	16	16
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.00%	0.01%

(g) Exposures to Mainland China non-bank entities

	2016	2015
On-balance sheet exposure	15,090,659	14,033,030
Off-balance sheet exposure	2,764,365	2,270,023
	17,855,024	16,303,053
Individually assessed allowance for impairment losses	64,183	51,127

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

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(h) Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on CBRC Notice on issuing regulatory documents on capital regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item		31 December 2016	31 December 2015	Index
Core tier 1 capital:				
1 Paid-in capital		356,407	356,407	X18
2 Retained earnings		1,396,607	1,206,249	
2a Surplus reserve		205,021	178,040	X21
2b General reserve		251,349	246,356	X22
2c Retained profits		940,237	781,853	X23
3 Accumulated other comprehensive income (and other public reserves)		130,358	146,164	
3a Capital reserve		151,998	151,963	X19
3b Others		(21,640)	(5,799)	X24
4 Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)		—	—	
5 Valid portion of minority interests		3,164	4,340	X25
6 Core tier 1 capital before regulatory adjustments		1,886,536	1,713,160	
Core tier 1 capital: Regulatory adjustments				
7 Prudential valuation adjustments		—	—	
8 Goodwill (net of deferred tax liabilities)		9,001	8,478	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)		1,477	1,356	X14-X15
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences		—	—	
11 Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		(4,618)	(3,869)	X20
12 Shortfall of provision for loan impairment		—	—	
13 Gain on sale related to asset securitization		—	—	
14 Unrealized gains and losses due to changes in own credit risk on fair valued liabilities		—	—	
15 Defined-benefit pension fund net assets (net of related deferred tax liabilities)		—	—	
16 Directly or indirectly holding in own ordinary shares		—	—	
17 Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions		—	—	
18 Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation		—	—	
19 Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation		—	—	
20 Mortgage servicing rights		N/A	N/A	
21 Deductible amount in deferred tax assets arising from temporary differences		—	—	
22 Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences		—	—	

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Item		31 December 2016	31 December 2015	Index
		2016	2015	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	5,700	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c	Others that should be deducted from core tier 1 capital	–	–	
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28	Total regulatory adjustments to core tier 1 capital	11,560	11,665	
29	Core tier 1 capital	1,874,976	1,701,495	
Additional tier 1 capital:				
30	Additional tier 1 capital instruments and related premium	79,375	79,375	
31	Including: Portion classified as equity	79,375	79,375	X28
32	Including: Portion classified as liabilities	–	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	419	192	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	Additional tier 1 capital before regulatory adjustments	79,794	79,567	
Additional tier 1 capital: Regulatory adjustments				
37	Directly or indirectly holding additional tier 1 capital of the Bank	–	–	
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–	–	
39	Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
41a	Investment in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41c	Others that should be deducted from additional tier 1 capital	–	–	

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For the year ended 31 December 2016

(In RMB millions, unless otherwise stated)

Item		31 December 2016	31 December 2015	Index
42	Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43	Total regulatory adjustments to additional tier 1 capital	–	–	
44	Additional tier 1 capital	79,794	79,567	
45	Tier 1 capital (core tier 1 capital + additional tier 1 capital)	1,954,770	1,781,062	
Tier 2 capital:				
46	Tier 2 capital instruments and related premium	154,861	180,242	X17
47	Invalid instruments to tier 2 capital after the transition period	121,710	144,158	
48	Valid portion of minority interests	4,236	1,001	X27
49	Including: Invalid portion to tier 2 capital after the transition period	–	–	
50	Valid portion of surplus provision for loan impairment	19,195	63,398	X02+X04
51	Tier 2 capital before regulatory adjustments	178,292	244,641	
Tier 2 capital: Regulatory adjustments				
52	Directly or indirectly holding tier 2 capital of the Bank	–	–	
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–	–	
54	Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,600	13,600	X10
56a	Investment in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56c	Others that should be deducted from tier 2 capital	–	–	
57	Total regulatory adjustments to tier 2 capital	5,600	13,600	
58	Tier 2 capital	172,692	231,041	
59	Total capital (tier 1 capital tier 2 capital)	2,127,462	2,012,103	
60	Total risk-weighted assets	14,564,617	13,216,687	
Requirements for capital adequacy ratio and reserve capital				
61	Core tier 1 capital adequacy ratio	12.87%	12.87%	
62	Tier 1 capital adequacy ratio	13.42%	13.48%	
63	Capital adequacy ratio	14.61%	15.22%	
64	Institution specific buffer requirement	3.5%	3.5%	
65	Including: Capital conservation buffer requirement	2.5%	2.5%	
66	Including: Countercyclical buffer requirement	–	–	
67	Including: G-SIB buffer requirement	1%	1%	
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.87%	7.87%	
Domestic minima for regulatory capital				
69	Core tier 1 capital adequacy ratio	5%	5%	
70	Tier 1 capital adequacy ratio	6%	6%	
71	Capital adequacy ratio	8%	8%	

Unaudited Supplementary Financial Information

For the year ended 31 December 2016

(In RMB millions, unless otherwise stated)

Item	31 December 2016	31 December 2015	Index
Amounts below the thresholds for deduction			
72 Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	37,049	48,007	X05+X06+X08+X09+X12
73 Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	26,859	21,669	X07+X13
74 Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	28,072	20,313	
Valid caps of surplus provision for loan impairment to tier 2 capital			
76 Provision for loan impairment under the weighted approach	22,504	17,829	X01
77 Valid cap of provision for loan impairment to tier 2 capital under the weighted approach	5,697	5,381	X02
78 Provision for loan impairment under the internal ratings-based approach	267,008	262,825	X03
79 Valid cap of provision for loan impairment to tier 2 capital under the internal ratings-based approach	13,498	58,017	X04
Capital instruments subject to phase-out arrangements			
80 Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81 Excluded from core tier 1 capital due to cap	–	–	
82 Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83 Excluded from additional tier 1 capital due to cap	–	–	
84 Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	121,710	144,158	
85 Excluded from tier 2 capital for the current period due to cap	26,547	15,311	

(ii) *Consolidated financial statements*

	31 December 2016 Balance sheet as in published financial statements (i)	31 December 2016 Under regulatory scope of consolidation (i)	31 December 2015 Balance sheet as in published financial statements (i)	31 December 2015 Under regulatory scope of consolidation (i)
Assets				
Cash and balances with central banks	3,350,788	3,350,788	3,059,633	3,059,633
Due from banks and other financial institutions	270,058	262,582	211,559	204,607
Precious metals	220,091	220,091	114,619	114,619
Placements with banks and other financial institutions	527,415	527,415	472,234	472,234
Financial assets at fair value through profit or loss	474,475	474,450	343,272	343,246
Derivative financial assets	94,452	94,452	78,870	78,870
Reverse repurchase agreements	755,627	755,557	996,333	996,333
Loans and advances to customers	12,767,334	12,766,888	11,652,812	11,652,264
Available-for-sale financial assets	1,742,287	1,708,102	1,444,195	1,421,231
Held-to-maturity investments	2,973,042	2,972,444	2,870,353	2,869,642
Receivables	291,370	245,221	352,143	326,339
Long term equity investments	30,077	35,777	24,185	29,885
Fixed assets	220,651	220,609	195,401	195,357
Construction in progress	22,968	22,968	26,101	26,101
Deferred income tax assets	28,398	28,398	21,066	21,066
Other assets	368,232	353,794	347,004	337,210
Total assets	24,137,265	24,039,536	22,209,780	22,148,637

(i) Prepared in accordance with PRC GAAP.

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For the year ended 31 December 2016
(In RMB millions, unless otherwise stated)

	31 December 2016 Balance sheet as in published financial statements (i)	31 December 2016 Under regulatory scope of consolidation (i)	31 December 2015 Balance sheet as in published financial statements (i)	31 December 2015 Under regulatory scope of consolidation (i)
Liabilities				
Due to central banks	545	545	210	210
Due to banks and other financial institutions	1,516,692	1,516,692	1,788,267	1,788,267
Placements from banks and other financial institutions	500,107	500,107	477,593	477,593
Financial liabilities at fair value through profit or loss	366,752	366,740	303,927	303,916
Derivative financial liabilities	89,960	89,960	76,826	76,826
Repurchase agreements	589,306	579,651	337,191	329,896
Certificates of deposit	218,427	218,427	183,352	183,352
Due to customers	17,825,302	17,828,084	16,281,939	16,283,105
Employee benefits payable	32,864	32,536	31,717	31,470
Taxes payable	63,557	63,500	75,234	75,201
Debt securities issued	357,937	357,937	306,622	306,622
Deferred income tax liabilities	604	327	995	754
Other liabilities	594,049	508,235	545,388	496,583
Total liabilities	22,156,102	22,062,741	20,409,261	20,353,795
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	86,051	86,051	79,375	79,375
Including: Preference shares	79,375	79,375	79,375	79,375
Perpetual bond	6,676	6,676	—	—
Capital reserve	151,998	151,998	151,963	151,963
Other comprehensive income	(21,738)	(21,640)	(4,655)	(5,799)
Surplus reserve	205,021	205,021	178,040	178,040
General reserve	251,349	251,349	246,356	246,356
Retained profits	940,663	940,237	781,988	781,853
Equity attributable to equity holders of the parent company	1,969,751	1,969,423	1,789,474	1,788,195
Non-controlling interests	11,412	7,372	11,045	6,647
Total equity	1,981,163	1,976,795	1,800,519	1,794,842

(i) Prepared in accordance with PRC GAAP.

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For the year ended 31 December 2016

(In RMB millions, unless otherwise stated)

(iii) Description of related items

Item	31 December 2016 Under regulatory scope of consolidation	Index
Loans and advances to customers	12,766,888	
Total loans and advances to customers	13,056,400	
Less: Provision for loan impairment under the weighted approach	22,504	X01
Including: Valid cap of provision for loan impairment to tier 2 capital under the weighted approach	5,697	X02
Less: Provision for loan impairment under the Internal Ratings-Based Approach	267,008	X03
Including: Valid cap of provision for loan impairment to tier 2 capital under the Internal Ratings-Based Approach	13,498	X04
Available-for-sale financial assets	1,708,102	
Bond investment measured at fair value	1,612,679	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,947	X05
Other debt instrument investment measured at fair value	91,337	
Equity investment	4,086	
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	610	X06
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	90	X07
Held-to-maturity investments	2,972,444	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	2,100	X08
Receivables	245,221	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	28,292	X09
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,600	X10
Long term equity investments	35,777	
Including: Investment in core tier1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	100	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	26,769	X13

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Item	31 December 2016	
	Under regulatory scope of consolidation	Index
Other assets	353,794	
Interest receivable	111,301	
Intangible assets	20,742	X14
Including: land use rights	19,265	X15
Other receivables	190,083	
Goodwill	9,001	X16
Long-term deferred and prepaid expenses	4,370	
Repossessed assets	8,274	
Others	10,023	
Debt securities issued	357,937	
Including: Valid portion of tier 2 capital instruments and their premium	154,861	X17
Share capital	356,407	X18
Other equity instruments	86,051	
Including: Preference shares	79,375	X28
Capital reserve	151,998	X19
Other comprehensive income	(21,640)	X24
Reserve for changes in fair value of available-for-sale financial assets	1,152	
Reserve for cash flow hedging	(4,645)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,618)	X20
Changes in share of other owners' equity of associates and joint ventures	(322)	
Foreign currency translation reserve	(17,825)	
Surplus reserve	205,021	X21
General reserve	251,349	X22
Retained profits	940,237	X23
Minority interests	7,372	
Including: Valid portion to core tier 1 capital	3,164	X25
Including: Valid portion to additional tier 1 capital	419	X26
Including: Valid portion to tier 2 capital	4,236	X27

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For the year ended 31 December 2016

(In RMB millions, unless otherwise stated)

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Issuer	ICBC	ICBC	ICBC	ICBC	ICBC	ICBC	ICBC
Unique identifier	601398	1398	4603	4604	84602		360011
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong /Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot,Trial Administrative Measures on Preference Shares, Guidance on the issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment							
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognized in regulatory capital (in millions, as at the latest reporting date)	RMB339,126	RMB169,202	RMB equivalent	RMB equivalent	17,928	4,542	RMB44,947
Par value of instrument (in millions)	RMB269,612	RMB86,795	USD2,940	EUR 600	RMB12,000	RMB45,000	
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity				
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	10 December 2014	10 December 2014	10 December 2014	18 November 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Main features of regulatory capital instrument	Ordinary shares(A share)	Ordinary shares(H share)	Preference shares(Offshore)	Preference shares(Offshore)	Preference shares(Offshore)	Preference shares(Offshore)	Preference shares(Domestic)
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2020, in full or partial amount	The First Redemption Date is 18 November 2020
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares

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Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Coupons/dividends						
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.50% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	Yes	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs
Main features of regulatory capital instrument	Ordinary shares(A share)	Ordinary shares(H share)	Preference shares(Offshore)	Preference shares(Offshore)	Preference shares(Offshore)	Preference shares(Domestic)
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital			
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	ICBC	ICBC	ICBC	ICBC

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Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Write-down feature	No	No	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After depositor, general creditor, creditor of the subordinated debts, and preference shareholders	After depositor, general creditor, creditor of the subordinated debts, and preference shareholders	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, in the same liquidation order with the holders of Parity Obligations
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

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Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	ICBC (Asia)	ICBC	ICBC
Unique identifier	ISIN: XS0976879279 BBGID:BBG005CMF4N6	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06
Governing law(s) of the instrument	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with English law, except that the provision of the Notes relating to Subordination shall be governed by, and construed in accordance with, the laws of Hong Kong	Securities Law of the People's Republic of China/China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Group	Parent company /Group	Parent company /Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognized in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 1,834	RMB20,005	RMB equivalent 13,753
Par value of instrument (in millions)	USD500	RMB20,000	USD2,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	10 October 2013	4 August 2014	21 September 2015
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	10 October 2023	5 August 2024	21 September 2025
Issuer call (subject to prior supervisory approval)	Yes	Yes	No
Including: Optional call date, contingent call dates and redemption amount	10 October 2018, in full amount	5 August 2019, in full amount	N/A
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.50%	5.80%	4.875%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Fully discretionary	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative

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Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of ICBC(Asia) or the Bank	Non-viability of the Bank	The occurrence of the earlier of either: (i) the CBRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After depositor and general creditor, in the same liquidation order with other subordinated debts	After depositor and general creditor, in the same liquidation order with other subordinated debts	After depositor and general creditor, in the same liquidation order with other subordinated debts
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

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(i) Disclosure of Leverage Ratio

The following information is disclosed in accordance with the CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	31 December 2016	31 December 2015
1	Total consolidated assets as per published financial statements	24,137,265	22,209,780
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(97,729)	(61,143)
3	Adjustments for fiduciary assets	—	—
4	Adjustments for derivative financial instruments	93,733	35,523
5	Adjustment for securities financing transactions	57,298	38,855
6	Adjustment for off-balance sheet items	1,725,526	1,602,642
7	Other adjustments	(11,560)	(11,665)
8	Balance of adjusted on-and off-balance sheet assets	25,904,533	23,813,992

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On-and Off-balance Sheet Assets and Related Information

S/N	Item	31 December 2016	31 December 2015
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	23,433,899	21,377,922
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(11,560)	(11,665)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	23,422,339	21,366,257
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	113,669	39,582
5	Add-on amounts for PFE associated with all derivatives transactions	58,116	49,149
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	—	—
8	Less: Exempted CCP leg of client-cleared trade exposures	(14,896)	(10,325)
9	Effective notional amount of written credit derivatives	58,813	56,396
10	Less: Adjusted effective notional deductions for written credit derivatives	(27,517)	(20,409)
11	Total derivative exposures	188,185	114,393
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	511,185	691,845
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	57,298	38,855
15	Agent transaction exposures	—	—
16	Total securities financing transaction exposures	568,483	730,700
17	Off-balance sheet exposure at gross notional amount	3,435,098	3,027,744
18	Less: Adjustments for conversion to credit equivalent amounts	(1,709,572)	(1,425,102)
19	Balance of adjusted off-balance sheet assets	1,725,526	1,602,642
20	Net tier 1 capital	1,954,770	1,781,062
21	Balance of adjusted on-and off-balance sheet assets	25,904,533	23,813,992
22	Leverage ratio	7.55%	7.48%

Unaudited Supplementary Financial Information

For the year ended 31 December 2016

(In RMB millions, unless otherwise stated)

(j) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Fourth-quarter 2016	
		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		4,803,766
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	9,016,067	890,879
3	Stable deposits	167,106	5,983
4	Less stable deposits	8,848,961	884,896
5	Unsecured wholesale funding, of which:	10,631,454	3,611,221
6	Operational deposits (excluding those generated from correspondent banking activities)	6,164,123	1,496,351
7	Non-operational deposits (all counterparties)	4,306,537	1,954,076
8	Unsecured debt	160,794	160,794
9	Secured funding		44,955
10	Additional requirements, of which:	3,123,497	1,199,033
11	Outflows related to derivative exposures and other collateral requirements	1,024,266	1,024,266
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	2,099,231	174,767
14	Other contractual funding obligations	42,344	42,207
15	Other contingent funding obligations	750,628	17,328
16	Total cash outflows		5,805,623
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	1,131,364	403,992
18	Inflows from fully performing exposures	1,427,088	929,214
19	Other cash inflows	1,037,439	1,032,815
20	Total cash inflows	3,595,891	2,366,021
			Total adjusted value
21	Total HQLA		4,803,766
22	Total net cash outflows		3,439,602
23	Liquidity coverage ratio (%)		139.75%

Data of the above table are all the simple arithmetic means of the month-end figures of the recent quarter.

2016 Ranking and Awards

2016 Ranking

Forbes

The 1st place among the Global 2000
Ranking in terms of combination of sales, profit,
assets and market value

The Banker

The 1st place among the Top 1000 World Banks
Ranking in terms of tier 1 capital of a bank

Fortune

The 15th place among the Global 500
(The 1st place on the sub-list of commercial banks)
Ranking in terms of operating income

Brand Finance

The 1st place among the Top 500 Banking Brands rankings
Ranking in terms of brand value of a bank

Millward Brown

The 27th place among the Top 100 Most Valuable Global Brands
(The 2nd place among the brands of financial institutions)
Ranking in terms of brand value

China Enterprise Confederation

The 4th place among the Top 500 Enterprises of China
Ranking in terms of operating income

2016 Awards

OVERSEAS AWARDS

Global Finance

World's Best Emerging Markets Bank
Best Bank in China
Best Corporate Bank in China
Best Consumer Credit Card Program in China
Best Precious Metals Broker in China
Best Consumer Digital Bank in China
Best Corporate Digital Bank in China

Euromoney

Best Cash Manager in China
Best Precious Metal Trading Bank in China

Asiamoney

Best Domestic Bank in China
Best Private Bank in China
Best Private Bank for Global Investment Exposure

FinanceAsia

Best Bank in China

The Asian Banker

Custodian Bank of the Year in China
Best Mega Private Bank in China
The Best Asian International Cash Management Bank in Asia Pacific
The Best Cash Management Bank in China
Best Market Risk Management in China

The Asset

The Asset Corporate Award — Platinum Award
Best Private Bank in China
Best Domestic Bond House in China

Institutional Investor

Golden Award for Best RMB Internationalization Service
(Greater China)

Financial Times

Precious Metal Trading Bank in China

The Chamber of Hong Kong Listed Companies

Hong Kong Corporate Governance Excellence Award

Ta Kung Wen Wei Media Group

Most Influential Leader — Chairman Yi Huiman:
Listed Companies
Best Listed Company

Asia Pacific Contact Centre Association Leaders

Recognition of Performance Excellence 9th APCCAL Awards

Visa Inc.

Visa Cross-border Promotion
Visa Best Partner
Visa Risk Control
Visa Best Payment Innovation Award
Visa High-end Merchant Co-brand Card

MasterCard Worldwide

Best Product Design Award — ICBC-Shangri-La Co-brand Card
Award for Best Fraud Risk Control

JCB

Most Popular Product Award
Award for Best Foreign Card Merchant Development

DOMESTIC AWARDS

PBC

PBC Technological Development Award

CBRC

Award for Excellent Performance in the "Popularizing Financial
Knowledge" Service Promotion Month

Ministry of Industry and Information Technology, China Electronics Chamber of Commerce

Best Call Center of the Year

China Banking Association

Best Social Responsibility Financial Institution Award
 Best CSR Management Award
 Best Social Responsibility Special Contribution Outlet Award
 Best Performance Award for Syndicated Loans
 Best Management Award for Syndicated Loans
 Best Project Award for Syndicated Loans
 Excellent Service Award
 Top 50 Financial Products for Serving Micro and Small-sized Enterprises
 The 1st place in terms of comprehensive wealth management capability
 The 1st place in terms of social contribution
 Best Growth Award for Pension Service
 Award for Excellent Legal Risk Management
 Best Effect Award for “Popularizing Financial Knowledge” Series in Chinese Banking Industry
 Advanced Group in Online Competition of the Chinese Banking Sector about Consumer Protection Knowledge
 Outstanding Contribution Award in Civilized and Standard Services of the Chinese Banking Sector
 Excellent Innovation Award for Excellent Customer Service Center in the Chinese Banking Sector
 Comprehensive Model Award for Excellent Customer Service Center in the Chinese Banking Sector

China Central Depository & Clearing Co., Ltd.

Excellent Proprietary Trading Institution Award

China Foreign Exchange Trade System

Best Market Maker
 Best Spot Market Making Award
 Deal of the Year
 Best Spot Trading Award
 Best Non-USD Trading Award
 Best Market Maker Award of RUB Direct Trading
 Best Market Maker Award in Back-office Support
 Best Non-USD Trading Member Award

National Interbank Funding Center

Best Clearing Agent of Foreign Institutions
 The Most Influential Institution
 The Best Market Maker in Interbank Bond Market
 Outstanding Contribution Award in Interbank CDs
 Award for Innovation in the Money Market
 Award for Development of Bond Borrowing Business

Shanghai Gold Exchange

First Award for Excellent Financial Institution Members
 Award for Outstanding Contribution to Enquiry Business
 First Award for Outstanding Commercial Banks in Leasing

China Gold Association

Outstanding Contribution Award for CSR in China's Gold Sector
 Award for Honest Operation in China's Gold Sector
 Special Contribution Award of the China Gold Congress

China UnionPay

Outstanding Contribution Award in UnionPay Card Promotion
 Outstanding Contribution Award in UnionPay Card Cross-bank Transaction
 Excellent Award for Co-improvement of UnionPay Card Accepting Environment
 Excellent Award for Implementation of UnionPay Card Technical Standards
 Award for Excellent Risk Cooperation
 Outstanding Contribution Award in Expansion of UnionPay Online Acquiring Business
 Award for Excellent Cooperation in and Promotion of UnionPay Card Product
 Outstanding Contribution Award in UnionPay Card Cross-bank Transaction Quality
 Award for Excellent Performance in Acquiring Cooperation of Mobile Internet Business

China Committee of Corporate Citizenship of China Association of Social Workers

Most Responsible Enterprise

Chinese Association for Public Companies, Shanghai Stock Exchange, Shenzhen Stock Exchange

Top 20 Boards of Supervisors of Listed Companies — Best Practice

Social Responsibility Committee of The Chinese Institute of Business Administration, Beijing Rongzhi Corporate Social Responsibility Institute

Model of Transparency to the Public

China Council for Brand Development

The 1st place in Best Chinese Brands

China Financial Industry Call Center Development League

Operation and Management Elite Team Award

China Financial Certification Authority

Best Social Marketing Platform of the Chinese Banking Industry — WeChat Public Account of ICBC Mobile
 Best 10 Social Marketing Cases of the Chinese Banking Industry — Call for Smart Heroes of ICBC Mobile
 Best E-banks in China — Best Personal Internet Banking
 Best E-banks in China — Best Internet Banking

Internet Society of China, China Electronic Finance Industry Alliance, Internet Finance Work Committee of Internet Society of China

Internet-based Finance Innovation Award in China — ICBC Mobile

Organizing Committee of China International Financial Exhibition

Most Reputed Financial Service of the Year

Organizing Committee of China Gold Congress

Best Market Expansion Award

China Advertising Association

China Advertising Great Wall Award: Advertiser

China Electronic Finance Industry Alliance, Internet Finance Work Committee of Internet Society of China, Organizing Committee of China Inclusive Finance Conference

Excellent Inclusive Finance Provider of the Year

Asia Pacific Call Center Association Leaders

Recognition of Performance Excellence 9th APCCAL Awards

2016 Ranking and Awards

Sina Finance, Chinese Financial Research Center of Tsinghua SEM, Center for Internet Development and Governance of Tsinghua SEM, Internet Finance Institute

Chinese Financial Brand Bauhinia Award —
Best Mobile Financial Social Platform (ICBC Link)
Chinese Financial Brand Bauhinia Award —
Most Influential Financial Brand (ICBC Mobile)
Chinese Financial Brand Bauhinia Award — Best 10 Social Marketing Cases of the Chinese Banking Industry
(Selection of ICBC Smart Girls)

Global Compact Network China

Pioneer Enterprises for Achieving SDGs

Creative Communication Management Research Centre of Peking University

Best Brand for Spirit of Innovation in Mobile Marketing of the Year (ICBC Link)

China News Service

Most Responsible Enterprise

Organizing Committee of the 21st Century Asian Finance Annual Conference

Excellent Private Bank of the Year

The Economic Observer

Excellent Banker of the Year — Chairman Yi Huiman
Most Respectable Enterprise

Financial News, Institute of Finance and Banking, Chinese Academy of Social Sciences

Best Commercial Bank of the Year
Top Ten Innovative Institutions in Internet-based Finance of the Year

21st Century Business Herald

Best Commercial Bank in Asia
Banker of the Year — Chairman Yi Huiman
Excellent Board of Directors of China's Strategic Listed Companies
Best Asset Management Bank in China

China Business Journal

Internet-based Finance Bank with Excellent Competitiveness
SME Business Bank with Excellent Competitiveness

ChinaFund Newspaper

Best Selling Bank of PE Funds

Securities Times

Best Internet Innovation Bank in China (ICBC Mobile)
Best Private Banking Brand in China

Southern Weekly

The 1st place in the List of Chinese State-owned Listed Companies on Corporate Social Responsibilities

National Business Daily

Excellent Mobile Banking
Excellent Credit Card Brand

The Chinese Banker

The 1st place in the Ranking of National Commercial Banks in Core Competitiveness

Top 10 Internet-based Finance Innovation Award — ICBC Mobile

Top 10 Financial Products (Corporate Banking)

Top 10 Innovative Financial Products (Account-based FX)

Top 10 Innovative Wealth Management

Best Financial Innovation Award

Best Risk Management Bank

Best FinTech Bank

Information Times

Best Customer Service Center of the Year

Investor Journal Weekly

Best Internet-based Credit Card Bank of the Year

Leading Credit Card Bank of the Year

Trade Finance

Best Cash Management Bank

Financial Money

“Golden Pixiu” Awards — Gold E-banking of the Year

“Golden Pixiu” Awards — Gold Innovative Financial Product of the Year (Open-end Internet-based Banking)

Gold Credit Card Bank of the Year

Gold Wealth Management Bank of the Year

Gold Asset Management Bank of the Year

Gold Custodian Bank of the Year

Financial Computerizing

Award for Outstanding Contribution to Financial Product Innovation — ICBC Mobile

Award for Outstanding Contribution to Technological Innovation in the Financial Industry — Contribution to Operation and Maintenance Innovation

Hurun Report

Best Local Private Bank in China

Directors & Boards

Best Board

China Business Network

Best Banker Group

Risk Control Bank of the Year

Treasury China

Best Cash Management Bank

Best Global Cash Management Bank

Best Treasury Innovation Product

Wealth Plus

Best Private Bank in China

Best Private Bank in China — Best Asset Management Award

10 Most Popular Investment Products

CAAC Inflight Magazine, Civil Aviation Management

Platinum Credit Card Most Popular among Frequent Travelers

People.cn

10th Anniversary Leading Enterprise Award in CSR of the People's Daily

Most Reputable Banking Innovation Award

Poverty Alleviation Award of the Year

Sina.com

Best State-owned Commercial Bank
Best Credit Card of the Year
Best Mobile Banking

JRJ.com

Outstanding Chinese-funded Bank
Outstanding Retail Bank
Outstanding Custodian Bank
Outstanding Mobile Banking Brand

Hexun

Financial Institution with the Best Global Vision of the Year
Most Popular Mobile Finance Product
Excellent Green Financial Institution

Tencent, Finet Group Limited

Top 100 Hong Kong Stocks

Caishiv.com

Underwriter of Innovative Bond Product with the Largest
Market Influence
Most Innovative Underwriter of Medium and Long-term Bond

Bankrate.com.cn

Consumer Satisfaction Awards: Internet Banking Service

Analysys

eStar•Best Mobile Banking Award
eStar•Best E-commerce Platform Award (ICBC Mall)

China Internet Banking Union

E-banking Innovation Award of the Year: Best Practices in
Financial Internet
E-banking Innovation Award of the Year: Best Innovation in
Marketing Service

Taihe Consulting

Best Employer in China (Comprehensive Award in Financial
Industry)

ChinaHR

Best Employers for University Students
Best Employers for University Students — Best Employer in
Financial Industry

Zhaopin.com

Best Employer in China
Best Employer in China — Employer Mostly Concerned by
Women

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH

Address: No. 189 Wuhu Road,
Hefei City, Anhui Province,
China
Postcode: 230001
Tel: 0551-62869178/62868101
Fax: 0551-62868077

BEIJING MUNICIPAL BRANCH

Address: Tower B, Tianyin Mansion,
No. 2 Fuxingmen South
Street, Xicheng District,
Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH

Address: No. 9 Jiangnan Road,
Nan'an District,
Chongqing, China
Postcode: 400060
Tel: 023-62918002
Fax: 023-62918059

DALIAN BRANCH

Address: No. 5 Zhongshan Square,
Dalian City, Liaoning
Province, China
Postcode: 116001
Tel: 0411-82378888/82378000
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH

Address: No. 108 Gutian Road,
Fuzhou City, Fujian
Province, China
Postcode: 350005
Tel: 0591-88087810/88087819/
88087000
Fax: 0591-83353905/83347074

GANSU PROVINCIAL BRANCH

Address: No. 408 Qingyang Road,
Chengguan District,
Lanzhou City, Gansu
Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH

Address: No. 123 Yanjiangxi
Road, Guangzhou City,
Guangdong Province,
China
Postcode: 510120
Tel: 020-81308130/81308123
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH

Address: No. 15-1 Jiaoyu Road,
Nanning City, Guangxi
Autonomous Region,
China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH

Address: No. 200 Zhonghua North
Road, Guiyang City,
Guizhou Province, China
Postcode: 550001
Tel: 0851-88620004/88620018
Fax: 0851-85963911

HAINAN PROVINCIAL BRANCH

Address: No. 54 Heping South
Road, Haikou City, Hainan
Province, China
Postcode: 570203
Tel: 0898-65303138/65342829
Fax: 0898-65303138

HEBEI PROVINCIAL BRANCH

Address: Tower B, Zhonghua
Shangwu Tower, No. 188
Zhongshan West Road,
Shijiazhuang City, Hebei
Province, China
Postcode: 050051

Tel: 0311-66001999/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH

Address: No. 99 Jingsan Road,
Zhengzhou City, Henan
Province, China
Postcode: 450011

Tel: 0371-65776888/65776808
Fax: 0371-65776889/65776988

HEILONGJIANG PROVINCIAL BRANCH

Address: No. 218 Zhongyang Street,
Daoli District, Harbin City,
Heilongjiang Province,
China
Postcode: 150010

Tel: 0451-84668023/84668577
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH

Address: No. 31 Zhongbei Road,
Wuchang District, Wuhan
City, Hubei Province,
China
Postcode: 430071
Tel: 027-69908676/69908658
Fax: 027-69908040

HUNAN PROVINCIAL BRANCH

Address: No. 619 Furong Middle
Road Yi Duan, Changsha
City, Hunan Province,
China
Postcode: 410011
Tel: 0731 -84428833/84420000
Fax: 0731-84430039

JILIN PROVINCIAL BRANCH

Address: No. 9559 Renmin Avenue,
Changchun City, Jilin
Province, China
Postcode: 130022
Tel: 0431-89569073/89569712
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH

Address: No. 408 Zhongshan
South Road, Nanjing City,
Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH

Address: No. 233, Fuhe North Road,
Nanchang City, Jiangxi
Province, China
Postcode: 330008
Tel: 0791-86695682/86695018
Fax: 0791-86695230

LIAONING PROVINCIAL BRANCH

Address: No. 88 Nanjing North
Road, Heping District,
Shenyang City, Liaoning
Province, China
Postcode: 110001
Tel: 024-23491600
Fax: 024-23491609

List of Domestic and Overseas Branches and Offices

INNER MONGOLIA

AUTONOMOUS REGION

BRANCH

Address: No. 10 East 2nd Ring Road, Hohhot City, Inner Mongolia Autonomous Region, China
Postcode: 010060
Tel: 0471-6940297
Fax: 0471-6940096

NINGBO BRANCH

Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA AUTONOMOUS REGION BRANCH

Address: No. 901 Huanghe East Road, Jinfeng District, Yinchuan City, Ningxia Autonomous Region, China
Postcode: 750002
Tel: 0951-5029200
Fax: 0951-5042348

QINGDAO BRANCH

Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-85809988-621031
Fax: 0532-85814711

QINGHAI PROVINCIAL BRANCH

Address: No. 2 Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6169722/6152326
Fax: 0971-6152326

SHANDONG PROVINCIAL BRANCH

Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681622
Fax: 0531-87941749

SHANXI PROVINCIAL BRANCH

Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI PROVINCIAL BRANCH

Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI MUNICIPAL BRANCH

Address: No. 9 Pudong Avenue, Pudong New District, Shanghai, China
Postcode: 200120
Tel: 021-58885888
Fax: 021-58886888

SHENZHEN BRANCH

Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China
Postcode: 518015
Tel: 0755-82246400
Fax: 0755-82062761

SICHUAN PROVINCIAL BRANCH

Address: No. 35 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China
Postcode: 610016
Tel: 028-82866000
Fax: 028-82866025

TIANJIN MUNICIPAL BRANCH

Address: No. 123 Weidi Road, Hexi District, Tianjin, China
Postcode: 300074
Tel: 022-28400648
Fax: 022-28400123/28400647

XIAMEN BRANCH

Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China
Postcode: 361012
Tel: 0592-5292000
Fax: 0592-5054663

XINJIANG AUTONOMOUS REGION BRANCH

Address: No. 231 Remin Road, Tianshan District, Urumqi, Xinjiang Autonomous Region, China
Postcode: 830002
Tel: 0991-5981888
Fax: 0991-2337527

TIBET AUTONOMOUS REGION BRANCH

Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region
Postcode: 850000
Tel: 0891-6898019/6898002
Fax: 0891-6898001

YUNNAN PROVINCIAL BRANCH

Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China
Postcode: 650021
Tel: 0871-65536325/65536313
Fax: 0871-63134637

ZHEJIANG PROVINCIAL BRANCH

Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China
Postcode: 310009
Tel: 0571-87803888
Fax: 0571-87808207

ICBC Credit Suisse Asset Management Co., Ltd.

Address: Tower A, Xinheng Plaza, No. 5 Financial Street, Xicheng District, Beijing, China
Postcode: 100033
Tel: 010-66583333
Fax: 010-66583158

ICBC Financial Leasing Co., Ltd.

Address: E5AB, Finance Street, No. 20 Plaza East Road, Economic Development Zone, Tianjin
Postcode: 300457
Tel: 022-66283766/010-66105888
Fax: 022-66224510/010-66105999

ICBC-AXA Assurance Co., Ltd.

Address: 19/F Mirae Asset Tower, No. 166 Lujiazui Ring Road, Pudong New Area, Shanghai
Postcode: 200120
Tel: 021-58792288
Fax: 021-58792299

Chongqing Bishan ICBC Rural Bank Co., Ltd.

Address: No.1 Aokang Avenue, Bishan District, Chongqing
Postcode: 402760
Tel: 023-85297704
Fax: 023-85297709

Zhejiang Pinghu ICBC Rural Bank Co., Ltd.

Address: No.258 Chengnan West Road, Pinghu, Zhejiang Province
Postcode: 314200
Tel: 0573-85139616
Fax: 0573-85139626

List of Domestic and Overseas Branches and Offices

Overseas Institutions

Industrial and Commercial Bank of China Limited, Hong Kong Branch

Address: 33/F, ICBC Tower, 3

Garden Road, Central,
Hong Kong

Email: icbchk@icbcasia.com

Tel: + 852-25881188

Fax: + 852-25881160

SWIFT: ICBKHKHH

Industrial and Commercial Bank of China Limited, Singapore Branch

Address: 6 Raffles Quay #12-01,
Singapore 048580

Email: icbcsg@sg.icbc.com.cn

Tel: +65-65381066

Fax: +65-65381370

SWIFT: ICBKSGSG

Industrial and Commercial Bank of China Limited, Tokyo Branch

Address: 2-1 Marunouchi 1-Chome,
Chiyoda-Ku Tokyo, 100-
0005, Japan

Email: icbctokyo@icbc.co.jp

Tel: +813-52232088

Fax: +813-52198502

SWIFT: ICBKJPJT

Industrial and Commercial Bank of China Limited, Seoul Branch

Address: 16th Floor, Taepyeongno
Bldg., #73 Sejong-daero,
Jung-gu, Seoul 100-767,
Korea

Email: icbcseoul@kr.icbc.com.cn

Tel: +82-237886670

Fax: +82-27553748

SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Busan Branch

Address: 1st Floor, Samsung Fire &
Marine Insurance Bldg.,
#184, Jungang-daero,
Dong-gu, Busan 601-728,
Korea

Email: busanadmin@kr.icbc.com.cn

Tel: +82-514638868

Fax: +82-514636880

SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Hanoi Branch

Address: 3rd Floor Daeha Business
Center, No.360,
Kim Ma Str., Ba Dinh Dist.,
Hanoi, Vietnam

Email: admin@vn.icbc.com.cn

Tel: +84-462698888

Fax: +84-462699800

SWIFT: ICBKVN VN

Industrial and Commercial Bank of China Limited, Vientiane Branch

Address: Asean Road, Home
No.358, Unit12,
Sibounheuang Village,
Chanthabouly District,
Vientiane Capital, Lao PDR

Email: icbcvte@la.icbc.com.cn

Tel: +856-21258888

Fax: +856-21258897

SWIFT: ICBKLALA

Industrial and Commercial Bank of China Limited, Phnom Penh Branch

Address: No. 15, Preah Norodom
Boulevard, Phsar Thmey I,
Duan Penh, Phnom Penh,
Cambodia

Email: icbckh@kh.icbc.com.cn

Tel: +855-23955880

Fax: +855-23965268

SWIFT: ICBKKHPP

Industrial and Commercial Bank of China Limited, Doha (QFC) Branch

Address: Level 20, Burj Doha Tower,
Al Corniche Street, West
Bay, Doha, Qatar P.O.
BOX: 11217

Email: wangxq@doh.icbc.com.cn

Tel: +974-44072761

Fax: +974-44072751

SWIFT: ICBKQAQAXXX

Industrial and Commercial Bank of China Limited, Abu Dhabi Branch

Address: 9th floor & Mezzanine floor
AKAR properties, Al Bateen
Tower C6

Bainuna Street, Al Bateen
Area, Abu Dhabi, United
Arab Emirates

Email: dboffice@dxb.icbc.com.cn,

Tel: +971-24998600

Fax: +971-24998622

SWIFT: ICBKAEEA

Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch

Address: Floor 5&6, Gate Village
Building 1, Dubai
International Financial
Center, Dubai, United
Arab Emirates P.O.Box:
506856

Email: dboffice@dxb.icbc.com.cn

Tel: +971-47031111

Fax: +971-47031199

SWIFT: ICBKAED

Industrial and Commercial Bank of China Limited Karachi Branch

Address: 15th & 16th Floor, Ocean
Tower, G-3, Block-9,
Scheme # 5, Main Clifton
Road, Karachi, Pakistan.
P.C:75600

Tel: +92-2135208988

Fax: +92-2135208930

SWIFT: ICBPKKKAXXX

Industrial and Commercial Bank of China Limited, Mumbai Branch

Address: 801, 8th Floor, A Wing,
One BKC, C-66, G
Block, Bandra Kurla
Complex, Bandra East,
Mumbai-400051, India

Email: icbcmumbai@india.icbc.com.cn

Tel: +91-2271110300

Fax: +91-2271110353

SWIFT: ICBKINBBXXX

List of Domestic and Overseas Branches and Offices

Industrial and Commercial Bank of China Limited, Yangon Branch

Address: 459 Pyay Road, Kamayut Township, Yangon, Myanmar
Tel: +95-12306306-8810, 8830, 8821
Fax: +95-12306305-8805, 8806
SWIFT: ICBKMMMY

Industrial and Commercial Bank of China Limited, Riyadh Branch

Address: T07&08, Level 7&8, Building No: 7277-King Fahad Road Al Olaya, Zip Code: 12212, Additional No.: 3333, Unit No.:95, Kingdom of Saudi Arabia
Email: service@sa.icbc.com.cn
Tel: +966-112899800
Fax: +966-112899879
SWIFT: ICBKSARI

Industrial and Commercial Bank of China Limited, Kuwait Branch

Address: Building 2A (Al-Tijaria Tower), Floor 7, Al-Soor Street, Al-Morqab, Block3, Kuwait City, Kuwait
Tel: +965-22281777
Fax: +965-22281799
SWIFT: ICBKKWKW

Industrial and Commercial Bank of China Limited, Sydney Branch

Address: Level 1, 220 George Street, Sydney NSW 2000, Australia
Email: info@icbc.com.au
Tel: +612-94755588
Fax: +612-92333982
SWIFT: ICBKAU2S

Industrial and Commercial Bank of China Limited, Luxembourg Branch

Address: 32, Boulevard Royal, L-2449 Luxembourg, B.P.278 L-2012 Luxembourg
Email: office@eu.icbc.com.cn
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULL

Industrial and Commercial Bank of China Limited, Frankfurt Branch

Address: Bockenheimer Anlage 15, 60322 Frankfurt am Main, Germany
Email: icbc@icbc-ffm.de
Tel: +49-6950604700
Fax: +49-6950604708
SWIFT: ICBKDEFF

Industrial and Commercial Bank of China Limited, London Branch

Address: 81 King William Street, London EC4N 7BG, UK
Email: admin@icbclondon.com
Tel: +44-2073978888
Fax: +44-2073978890
SWIFT: ICBKGB3L

Industrial and Commercial Bank of China Limited, New York Branch

Address: 725 Fifth Avenue, 20th Floor, New York, NY 10022, USA
Email: info-nyb@us.icbc.com.cn
Tel: +1-2128387799
Fax: +1-2128386688
SWIFT: ICBKUSS3

Industrial and Commercial Bank of China (Asia) Limited

Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: enquiry@icbcasia.com
Tel: +852-35108888
Fax: +852-28051166
SWIFT: UBHKHKHH

ICBC International Holdings Limited

Address: 37/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: info@icbci.com.hk
Tel: +852-26833888
Fax: +852-26833900
SWIFT: ICBHHKHH

Industrial and Commercial Bank of China (Macau) Limited

Address: 18th Floor, ICBC Tower, Macau Landmark, 555 Avenida da Amizade, Macau
Email: icbc@mc.icbc.com.cn
Tel: +853-28555222
Fax: +853-28338064
SWIFT: ICBKMOMX

Industrial and Commercial Bank of China (Malaysia) Berhad

Address: Level 35, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia
Email: icbcmalaysia@my.icbc.com.cn
Tel: +603-23013399
Fax: +603-23013388
SWIFT: ICBKMYKL

PT. Bank ICBC Indonesia

Address: 32nd TCT ICBC Tower, Jl. MH.Thamrin No.81, Jakarta Pusat 10310, Indonesia
Email: cs@ina.icbc.com.cn
Tel: +62-2123556000
Fax: +62-2131996010
SWIFT: ICBKIDJA

Industrial and Commercial Bank of China (Thai) Public Company Limited

Address: 622 Emporium Tower 11th-13th Fl., Sukhumvit Road, Khlong Ton, Khlong Toei, Bangkok, Thailand
Tel: +66-26295588
Fax: +66-26639888
SWIFT: ICBKTHBK

List of Domestic and Overseas Branches and Offices

Industrial and Commercial Bank of China (Almaty) Joint Stock Company

Address: 150/230, Abai/Turgut Ozal Street, Almaty, Kazakhstan. 050046
Email: office@kz.icbc.com.cn
Tel: +7-7272377085
Fax: +7-7272377070
SWIFT: ICBKKZKX

Industrial and Commercial Bank of China (New Zealand) Limited

Address: Level 11, 188 Quay Street, Auckland 1010, New Zealand
Email: info@nz.icbc.com.cn
Tel: +64-93747288
Fax: +64-93747287
SWIFT: ICBKNZ2A

ICBC (London) PLC

Address: 81 King William Street, London EC4N 7BG, UK
Email: admin@icbclondon.com
Tel: +44-2073978888
Fax: +44-2073978899
SWIFT: ICBKGB2L

Industrial and Commercial Bank of China (Europe) S.A.

Address: 32, Boulevard Royal, L-2449 Luxembourg
Email: office@eu.icbc.com.cn
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULU

Bank ICBC (joint stock company)

Address: Building 29, Serebryanicheskaya embankment, Moscow, Russia Federation 109028
Email: info@ms.icbc.com.cn
Tel: +7-4952873099
Fax: +7-4952873098
SWIFT: ICBKRUMM

ICBC Standard Bank PLC

Address: 20 Gresham Street, London, United Kingdom, EC2V 7JE
Email: londonmarketing@icbcstandard.com
Tel: +44-2031455000
Fax: +44-2031895000
SWIFT: SBLLGB2L

ICBC Turkey Bank Anonim Şirketi

Address: Maslak Mah. Dereboyu, 2 Caddesi No: 13 34398 Sariyer, İSTANBUL
Email: gongwen@tr.icbc.com.cn
Tel: +90-2123355162
SWIFT: ICBKTRISXXX

Industrial and Commercial Bank of China (USA) NA

Address: 202 Canal Street, New York, NY 10013, USA
Email: info@us.icbc.com.cn
Tel: +1-2122388208
Fax: +1-2126190315
SWIFT: ICBKUS3N

Industrial and Commercial Bank of China Financial Services LLC

Address: 1633 Broadway, 28th Floor, New York, NY, 10019, USA
Email: info@icbkus.com
Tel: +1-2129937300
Fax: +1-2129937349
SWIFT: ICBKUS33FIN, ICBKUS3F

Industrial and Commercial Bank of China Mexico S.A.

Address: Paseo de la Reforma 250, Piso 18, Col. Juarez, C.P.06600, Del. Cuauhtemoc, Ciudad de Mexico
Email: info@icbc.com.mx
Tel: +52-5541253388
SWIFT: ICBKMXMM

Industrial and Commercial Bank of China (Canada)

Address: Unit 3710, Bay Adelaide Centre, 333 Bay Street, Toronto, Ontario, M5H 2R2, Canada
Email: info@icbk.ca
Tel: +1-4163665588
Fax: +1-4166072000
SWIFT: ICBKCAT2

Industrial and Commercial Bank of China (Argentina) S.A.

Address: Blvd. Cecilia Grierson 355, (C1107 CPG) Buenos Aires, Argentina
Email: gongwen@ar.icbc.com.cn
Tel: +54-1148209022
Fax: +54-1148201901
SWIFT: ICBKARBA

Industrial and Commercial Bank of China (Brasil) S.A.

Address: Av. Brigadeiro Faria Lima, 3477-Block B-6 andar-SAO PAULO/SP-Brasil
Email: bxgw@br.icbc.com.cn
Tel: +55-1123956600
Fax: +55-1123956600
SWIFT: ICBKBRSP

ICBC PERU BANK

Address: Av.Juan de Arona 151, Oficina 202, San Isidro, Lima27, Perú
Email: gongwen@pe.icbc.com.cn
Tel: +51-16316801
Fax: +51-16316803
SWIFT: ICBKPEPL

Industrial and Commercial Bank of China Limited, African Representative Office

Address: 47 Price Drive, Constantia, Cape Town, South Africa, 7806
Email: icbc.africa@gmail.com
Tel: +27-212008006, +27-761837882
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