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中國工商銀行股份有限公司

**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

## 2016 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2016. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results. Summary of the Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission (“CBRC”) is also presented in this Announcement.

### 1. Corporate Information

#### 1.1 Basic Information

	Stock name	Stock code	Stock exchange on which shares are listed
A Share	工商銀行	601398	Shanghai Stock Exchange
H Share	ICBC	1398	The Stock Exchange of Hong Kong Limited
Offshore Preference Share	ICBC USDPREF1	4603	The Stock Exchange of Hong Kong Limited
	ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
	ICBC CNHPREF1-R	84602	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	工行優1	360011	Shanghai Stock Exchange

## 1.2 Contact

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## 2. Financial Highlights

(Financial data and indicators in this annual results announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

## 2.1 Financial Data

	2016	2015	2014	2013	2012
<b>Annual operating results</b>					
<b>(in RMB millions)</b>					
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	<u>239,221</u>	<u>1,131,764</u>	<u>201,457</u>	<u>(1,947)</u>	<u>533,508</u>
<b>As at the end of reporting period (in RMB millions)</b>					
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 <sup>(1)</sup>	1,874,976	1,701,495	1,486,733	1,266,841	—
Net tier 1 capital <sup>(1)</sup>	1,954,770	1,781,062	1,521,233	1,266,859	—
Net capital base <sup>(1)</sup>	2,127,462	2,012,103	1,812,137	1,572,265	1,299,014
Risk-weighted assets <sup>(1)</sup>	<u>14,564,617</u>	<u>13,216,687</u>	<u>12,475,939</u>	<u>11,982,187</u>	<u>9,511,205</u>

	2016	2015	2014	2013	2012
<b>Per share data</b>					
<b>(in RMB yuan)</b>					
Net asset value per share <sup>(2)</sup>	<b>5.29</b>	4.80	4.23	3.63	3.22
Basic earnings per share	<b>0.77</b>	0.77	0.78	0.75	0.68
Diluted earnings per share	<b>0.77</b>	0.77	0.78	0.74	0.67
<b>Credit rating</b>					
S&P <sup>(3)</sup>	<b>A</b>	A	A	A	A
Moody's <sup>(3)</sup>	<b>A1</b>	A1	A1	A1	A1

*Notes:* (1) Data for period since 2013 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC (“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”.

## 2.2 Financial Indicators

	2016	2015	2014	2013	2012
<b>Profitability (%)</b>					
Return on average total assets <sup>(1)</sup>	1.20	1.30	1.40	1.44	1.45
Return on weighted average equity <sup>(2)</sup>	15.24	17.10	19.96	21.92	23.02
Net interest spread <sup>(3)</sup>	2.02	2.30	2.46	2.40	2.49
Net interest margin <sup>(4)</sup>	2.16	2.47	2.66	2.57	2.66
Return on risk-weighted assets <sup>(5)</sup>	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 <sup>(6)</sup>	<u>27.40</u>	<u>26.69</u>	<u>27.93</u>	<u>28.80</u>	<u>29.24</u>
<b>Asset quality (%)</b>					
Non-performing loans (“NPL”) ratio <sup>(7)</sup>	1.62	1.50	1.13	0.94	0.85
Allowance to NPL <sup>(8)</sup>	136.69	156.34	206.90	257.19	295.55
Allowance to total loans ratio <sup>(9)</sup>	<u>2.22</u>	<u>2.35</u>	<u>2.34</u>	<u>2.43</u>	<u>2.50</u>
<b>Capital adequacy (%)</b>					
Core tier 1 capital adequacy ratio <sup>(10)</sup>	12.87	12.87	11.92	10.57	—
Tier 1 capital adequacy ratio <sup>(10)</sup>	13.42	13.48	12.19	10.57	—
Capital adequacy ratio <sup>(10)</sup>	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	<u>60.34</u>	<u>59.51</u>	<u>60.53</u>	<u>63.34</u>	<u>54.22</u>

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.

## 2.3 Quarterly Financial Data

	2016			
	Q1	Q2	Q3	Q4
(In RMB millions)				
Operating income	168,992	159,989	155,034	157,666
Net profit attributable to equity holders of the parent company	74,764	75,453	72,575	55,457
Net cash flows from operating activities	199,614	98,018	(13,829)	(44,582)

	2015			
	Q1	Q2	Q3	Q4
(In RMB millions)				
Operating income	165,808	170,929	167,096	164,900
Net profit attributable to equity holders of the parent company	74,324	74,697	72,740	55,370
Net cash flows from operating activities	518,295	565,554	(331,219)	379,134

## 2.4 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.

### 3. Business Overview

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 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 has 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.

## 4. Discussion and Analysis

### 4.1 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.

#### 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	Average balance	2016 Interest income /expense	Average yield/cost (%)	Average balance	2015 Interest income /expense	Average yield/cost (%)
<b>Assets</b>						
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 <sup>(2)</sup>	190,871	4,192	2.20	197,117	4,434	2.25
Due from central banks <sup>(3)</sup>	2,915,005	44,678	1.53	3,161,562	47,867	1.51
Due from banks and other financial institutions <sup>(4)</sup>	1,412,253	31,285	2.22	1,448,398	36,538	2.52
<b>Total interest-generating assets</b>	<b>21,841,527</b>	<b>791,480</b>	<b>3.62</b>	<b>20,550,489</b>	<b>871,779</b>	<b>4.24</b>
Non-interest-generating assets	1,708,483			1,515,899		
Allowance for impairment losses	(290,892)			(273,612)		
<b>Total assets</b>	<b>23,259,118</b>			<b>21,792,776</b>		
<b>Liabilities</b>						
Deposits	16,878,531	257,850	1.53	15,579,271	298,010	1.91
Due to banks and other financial institutions <sup>(4)</sup>	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
<b>Total interest-bearing liabilities</b>	<b>19,996,202</b>	<b>319,634</b>	<b>1.60</b>	<b>18,759,070</b>	<b>363,912</b>	<b>1.94</b>
<b>Non-interest-bearing liabilities</b>	<b>1,363,841</b>			<b>1,383,096</b>		
<b>Total Liabilities</b>	<b>21,360,043</b>			<b>20,142,166</b>		
<b>Net interest income</b>		<b>471,846</b>			<b>507,867</b>	
<b>Net interest spread</b>			<b>2.02</b>			<b>2.30</b>
<b>Net interest margin</b>			<b>2.16</b>			<b>2.47</b>

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.

(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.

## 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
<b>Total loans and advances to customers</b>	<b>12,658,686</b>	<b>538,219</b>	<b>4.25</b>	<b>11,607,327</b>	<b>616,541</b>	<b>5.31</b>

## 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
<b>Total loans and advances to customers</b>	<b><u>12,658,686</u></b>	<b><u>538,219</u></b>	<b>4.25</b>	<b><u>11,607,327</u></b>	<b><u>616,541</u></b>	<b>5.31</b>

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

### **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*

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

## OTHER NON-INTEREST RELATED GAIN

Item	<i>In RMB millions, except for percentages</i>			
	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)
<b>Total</b>	<b>24,862</b>	<b>17,475</b>	<b>7,387</b>	<b>42.3</b>



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	<b>113,354</b>	114,173	(819)	(0.7)
Premises and equipment expenses	<b>28,414</b>	28,114	300	1.1
Taxes and surcharges	<b>17,319</b>	42,320	(25,001)	(59.1)
Amortisation	<b>2,059</b>	2,295	(236)	(10.3)
Others	<b>31,966</b>	33,933	(1,967)	(5.8)
<b>Total</b>	<b><u>193,112</u></b>	<b><u>220,835</u></b>	<b><u>(27,723)</u></b>	<b>(12.6)</b>

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%.

## 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%.

## 4.2 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

Item	<i>In RMB millions, except for percentages</i>			
	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
<b>Total operating income</b>	<b>641,681</b>	<b>100.0</b>	<b>668,733</b>	<b>100.0</b>

### SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

Item	<i>In RMB millions, except for percentages</i>			
	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
<b>Total operating income</b>	<b>641,681</b>	<b>100.0</b>	<b>668,733</b>	<b>100.0</b>

### 4.3 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.

#### 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
<b>Total assets</b>	<b>24,137,265</b>	<b>100.0</b>	<b>22,209,780</b>	<b>100.0</b>

## 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.

### 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
<b>Total</b>	<b>13,056,846</b>	<b>100.0</b>	<b>11,933,466</b>	<b>100.0</b>

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.

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.

## 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
<b>Total</b>	<b>13,056,846</b>	<b>100.00</b>	<b>11,933,466</b>	<b>100.00</b>

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
<b>Total</b>	<b>13,056,846</b>	<b>100.0</b>	<b>211,801</b>	<b>1.62</b>	<b>11,933,466</b>	<b>100.0</b>	<b>179,518</b>	<b>1.50</b>

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	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
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
<b>Total</b>	<b>6,912,537</b>	<b>100.0</b>	<b>152,318</b>	<b>2.20</b>	<b>6,901,088</b>	<b>100.0</b>	<b>129,595</b>	<b>1.88</b>



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
<b>Total</b>	<b>13,056,846</b>	<b>100.0</b>	<b>211,801</b>	<b>1.62</b>	<b>11,933,466</b>	<b>100.0</b>	<b>179,518</b>	<b>1.50</b>

## CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

*In RMB millions*

	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
<b>Balance at the beginning of the year</b>	<b>51,499</b>	<b>229,155</b>	<b>280,654</b>
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
	<u>1,226</u>	<u>773</u>	<u>1,999</u>
<b>Balance at the end of the year</b>	<b><u>65,557</u></b>	<b><u>223,955</u></b>	<b><u>289,512</u></b>

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
<b>Total</b>	<b>13,056,846</b>	<b>100.0</b>	<b>11,933,466</b>	<b>100.0</b>

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
<b>Total</b>	<b>346,127</b>	<b>2.65</b>	<b>332,698</b>	<b>2.79</b>

*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.

## 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.

## 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 (%)
<b>Debt instruments</b>	<b>5,196,535</b>	<b>94.8</b>	4,775,767	95.3
Investment in bonds not related to restructuring	<b>4,982,776</b>	<b>90.9</b>	4,548,687	90.8
Investment in bonds related to restructuring	<b>179,249</b>	<b>3.3</b>	193,187	3.9
Other debt instruments	<b>34,510</b>	<b>0.6</b>	33,893	0.6
<b>Equity instruments and others</b>	<b>284,639</b>	<b>5.2</b>	234,196	4.7
<b>Total</b>	<b><u>5,481,174</u></b>	<b><u>100.0</u></b>	<b><u>5,009,963</u></b>	<b><u>100.0</u></b>

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.

## 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
<b>Total</b>	<b>4,982,776</b>	<b>100.0</b>	<b>4,548,687</b>	<b>100.0</b>

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 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 <sup>(1)</sup>	474,475	8.7	343,272	6.9
Available-for-sale financial assets	1,742,287	31.8	1,444,195	28.8
Held-to-maturity investments	2,973,042	54.2	2,870,353	57.3
Receivables	291,370	5.3	352,143	7.0
<b>Total</b>	<b>5,481,174</b>	<b>100.0</b>	<b>5,009,963</b>	<b>100.0</b>

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

As at the end of 2016, the Group held RMB2,000,925 million of financial bonds<sup>1</sup>, 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.

<sup>1</sup> 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
<b>Total liabilities</b>	<b><u>22,156,102</u></b>	<b><u>100.0</u></b>	<b><u>20,409,261</u></b>	<b><u>100.0</u></b>

### 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%.

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

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

### 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.

#### **4.4 Capital Adequacy Ratio and Leverage Ratio**

The Bank calculated its capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC. 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.

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 Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC 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
<b>Core tier 1 capital</b>	<b>1,886,536</b>	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)
<b>Core tier 1 capital deductions</b>	<b>11,560</b>	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
<b>Net core tier 1 capital</b>	<b>1,874,976</b>	1,701,495
<b>Additional tier 1 capital</b>	<b>79,794</b>	79,567
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	419	192
<b>Net tier 1 capital</b>	<b>1,954,770</b>	1,781,062
<b>Tier 2 capital</b>	<b>178,292</b>	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
<b>Tier 2 capital deductions</b>	<b>5,600</b>	13,600
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,600	13,600
<b>Net capital base</b>	<b>2,127,462</b>	2,012,103
<b>Risk-weighted assets<sup>(1)</sup></b>	<b>14,564,617</b>	13,216,687
<b>Core tier 1 capital adequacy ratio</b>	<b>12.87%</b>	12.87%
<b>Tier 1 capital adequacy ratio</b>	<b>13.42%</b>	13.48%
<b>Capital adequacy ratio</b>	<b>14.61%</b>	15.22%

Note: (1) 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	At	At	At	At
	31 December 2016	30 September 2016	30 June 2016	31 March 2016	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%

## 4.5 Other Information Disclosed Pursuant to Regulatory Requirements

### Major Regulatory Indicators

Item	Regulatory criteria	2016	2015	2014
Liquidity ratio (%)	RMB	35.7	35.5	33.2
	Foreign currency	82.3	98.1	91.1
Loan-to-deposit ratio (%) <sup>(2)</sup>	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.



## 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*

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

## 4.6 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 "13<sup>th</sup> 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 "13<sup>th</sup> 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.

## 5. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

### 5.1 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 Results Announcement (28 February 2017), the Bank had a total number of 553,187 ordinary shareholders and no holders of preference shares with voting rights restored.

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)

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	Unit: Share
						Increase/decrease of shares during the reporting period
Central Huijin Investment Ltd.	State-owned	A share	34.71	123,717,852,951	None	—
Ministry of Finance of the People's Republic of China	State-owned	A share	34.60	123,316,451,864	None	—
HKSCC Nominees Limited/Hong Kong Securities Clearing Company Limited <sup>(3)</sup>	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. <sup>(4)</sup>	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 Central Huijin Investment Ltd. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

## 5.2 Particulars of Substantial Shareholders

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

## 5.3 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:

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	<i>HOLDERS OF A SHARES</i>	
				Percentage of A shares (%)	Percentage of total ordinary shares (%)
Ministry of Finance of the People's Republic of China <sup>(1)</sup>	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Central Huijin Investment Ltd. <sup>(2)</sup>	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, Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

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

**5.4 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 Results Announcement (28 February 2017), the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference 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)

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 (%)	<i>Unit: Share</i>	
						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 places.
  - (3) The Bank is not aware of any connected relations or concert party action among the afore-mentioned 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.



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)

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 (%)	<i>Unit: Share</i>	
						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.

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 Ministry of Finance of the People's Republic of China 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.

## **6. Material Assets Acquisition, Sale and Merger**

During the reporting period, the Bank had no material assets acquisition, sale and merger.

## **7. Other Information**

### **7.1 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.

### **7.2 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.

### 7.3 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:

<b>Item</b>	<b>2016</b>	2015	2014
Dividend per ten shares (pre-tax, in RMB yuan)	<b>2.343</b>	2.333	2.554
Cash dividends (pre-tax, in RMB millions)	<b>83,506</b>	83,150	91,026
Percentage of cash dividends <sup>(1)</sup> (%)	<b>30.5</b>	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”.

## **7.4 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.

## **8. Financial Report**

### **8.1 Audit Opinions**

The 2016 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG, respectively. KPMG Huazhen LLP and KPMG have expressed unqualified opinions in the independent auditor’s report.

### **8.2 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement**

## 8.2.1 Consolidated Statement of Profit or Loss

Year ended 31 December 2016

(In RMB millions, unless otherwise stated)

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



## 8.2.2 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

(In RMB millions, unless otherwise stated)

	2016	2015
<b>Profit for the year</b>	<b>279,106</b>	277,720
Other comprehensive income (after tax, net):		
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)	—
<b>Subtotal of other comprehensive income for the year</b>	<b>(17,515)</b>	20,405
<b>Total comprehensive income for the year</b>	<b>261,591</b>	298,125
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent company	261,166	297,024
Non-controlling interests	425	1,101
	<b>261,591</b>	298,125

## 8.2.3 Consolidated Statement of Financial Position

31 December 2016

(In RMB millions, unless otherwise stated)

	31 December 2016	31 December 2015
<b>ASSETS</b>		
Cash and balances with central banks	3,350,788	3,059,633
Due from banks and other financial institutions	797,473	683,793
Financial assets held for trading	189,331	132,838
Financial assets designated at fair value through profit or loss	285,144	210,434
Derivative financial assets	94,452	78,870
Reverse repurchase agreements	755,627	996,333
Loans and advances to customers	12,767,334	11,652,812
Financial investments	5,006,699	4,666,691
Investments in associates and joint ventures	30,077	24,185
Property and equipment	246,209	224,426
Deferred income tax assets	28,398	21,066
Other assets	585,733	458,699
<b>TOTAL ASSETS</b>	<b>24,137,265</b>	<b>22,209,780</b>
<b>LIABILITIES</b>		
Due to central banks	545	210
Financial liabilities designated at fair value through profit or loss	366,752	303,927
Derivative financial liabilities	89,960	76,826
Due to banks and other financial institutions	2,016,799	2,265,860
Repurchase agreements	589,306	337,191
Certificates of deposit	218,427	183,352
Due to customers	17,825,302	16,281,939
Income tax payable	52,640	63,266
Deferred income tax liabilities	604	995
Debt securities issued	357,937	306,622
Other liabilities	637,830	589,073
<b>TOTAL LIABILITIES</b>	<b>22,156,102</b>	<b>20,409,261</b>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent company		
Share capital	356,407	356,407
Other equity instruments	86,051	79,375
Including: Preference shares	79,375	79,375
Perpetual bond	6,676	—
Reserves	586,630	571,704
Retained profits	940,663	781,988
	<b>1,969,751</b>	<b>1,789,474</b>
Non-controlling interests	11,412	11,045
<b>TOTAL EQUITY</b>	<b>1,981,163</b>	<b>1,800,519</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,137,265</b>	<b>22,209,780</b>

## 8.2.4 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													
	Issued share capital	Other equity instrument	Capital reserve	Surplus reserve	Reserves					Retained profits	Non- controlling interests	Total equity		
					General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves				Subtotal	
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	—	—	—	—	—	(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	—	—	—	—	—	—	—	—	—	—	(83,150)	(83,150)	—	(83,150)
Dividends — preference shares	—	—	—	—	—	—	—	—	—	—	(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	<u>356,407</u>	<u>86,051</u>	<u>152,043</u>	<u>205,021</u>	<u>251,349</u>	<u>1,133</u>	<u>(18,050)</u>	<u>(4,645)</u>	<u>(221)</u>	<u>586,630</u>	<u>940,663</u>	<u>1,969,751</u>	<u>11,412</u>	<u>1,981,163</u>

(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.

## 8.2.4 Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2016

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company														
	Equity component			Reserves								Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Other equity instrument	of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal				
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	—	—	—	—	—	—	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	—	—	—	—	—	—	—	—	—	—	—	(91,026)	(91,026)	—	(91,026)
Dividends — preference shares	—	—	—	—	—	—	—	—	—	—	—	(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	<u>356,407</u>	<u>79,375</u>	<u>—</u>	<u>152,026</u>	<u>178,040</u>	<u>246,356</u>	<u>29,956</u>	<u>(31,432)</u>	<u>(3,926)</u>	<u>684</u>	<u>571,704</u>	<u>781,988</u>	<u>1,789,474</u>	<u>11,045</u>	<u>1,800,519</u>

(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.

## 8.2.5 Consolidated Cash Flow Statement

Year ended 31 December 2016

(In RMB millions, unless otherwise stated)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	2,059	2,295
Amortisation of financial investments	(2,155)	(1,422)
Impairment losses on loans and advances to customers	86,138	86,022
Impairment losses on assets other than loans and advances to customers	1,756	971
Gain on unrealized foreign exchange	(9,282)	(7,494)
Interest expense on debt securities issued	14,237	13,349
Accreted interest on impaired loans	(5,135)	(4,156)
Gain on disposal of available-for-sale financial assets, net	(4,202)	(4,765)
Net trading gain on equity investments	(345)	(33)
Net loss on financial assets and liabilities designated at fair value through profit or loss	104	5,953
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(181)	(848)
Dividend income	(343)	(155)
	<u>463,087</u>	<u>468,671</u>
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)
	<u>(1,795,252)</u>	<u>(1,210,467)</u>
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
	<u>1,664,704</u>	<u>1,960,343</u>

	2016	2015
Net cash flows from operating activities before tax	332,539	1,218,547
Income tax paid	(93,318)	(86,783)
	<u>239,221</u>	<u>1,131,764</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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
	<u>(468,932)</u>	<u>(666,961)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)
	<u>(50,786)</u>	<u>(36,732)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(280,497)</b>	<b>428,071</b>
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
	<u>1,189,368</u>	<u>1,441,298</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>		
Interest received	810,718	864,899
Interest paid	(317,533)	(338,014)

### 8.3 Revised International Financial Reporting Standards that are Effective in 2016 and Relevant to the Group

The IASB has issued the following amendments to IFRSs (including International Accounting Standards (“IASs”)) 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	
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment entities: Applying the consolidation exception</i>
Amendments to IAS 1	<i>Presentation of financial statements “Disclosure initiative”</i>

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.

### ***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 discontinued 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.

## 8.4 Notes to Consolidated Financial Statements

*(In RMB millions, unless otherwise stated)*

### 8.4.1 Net Interest Income

	2016	2015
Interest income on:		
Loans and advances to customers	<b>538,219</b>	616,541
— Corporate loans and advances	<b>355,313</b>	421,877
— Personal loans	<b>160,106</b>	174,503
— Discounted bills	<b>22,800</b>	20,161
Financial investments	<b>177,298</b>	170,833
Due from central banks	<b>44,678</b>	47,867
Due from banks and other financial institutions	<b>31,285</b>	36,538
	<u><b>791,480</b></u>	<u>871,779</u>
Interest expense on:		
Due to customers	<b>(257,850)</b>	(298,010)
Due to banks and other financial institutions	<b>(44,314)</b>	(49,801)
Debt securities issued	<b>(17,470)</b>	(16,101)
	<u><b>(319,634)</b></u>	<u>(363,912)</u>
Net interest income	<u><b>471,846</b></u>	<u>507,867</u>

#### 8.4.2 Net Fee and Commission Income

	2016	2015
Bank card business	37,670	37,684
Personal wealth management and private banking services	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	20,440	18,305
Asset custody business	6,893	5,544
Guarantee and commitment business	5,950	4,687
Trust and agency services	1,907	1,979
Others	3,097	2,784
	<u>164,714</u>	<u>161,670</u>
Fee and commission income	164,714	161,670
Fee and commission expense	(19,741)	(18,279)
	<u>(19,741)</u>	<u>(18,279)</u>
Net fee and commission income	<u>144,973</u>	<u>143,391</u>

#### 8.4.3 Net Trading Income

	2016	2015
Debt securities	4,450	4,444
Equity investments	345	33
Derivatives	1,662	(250)
	<u>6,457</u>	<u>4,227</u>

#### 8.4.4 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)
	<u>(104)</u>	<u>(5,953)</u>

#### 8.4.5 Net Gain on Financial Investments

	2016	2015
Dividend income from unlisted investments	170	125
Dividend income from listed investments	173	30
	<hr/>	<hr/>
Dividend income	343	155
Gain on disposal of available-for-sale financial assets, net	4,202	4,765
	<hr/>	<hr/>
	<b>4,545</b>	<b>4,920</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 8.4.6 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
	<hr/>	<hr/>
	<b>13,964</b>	<b>14,281</b>
	<hr/> <hr/>	<hr/> <hr/>

## 8.4.7 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	14,572	13,889
	<u>113,354</u>	<u>114,173</u>
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
	<u>28,414</u>	<u>28,114</u>
Amortisation	2,059	2,295
Other administrative expenses	20,388	21,219
Taxes and surcharges	17,319	42,320
Others	11,578	12,714
	<u>193,112</u>	<u>220,835</u>

## 8.4.8 Impairment Losses on Assets Other than Loans and Advances to Customers

	2016	2015
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	77	111
Financial investments:		
Held-to-maturity investments	6	(25)
Available-for-sale financial assets	581	(4)
Other	1,092	889
	<u>1,756</u>	<u>971</u>

## 8.4.9 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	<u>3,000</u>	<u>2,238</u>
	85,746	90,616
Adjustments in respect of income tax of prior years	(3,052)	(1,232)
Deferred income tax expense	<u>1,479</u>	<u>(3,869)</u>
	<u><u>84,173</u></u>	<u><u>85,515</u></u>

### (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	<u>363,279</u>	<u>363,235</u>
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	10,513	5,774
Non-taxable income	(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	<u>3,099</u>	<u>1,513</u>
Income tax expense	<u><u>84,173</u></u>	<u><u>85,515</u></u>



#### 8.4.10 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)	<u>83,150</u>	<u>91,026</u>
Dividends on preference shares declared and paid:		
Dividends	<u>4,450</u>	<u>2,331</u>
	2016	2015
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)	<u>83,506</u>	<u>83,150</u>

#### 8.4.11 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	<u>(4,450)</u>	<u>(2,331)</u>
Profit for the year attributable to ordinary equity holders of the parent company	<u>273,799</u>	<u>274,800</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>356,407</u>	<u>356,027</u>
Basic earnings per share (RMB yuan)	<u>0.77</u>	<u>0.77</u>

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:

	<b>2016</b>	2015
Earnings:		
Profit for the year attributable to equity holders of the parent company	<b>278,249</b>	277,131
Less: Profit for the year attributable to other equity holders of the parent company	<u>(4,450)</u>	<u>(2,331)</u>
Profit for the year attributable to ordinary equity holders of the parent company	<b>273,799</b>	274,800
Add: Interest expense on convertible bonds (net of tax)	<u>—</u>	<u>13</u>
Profit used to determine diluted earnings per share	<u><b>273,799</b></u>	<u>274,813</u>
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	<u><b>356,407</b></u>	<u>356,027</u>
Diluted earnings per share (RMB yuan)	<u><b>0.77</b></u>	<u>0.77</u>

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.

#### 8.4.12 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 market participants at measured date.

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 had derivative financial instruments as follows:

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			
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)
	<u>1,648,286</u>	<u>1,548,083</u>	<u>122,302</u>	<u>4,508</u>	<u>3,323,179</u>	<u>58,278</u>	<u>(60,217)</u>
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)
	<u>314,493</u>	<u>420,737</u>	<u>864,377</u>	<u>180,243</u>	<u>1,779,850</u>	<u>20,609</u>	<u>(20,470)</u>
Commodity derivatives and others	<u>632,245</u>	<u>273,591</u>	<u>50,171</u>	<u>3,283</u>	<u>959,290</u>	<u>15,565</u>	<u>(9,273)</u>
	<u>2,595,024</u>	<u>2,242,411</u>	<u>1,036,850</u>	<u>188,034</u>	<u>6,062,319</u>	<u>94,452</u>	<u>(89,960)</u>
	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			
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)
	<u>1,302,262</u>	<u>1,428,182</u>	<u>140,121</u>	<u>4,290</u>	<u>2,874,855</u>	<u>36,607</u>	<u>(38,925)</u>
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)
	<u>289,350</u>	<u>567,384</u>	<u>984,986</u>	<u>161,466</u>	<u>2,003,186</u>	<u>26,989</u>	<u>(28,236)</u>
Commodity derivatives and others	<u>691,028</u>	<u>266,823</u>	<u>44,352</u>	<u>1,460</u>	<u>1,003,663</u>	<u>15,274</u>	<u>(9,665)</u>
	<u>2,282,640</u>	<u>2,262,389</u>	<u>1,169,459</u>	<u>167,216</u>	<u>5,881,704</u>	<u>78,870</u>	<u>(76,826)</u>

## Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts, currency forward contract 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				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	—	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)
	<u>275</u>	<u>39,574</u>	<u>10,207</u>	<u>2,108</u>	<u>52,164</u>	<u>271</u>	<u>(2,282)</u>
	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	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)
	<u>2,689</u>	<u>1,605</u>	<u>11,300</u>	<u>2,192</u>	<u>17,786</u>	<u>221</u>	<u>(122)</u>

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:

	<b>Group</b>	
	<b>2016</b>	2015
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	<b>452</b>	91
— Hedged items attributable to the hedged risk	<b>(446)</b>	(73)
	<b>6</b>	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	<u>1,302</u>	<u>14,801</u>	<u>31,715</u>	<u>6,620</u>	<u>54,438</u>	<u>777</u>	<u>(147)</u>
	<u>1,302</u>	<u>14,801</u>	<u>31,715</u>	<u>6,620</u>	<u>54,438</u>	<u>777</u>	<u>(147)</u>
	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	<u>279</u>	<u>339</u>	<u>18,828</u>	<u>2,896</u>	<u>22,342</u>	<u>311</u>	<u>(133)</u>
	<u>279</u>	<u>339</u>	<u>18,828</u>	<u>2,896</u>	<u>22,342</u>	<u>311</u>	<u>(133)</u>

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	<b>Group</b>	
	<b>2016</b>	2015
Counterparty credit default risk-weighted assets		
Currency derivatives	<b>32,381</b>	24,281
Interest rate derivatives	<b>6,149</b>	3,819
Credit derivatives	<b>25</b>	75
Commodity derivatives and others	<b>10,843</b>	7,207
Netting Settled credit default risk-weighted assets	<b>11,935</b>	9,990
Credit value adjustment	<b>31,541</b>	20,332
	<b>92,874</b>	65,704

- (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.

#### 8.4.13 Financial Investments

	<b>Group</b>	
	<b>2016</b>	2015
Receivables	<b>291,370</b>	352,143
Held-to-maturity investments	<b>2,973,042</b>	2,870,353
Available-for-sale financial assets	<b>1,742,287</b>	1,444,195
	<b>5,006,699</b>	4,666,691

#### 8.4.14 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)
	<u>(29,449)</u>	<u>25,745</u>
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
Loss during the year	(781)	(88)
Less: Income tax effect	30	—
	<u>(751)</u>	<u>(88)</u>
Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss	<u>(860)</u>	<u>156</u>
Foreign currency translation differences	13,608	(5,400)
Others	(75)	—
	<u>(17,515)</u>	<u>20,405</u>



## 8.4.15 Commitments and Contingent Liabilities

### (a) Capital commitments

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

	<b>Group</b>	
	<b>2016</b>	2015
Authorised, but not contracted for	<b>535</b>	719
Contracted, but not provided for	<b>27,833</b>	22,081
	<b>28,368</b>	22,800

### (b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group 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:

	<b>Group</b>	
	<b>2016</b>	2015
Within one year	<b>5,455</b>	5,516
Over one year but within five years	<b>9,899</b>	11,093
Over five years	<b>2,266</b>	2,369
	<b>17,620</b>	18,978

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:

	<b>Group</b>	
	<b>2016</b>	2015
Within one year	<b>10,046</b>	10,198
Over one year but within five years	<b>39,092</b>	39,463
Over five years	<b>37,331</b>	39,344
	<b>86,469</b>	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.

	<b>Group</b>	
	<b>2016</b>	2015
Bank acceptances	<b>271,691</b>	339,494
Guarantees issued:		
Financing letters of guarantees	<b>137,076</b>	61,839
Non-financing letters of guarantees	<b>295,471</b>	281,804
Sight letters of credit	<b>45,752</b>	27,148
Usance letters of credit and other commitments	<b>143,393</b>	219,199
Loan commitments:		
With an original maturity of under one year	<b>173,392</b>	102,375
With an original maturity of one year or over	<b>1,064,189</b>	727,316
Undrawn credit card limit	<b>647,448</b>	538,709
	<b><u>2,778,412</u></b>	<u>2,297,884</u>

	<b>Group</b>	
	<b>2016</b>	2015
Credit risk-weighted assets of credit commitments (i)	<b><u>1,231,376</u></b>	<u>1,071,193</u>

(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 has 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.

(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 had no unexpired securities underwriting obligations (31 December 2015: Nil).

#### 8.4.16 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.

### *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 expense 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	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					<u>279,106</u>
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				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>8,914,597</u>	<u>4,245,097</u>	<u>10,840,773</u>	<u>136,798</u>	<u>24,137,265</u>
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	19,817	7,189	4,547	11,390	42,943
Segment liabilities	<u>10,088,166</u>	<u>8,376,975</u>	<u>3,536,514</u>	<u>154,447</u>	<u>22,156,102</u>
Other segment information:					
Credit commitments	<u>2,130,964</u>	<u>647,448</u>	—	—	<u>2,778,412</u>

	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	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					<u>277,720</u>
Other segment information:					
Depreciation	6,534	5,109	2,625	292	14,560
Amortisation	1,053	704	474	64	2,295
Capital expenditure	<u>25,873</u>	<u>20,045</u>	<u>10,394</u>	<u>1,189</u>	<u>57,501</u>
	As at 31 December 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>8,427,930</u>	<u>3,587,372</u>	<u>10,075,355</u>	<u>119,123</u>	<u>22,209,780</u>
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	<u>18,472</u>	<u>7,148</u>	<u>5,077</u>	<u>11,083</u>	<u>41,780</u>
Segment liabilities	<u>9,073,983</u>	<u>7,843,009</u>	<u>3,379,557</u>	<u>112,712</u>	<u>20,409,261</u>
Other segment information:					
Credit commitments	<u>1,759,175</u>	<u>538,709</u>	<u>—</u>	<u>—</u>	<u>2,297,884</u>

(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.

## Year ended 31 December 2016

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
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	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

## As at 31 December 2016

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
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	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



Year ended 31 December 2015

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
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	(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										<u>277,720</u>
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	<u>2,488</u>	<u>6,026</u>	<u>1,081</u>	<u>1,906</u>	<u>2,727</u>	<u>3,649</u>	<u>1,137</u>	<u>38,487</u>	<u>—</u>	<u>57,501</u>

As at 31 December 2015

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
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	10,717	5,839	3,086	4,031	5,610	7,209	1,318	3,970	—	41,780
Unallocated assets										21,066
Total assets										<u>22,209,780</u>
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										<u>20,409,261</u>
Other segment information:										
Credit commitments	<u>558,184</u>	<u>398,045</u>	<u>250,410</u>	<u>415,973</u>	<u>149,897</u>	<u>207,604</u>	<u>54,608</u>	<u>263,163</u>	<u>—</u>	<u>2,297,884</u>

## 9. Unaudited Supplementary Financial Information

### 9.1 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%

## 9.2 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advance Approaches

S/N Item	Fourth-quarter 2016	
	Total un-weighted value	Total weighted value
<b>High-quality liquid assets</b>		
1 Total high-quality liquid assets (HQLA)		4,803,766
<b>Cash outflows</b>		
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
<b>Cash inflows</b>		
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
	<b>Total adjusted value</b>	
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.

## 10. Summary of the Capital Adequacy Ratio Report Disclosed in Accordance with the Regulation Governing Capital of Commercial Banks (Provisional) Promulgated by CBRC

### 10.1 Capital Adequacy Ratio

- **Scope of Calculation of Capital Adequacy Ratio**

The Bank calculated capital adequacy ratios at all tiers in accordance with the Regulation Governing Capital of Commercial Banks promulgated by CBRC. The scope of calculation of consolidated capital adequacy ratio includes the Bank and financial institutions in which the Bank directly or indirectly invested in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

- **Results of Capital Adequacy Ratio Measurement**

*In RMB millions, except for percentages*

Item	At 31 December 2016		At 31 December 2015	
	Group	Parent Company	Group	Parent Company
<b>Calculated in accordance with the Capital Regulation:</b>				
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%
<b>Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:</b>				
Core capital adequacy ratio	11.71%	11.96%	11.83%	12.09%
Capital adequacy ratio	14.29%	14.26%	14.75%	14.67%

Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio” for details on the capital adequacy ratio calculation at the end of 2016.

- **Measurement of Risk-Weighted Assets**

*In RMB millions*

Item	At 31 December 2016	At 31 December 2015
Credit risk-weighted assets	13,144,466	11,864,984
Parts covered by internal ratings-based approach	9,304,653	8,617,028
Parts uncovered by internal ratings-based approach	3,839,813	3,247,956
Market risk-weighted assets	229,250	199,557
Parts covered by internal model approach	150,951	139,840
Parts uncovered by internal model approach	78,299	59,717
Operational risk-weighted assets	1,190,901	1,152,146
<b>Total</b>	<b><u>14,564,617</u></b>	<b><u>13,216,687</u></b>

## 10.2 Credit Risk

- **Credit Risk Exposure**

*In RMB millions*

Item	At 31 December 2016	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	8,217,600	1,562,436
Sovereign	—	4,349,299
Financial institution	—	2,907,938
Retail	4,113,878	312,205
Equity	—	34,426
Asset securitization	—	10,202
Others	—	5,753,237
<b>Total risk exposure</b>	<b><u>12,331,478</u></b>	<b><u>14,929,743</u></b>

- **Measurement Results of Internal Ratings-Based Approach**

**MEASUREMENT RESULTS OF NON-RETAIL CREDIT RISK UNDER FOUNDATION IRB**

*In RMB millions, except for percentages*

**At 31 December 2016**

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Level 1	956,422	0.10%	44.82%	296,621	31.01%
Level 2	915,998	0.22%	43.50%	437,743	47.79%
Level 3	1,342,184	0.67%	43.72%	1,004,430	74.84%
Level 4	2,113,391	1.66%	42.97%	2,069,288	97.91%
Level 5	1,402,512	2.60%	42.47%	1,486,771	106.01%
Level 6	665,871	3.72%	41.93%	778,395	116.90%
Level 7	219,925	5.28%	40.90%	276,362	125.66%
Level 8	87,693	7.20%	42.23%	130,593	148.92%
Level 9	109,232	9.60%	42.69%	187,110	171.30%
Level 10	63,515	18.00%	42.48%	114,344	180.03%
Level 11	113,397	56.00%	42.74%	210,896	185.98%
Level 12	227,460	100.00%	43.60%	719,587	316.36%
<b>Total</b>	<b>8,217,600</b>	<b>—</b>	<b>—</b>	<b>7,712,140</b>	<b>93.85%</b>

**At 31 December 2015**

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Level 1	996,557	0.10%	44.83%	311,555	31.26%
Level 2	996,964	0.22%	43.64%	467,325	46.87%
Level 3	1,471,063	0.67%	43.27%	1,107,657	75.30%
Level 4	2,162,706	1.63%	42.70%	2,099,956	97.10%
Level 5	1,206,955	2.62%	41.20%	1,234,017	102.24%
Level 6	743,222	3.72%	41.41%	856,067	115.18%
Level 7	168,677	5.28%	40.01%	204,194	121.06%
Level 8	34,759	7.20%	40.69%	49,568	142.60%
Level 9	54,405	9.60%	42.12%	92,499	170.02%
Level 10	13,497	18.00%	42.83%	28,556	211.56%
Level 11	35,421	56.00%	41.90%	63,441	179.11%
Level 12	190,425	100.00%	43.38%	647,834	340.20%
<b>Total</b>	<b>8,074,651</b>	<b>—</b>	<b>—</b>	<b>7,162,669</b>	<b>88.71%</b>

## MEASUREMENT RESULTS OF RETAIL CREDIT RISK UNDER IRB

*In RMB millions, except for percentages*

**At 31 December 2016**

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Personal residential mortgages	3,198,278	1.71%	25.77%	694,530	21.72%
Eligible revolving retail loans	450,703	5.02%	51.12%	121,307	26.92%
Other retail loans	464,897	11.18%	41.52%	249,997	53.77%
<b>Total</b>	<b>4,113,878</b>	<b>—</b>	<b>—</b>	<b>1,065,834</b>	<b>25.91%</b>

**At 31 December 2015**

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Personal residential mortgages	2,484,108	1.93%	23.68%	621,278	25.01%
Eligible revolving retail loans	442,892	4.26%	61.03%	122,896	27.75%
Other retail loans	572,277	7.97%	37.50%	222,429	38.87%
<b>Total</b>	<b>3,499,277</b>	<b>—</b>	<b>—</b>	<b>966,603</b>	<b>27.62%</b>



## 10.3 Market Risk

### CAPITAL REQUIREMENT FOR MARKET RISK

Risk type	<i>In RMB millions</i>	
	At 31 December 2016	At 31 December 2015
<b>Parts covered by internal model approach</b>	<b>12,076</b>	11,187
<b>Parts uncovered by internal model approach</b>	<b>6,264</b>	4,778
Interest rate risk	3,271	2,691
Commodity risk	2,934	2,016
Stock risk	5	0
Option risk	54	71
<b>Total</b>	<b>18,340</b>	<b>15,965</b>

*Note:* According to the implementation scope of the advanced capital management approaches approved by CBRC, parts covered by the market risk internal model approach of the Bank include currency risk of the Group, general interest rate risk of the parent company and ICBC (Canada) and commodity risk of the parent company. Parts uncovered by the internal model approach are measured by the standardized approach.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of ten days and historical data of 250 days) to measure the VaR, which is then used for capital measurement under the internal model approach.

### VALUE AT RISK (VAR)

Item	<i>In RMB millions</i>			
	2016			
	Period end	Average	Maximum	Minimum
<b>VaR</b>	<b>1,585</b>	<b>1,284</b>	<b>1,843</b>	<b>1,001</b>
Interest rate risk	365	177	424	109
Currency risk	1,538	1,260	1,811	1,038
Commodity risk	95	99	386	14
<b>Stressed VaR</b>	<b>2,762</b>	<b>2,297</b>	<b>3,405</b>	<b>1,574</b>
Interest rate risk	421	343	494	235
Currency risk	2,948	2,307	3,324	1,564
Commodity risk	102	144	621	19

Item	2015			
	Period end	Average	Maximum	Minimum
VaR	1,580	1,269	1,747	757
Interest rate risk	203	244	389	98
Currency risk	1,564	1,273	1,715	817
Commodity risk	28	69	216	8
Stressed VaR	1,821	1,835	2,216	1,367
Interest rate risk	265	200	345	103
Currency risk	1,776	1,795	2,261	1,354
Commodity risk	80	100	262	11

#### 10.4 Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of 2016, the capital requirement for operational risk was RMB95,272 million.

#### 10.5 Other Risks

- **Interest Rate Risk in the Banking Book**

In 2016, under the assumption that the overall interest rate in the market moves in parallel without taking into account the risk management actions that the Management may take to mitigate interest rate risk, the Bank's banking book interest rate sensitivity analysis by major currency is set out below:

Currency	<i>In RMB millions</i>			
	Increase by 100 basis points		Decrease by 100 basis points	
	Impact on net interest income	Impact on equity	Impact on net interest income	Impact on equity
RMB	(8,988)	(46,604)	8,988	50,242
USD	(49)	(4,450)	49	4,453
HKD	125	(8)	(125)	8
Other	491	(635)	(491)	635
<b>Total</b>	<b>(8,421)</b>	<b>(51,697)</b>	<b>8,421</b>	<b>55,338</b>

• **Equity Risk in the Banking Book**

*In RMB millions*

Equity type	At 31 December 2016			At 31 December 2015		
	Publicly-traded equity investment risk exposure <sup>(1)</sup>	Non-publicly-traded equity investment risk exposure <sup>(1)</sup>	Unrealized potential gains (losses) <sup>(2)</sup>	Publicly-traded equity investment risk exposure <sup>(1)</sup>	Non-publicly-traded equity investment risk exposure <sup>(1)</sup>	Unrealized potential gains (losses) <sup>(2)</sup>
Financial institution	26,437	1,132	122	21,551	964	173
Corporate	1,365	3,997	422	2,639	3,329	1,309
<b>Total</b>	<b>27,802</b>	<b>5,129</b>	<b>544</b>	<b>24,190</b>	<b>4,293</b>	<b>1,482</b>

*Notes:* (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealized potential gains (losses) refer to unrealized gains or losses recognized on the balance sheet but not recognized on the income statement.

## **11. Issue of Results Announcement, Annual Report and Capital Adequacy Ratio Report**

This Results Announcement will be released on HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)) simultaneously. The 2016 Annual Report prepared in accordance with IFRSs and the 2016 Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)). Specifically, the 2016 Annual Report prepared in accordance with IFRSs will be dispatched to the shareholders of H shares of the Bank. The 2016 Annual Report and its abstract prepared in accordance with PRC GAAP and the 2016 Capital Adequacy Ratio Report will be released simultaneously on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

By Order of  
The Board of Directors of  
**Industrial and Commercial Bank of China Limited**

30 March 2017

*As at the date of this announcement, the board of directors comprises Mr. YI Huiman, Mr. GU Shu, Mr. ZHANG Hongli and Mr. WANG Jingdong as executive directors, Ms. WANG Xiaoya, Ms. GE Rongrong, Mr. ZHENG Fuqing, Mr. FEI Zhoulin and Mr. CHENG Fengchao as non-executive directors, Mr. OR Ching Fai, Mr. HONG Yongmiao, Mr. Anthony Francis NEOH, Mr. YANG Siu Shun and Ms. Sheila Colleen BAIR as independent non-executive directors.*