中国建设银行
China Construction Bank

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

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

Stock Code: 939 (Ordinary H-share)

4606 (Offshore Preference Share)

ANNOUNCEMENT OF ANNUAL RESULTS 2016

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the audited results, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (collectively the "Group") for the year ended 31 December 2016. The annual results for the year of 2016 have been reviewed by the audit committee of the Bank's board of directors. The external auditors of the Bank, PricewaterhouseCoopers ZhongTian LLP and PricewaterhouseCoopers have audited the financial reports prepared by the Bank in accordance with PRC GAAP and IFRS respectively, and provided audit report with unqualified audit opinion.

1 FINANCIAL HIGHLIGHTS

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

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

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

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

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

2 Financial statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	2016	2015	Change(%)
Interest income	**696,637**	770,559	(9.59)
Interest expense	**(278,838)**	(312,807)	(10.86)
Net interest income	**417,799**	457,752	(8.73)
Fee and commission income	**127,863**	121,404	5.32
Fee and commission expense	**(9,354)**	(7,874)	18.80
Net fee and commission income	**118,509**	113,530	4.39
Net trading gain	**3,975**	3,913	1.58
Dividend income	**2,558**	733	248.98
Net gain arising from investment securities	**11,098**	5,075	118.68
Other operating income, net:			
– Other operating income	**55,340**	27,844	98.75
– Other operating expense	**(49,419)**	(22,160)	123.01
Other operating income, net	**5,921**	5,684	4.17
Operating income	**559,860**	586,687	(4.57)
Operating expenses	**(171,515)**	(194,826)	(11.97)
	388,345	391,861	(0.90)
Impairment losses on:			
– Loans and advances to customers	**(89,588)**	(92,610)	(3.26)
– Others	**(3,616)**	(1,029)	251.41
Impairment losses	**(93,204)**	(93,639)	(0.46)
Share of profits of associates and joint ventures	**69**	275	(74.91)
Profit before tax	**295,210**	298,497	(1.10)
Income tax expense	**(62,821)**	(69,611)	(9.75)
Net profit	**232,389**	228,886	1.53

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2016	2015	Change(%)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	**(839)**	51	(1,745.10)
Others	**68**	4	1,600.00
Subtotal	**(771)**	55	(1,501.82)
Items that may be reclassified subsequently to profit or loss			
(Losses)/Gains of available-for-sale financial assets arising during the period	**(27,841)**	27,721	(200.43)
Income tax impact relating to available-for-sale financial assets	**7,055**	(6,956)	(201.42)
Reclassification adjustments included in profit or loss	**(3,930)**	(1,429)	175.02
Net (loss)/gain on cash flow hedges	**(150)**	10	(1,600.00)
Exchange difference on translating foreign operations	**5,885**	1,436	309.82
Subtotal	**(18,981)**	20,782	(191.33)
Other comprehensive income for the year, net of tax	**(19,752)**	20,837	(194.79)
Total comprehensive income for the year	**212,637**	249,723	(14.85)
Net profit attributable to:			
Equity shareholders of the Bank	**231,460**	228,145	1.45
Non-controlling interests	**929**	741	25.37
	232,389	228,886	1.53
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**212,418**	248,311	(14.45)
Non-controlling interests	**219**	1,412	(84.49)
	212,637	249,723	(14.85)
Basic and diluted earnings per share (in RMB Yuan)	**0.92**	0.91	1.10

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	2016	2015	Change(%)
Assets:			
Cash and deposits with central banks	**2,849,261**	2,401,544	18.64
Deposits with banks and non-bank financial institutions	**494,618**	352,966	40.13
Precious metals	**202,851**	86,549	134.38
Placements with banks and non-bank financial institutions	**260,670**	310,779	(16.12)
Financial assets at fair value through profit or loss	**488,370**	271,173	80.10
Positive fair value of derivatives	**89,786**	31,499	185.04
Financial assets held under resale agreements	**103,174**	310,727	(66.80)
Interest receivable	**101,645**	96,612	5.21
Loans and advances to customers	**11,488,355**	10,234,523	12.25
Available-for-sale financial assets	**1,633,834**	1,066,752	53.16
Held-to-maturity investments	**2,438,417**	2,563,980	(4.90)
Investment classified as receivables	**507,963**	369,501	37.47
Interests in associates and joint ventures	**7,318**	4,986	46.77
Fixed assets	**170,095**	159,531	6.62
Land use rights	**14,742**	15,231	(3.21)
Intangible assets	**2,599**	2,103	23.59
Goodwill	**2,947**	2,140	37.71
Deferred tax assets	**31,062**	25,379	22.39
Other assets	**75,998**	43,514	74.65
Total assets	**20,963,705**	18,349,489	14.25

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2016	2015	Change(%)
Liabilities:			
Borrowings from central banks	**439,339**	42,048	944.85
Deposits from banks and non-bank financial institutions	**1,612,995**	1,439,395	12.06
Placements from banks and non-bank financial institutions	**322,546**	321,712	0.26
Financial liabilities at fair value through profit or loss	**396,591**	302,649	31.04
Negative fair value of derivatives	**90,333**	27,942	223.29
Financial assets sold under repurchase agreements	**190,580**	268,012	(28.89)
Deposits from customers	**15,402,915**	13,668,533	12.69
Accrued staff costs	**33,870**	33,190	2.05
Taxes payable	**44,900**	49,411	(9.13)
Interest payable	**211,330**	205,684	2.74
Provisions	**9,276**	7,108	30.50
Debt securities issued	**451,554**	415,544	8.67
Deferred tax liabilities	**570**	624	(8.65)
Other liabilities	**167,252**	122,554	36.47
Total liabilities	**19,374,051**	16,904,406	14.61
Equity:			
Share capital	**250,011**	250,011	0.00
Other equity instruments			
Preference Shares	**19,659**	19,659	0.00
Capital reserve	**133,960**	135,249	(0.95)
Investment revaluation reserve	**(976)**	23,058	(104.23)
Surplus reserve	**175,445**	153,032	14.65
General reserve	**211,193**	186,422	13.29
Retained earnings	**786,860**	672,154	17.07
Exchange reserve	**348**	(5,565)	(106.25)
Total equity attributable to equity shareholders of the Bank	**1,576,500**	1,434,020	9.94
Non-controlling interests	**13,154**	11,063	18.90
Total equity	**1,589,654**	1,445,083	10.00
Total liabilities and equity	**20,963,705**	18,349,489	14.25

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

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

Consolidated statement of changes in equity (continued)
(Expressed in millions of RMB, unless otherwise stated)

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

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	2016	2015
Cash flows from operating activities		
Profit before tax	**295,210**	298,497
Adjustments for:		
– Impairment losses	**93,204**	93,639
– Depreciation and amortisation	**16,017**	19,736
– Interest income from impaired financial assets	**(3,704)**	(3,161)
– Revaluation loss/(gain) on financial instruments at fair value through profit or loss	**1,412**	(3,344)
– Share of profit of associates and joint ventures	**(69)**	(275)
– Dividend income	**(2,558)**	(733)
– Unrealised foreign exchange (gain)/loss	**(479)**	8,628
– Interest expense on bonds issued	**11,362**	9,851
– Net gain on disposal of investment securities	**(11,098)**	(5,075)
– Net gain on disposal of fixed assets and other long-term assets	**(159)**	(78)
	399,138	417,685

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2016	2015
Cash flows from operating activities (continued)		
Changes in operating assets:		
Net (increase)/decrease in deposits with central banks and with banks and non-bank financial institutions	**(328,481)**	130,948
Net decrease/(increase) in placements with banks and non-bank financial institutions	**10,762**	(27,495)
Net increase in loans and advances to customers	**(1,258,420)**	(1,059,060)
Net decrease/(increase) in financial assets held under resale agreements	**208,433**	(36,975)
Net (increase)/decrease in financial assets at fair value through profit or loss	**(211,099)**	62,142
Net increase in other operating assets	**(166,173)**	(54,505)
	(1,744,978)	(984,945)
Changes in operating liabilities:		
Net increase/(decrease) in borrowings from central banks	**395,118**	(50,300)
Net (decrease)/increase in placements from banks and non-bank financial institutions	**(16,216)**	110,038
Net increase in deposits from customers and from banks and non-bank financial institutions	**1,829,273**	1,163,129
Net (decrease)/increase in financial assets sold under repurchase agreements	**(78,104)**	86,340
Net increase/(decrease) in certificates of deposit issued	**12,653**	(69,604)
Income tax paid	**(65,264)**	(73,476)
Net increase in financial liabilities at fair value through profit or loss	**92,919**	6,639
Net increase in other operating liabilities	**57,993**	27,988
	2,228,372	1,200,754
Net cash from operating activities	**882,532**	633,494

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

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

Notes:

(1) The IFRS financial statements of the Group for the year ended 31 December 2016 will be available on the website of The Stock Exchange of Hong Kong Limited. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Except for the new or revised IFRSs and Interpretations effective for the year ended 31 December 2016 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2015.

(3) Unless otherwise stated, the financial figures are expressed in millions of RMB.

(4) For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

(5) Net gain arising from investment securities

	2016	2015
Net gain and investment income of available-for-sale financial assets	**3,390**	3,339
Net revaluation gain reclassified from other comprehensive income on disposal	**5,546**	1,533
Net gain on sale of held-to-maturity investments	**732**	321
Net gain on sale of investments classified as receivables	**906**	-
Others	**524**	(118)
Total	**11,098**	5,075

(6) Operating expenses

	2016	2015
Staff costs		
– Salaries, bonuses, allowances and subsidies	**62,093**	61,087
– Other social insurance and welfare	**8,997**	8,561
– Housing funds	**6,296**	6,501
– Union running costs and employee education costs	**2,567**	2,540
– Defined contribution plans accrued	**12,846**	12,717
– Early retirement expenses	**45**	86
– Compensation to employees for termination of employment relationship	**3**	7
	92,847	91,499
Premises and equipment expenses		
– Depreciation charges	**13,804**	17,132
– Rent and property management expenses	**9,341**	8,905
– Maintenance	**2,890**	2,951
– Utilities	**2,071**	2,260
– Others	**1,875**	1,798
	29,981	33,046
Taxes and surcharges	**17,473**	36,303
Amortisation expenses	**2,213**	2,604
Audit fees	**142**	149
Other general and administrative expenses	**28,859**	31,225
Total	**171,515**	194,826

(7) Income tax expense

① Income tax expense

	2016	2015
Current tax	**60,380**	63,065
- Mainland China	**58,713**	61,708
- Hong Kong	**875**	731
- Other countries and regions	**792**	626
Adjustments for prior years	**(187)**	(1,313)
Deferred tax	**2,628**	7,859
Total	**62,821**	69,611

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the year respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

② Reconciliation between income tax expense and accounting profit

	Note	**2016**	2015
Profit before tax		**295,210**	298,497
Income tax calculated at 25% statutory tax rate		**73,803**	74,624
Non-deductible expenses	(i)	**10,648**	10,655
Non-taxable income	(ii)	**(21,443)**	(14,355)
Adjustments on income tax for prior years which affect profit or loss		**(187)**	(1,313)
Income tax expense		**62,821**	69,611

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

(8) Earnings per share

Basic earnings per share for the year ended 31 December 2016 and 2015 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

The Bank issued non-cumulative preference shares during the year ended 31 December 2015. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2016 and 2015, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2016	2015
Net profit attributable to equity shareholders of the Bank	**231,460**	228,145
Less: profit for the year attributable to preference shareholders of the Bank	**(1,067)**	-
Net profit attributable to ordinary shareholders of the Bank	**230,393**	228,145
Weighted average number of shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.92**	0.91
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.92**	0.91

(9) Derivatives and hedge accounting

① Analysed by type of contract

		2016			2015		
	Note	**Notional amounts**	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts		**470,809**	**3,278**	**2,492**	506,536	1,372	1,291
Exchange rate contracts		**4,650,215**	**73,183**	**83,025**	2,427,232	25,675	25,715
Other contracts	*(a)*	**333,553**	**13,325**	**4,816**	119,735	4,452	936
Total		**5,454,577**	**89,786**	**90,333**	3,053,503	31,499	27,942

② Analysed by credit risk-weighted assets

	Note	**2016**	2015
Counterparty credit default risk-weighted assets			
- Interest rate contracts		**2,649**	1,579
- Exchange rate contracts		**35,373**	23,298
- Other contracts	*(a)*	**10,751**	3,559
Subtotal		**48,773**	28,436
Credit value adjustment		**25,987**	13,008
Total		**74,760**	41,444

The notional amounts of derivatives only represent the unsettled transactions volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of counterparties, maturity and back-to-back client-driven transactions.

(a) Other contracts mainly consist of precious metals contracts.

(9) Derivatives and hedge accounting (continued)

③ Hedge accounting

The following designated hedging instruments are included in the derivatives financial instruments disclosed above.

	2016			2015		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**45,148**	**507**	**(69)**	9,091	62	(30)
Foreign exchange swaps	**348**	**24**	**-**	-	-	-
Cash flow hedges						
Foreign exchange swaps	**21,491**	**-**	**(823)**	-	-	-
Total	**66,987**	**531**	**(892)**	9,091	62	(30)

(a) Fair value hedge

The Group uses interest rate swaps and foreign exchange swaps to hedge against changes of fair value in some available-for-sale financial assets, certificates of deposit issued, loans and advances to customers arising from changes in interest rates and exchange rates.

Net gains/(losses) on fair value hedges are as follows:

	2016	2015
Net gains/(losses) on		
– hedging instruments	**419**	18
– hedged items	**(439)**	(18)

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2016 and 2015.

(b) Cash flow hedge

The Group uses foreign exchange swaps to hedge against exposures to cash flow variability primarily from foreign exchange risks of some loans and advances to customers. The maturities of hedging instruments and hedged items are both within two years.

For the year ended 31 December 2016, net loss from the cash flow hedge of RMB 150 million were recognised in other comprehensive income (2015: net gain 10 million) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial.

(10) Deposits from customers

	2016	2015
Demand deposits		
- Corporate customers	**5,206,395**	4,261,474
- Personal customers	**3,022,447**	2,611,873
Subtotal	**8,228,842**	6,873,347
Time deposits (including call deposits)		
- Corporate customers	**3,120,699**	2,918,679
- Personal customers	**4,053,374**	3,876,507
Subtotal	**7,174,073**	6,795,186
Total	**15,402,915**	13,668,533

Deposits from customers include:

		2016	2015
①	Pledged deposits		
	- Deposits for acceptance	**99,822**	118,897
	- Deposits for guarantee	**80,930**	49,143
	- Deposits for letter of credit	**28,264**	24,811
	- Others	**313,110**	256,033
	Total	**522,126**	448,884
②	Outward remittance and remittance payables	**14,121**	11,969

(11) Commitments and contingent liabilities

① Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	2016	2015
Loan commitments		
- with an original maturity within one year	**509,828**	149,566
- with an original maturity of one year or over	**64,779**	312,872
Credit card commitments	**690,144**	577,047
	1,264,751	1,039,485
Bank acceptances	**296,606**	324,963
Financing guarantees	**107,160**	141,604
Non-financing guarantees	**776,775**	649,326
Sight letters of credit	**37,383**	20,383
Usance letters of credit	**160,141**	175,860
Others	**81,710**	50,663
Total	**2,724,526**	2,402,284

(11) Commitments and contingent liabilities (continued)

② Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics.

	2016	2015
Credit risk-weighted amount of contingent liabilities and commitments	**1,073,108**	993,117

③ Operating lease commitments

The Group lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	2016	2015
Within one year	**5,717**	5,650
After one year but within two years	**4,396**	4,387
After two years but within three years	**3,194**	3,177
After three years but within five years	**5,076**	3,469
After five years	**2,756**	2,737
Total	**21,139**	19,420

(11) Commitments and contingent liabilities (continued)

④ Capital commitments

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

	2016	2015
Contracted for	**4,930**	4,049

⑤ Underwriting obligations

As at 31 December 2016, there was no unexpired underwriting commitment of the Group (as at 31 December 2015: nil).

⑥ Government bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2016, were RMB75,695 million. (31 December 2015: The Group RMB73,647 million).

⑦ Outstanding litigation and disputes

As at 31 December 2016, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB7,783 million (as at 31 December 2015: RMB6,501 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group’s internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

⑧ Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the above is committed and contingent liabilities.

(12) Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group’s accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as “internal net interest income/expense”. Interest income and expense earned from third parties are referred to as “external net interest income/expense”.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

① Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Oakland, Jakarta, San Paulo and Kuala Lumpur.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

(12) Operating segments(continued)

① Geographical segments (continued)

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- “Yangtze River Delta” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

- “Pearl River Delta” refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

- “Bohai Rim” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

- the “Central” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

- the “Western” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

- the “Northeastern” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(12) Operating segments (continued)

① Geographical segments (continued)

	2016								
	Yangtze River Delta	**Pearl River Delta**	**Bohai Rim**	**Central**	**Western**	**Northeastern**	**Head Office**	**Overseas**	**Total**
External net interest income	40,351	36,855	34,408	45,352	49,218	11,517	191,503	8,595	417,799
Internal net interest income/(expense)	28,147	22,638	36,501	30,117	25,491	12,653	(153,546)	(2,001)	-
Net interest income	68,498	59,493	70,909	75,469	74,709	24,170	37,957	6,594	417,799
Net fee and commission income	17,974	16,352	19,581	17,983	13,301	5,821	24,865	2,632	118,509
Net trading gain/(loss)	388	517	(686)	122	44	46	1,051	2,493	3,975
Dividend income	1,908	5	1	278	2	-	87	277	2,558
Net gain arising from investment securities	759	-	29	501	254	-	8,780	775	11,098
Other operating income/(expense), net	173	709	1,812	522	2,987	221	(3,202)	2,699	5,921
Operating income	89,700	77,076	91,646	94,875	91,297	30,258	69,538	15,470	559,860
Operating expenses	(26,634)	(21,740)	(27,905)	(31,221)	(29,002)	(11,658)	(16,683)	(6,672)	(171,515)
Impairment losses	(23,181)	(18,363)	(16,112)	(17,404)	(9,517)	(4,949)	(1,612)	(2,066)	(93,204)
Share of profit of associates and joint ventures	-	-	-	30	-	-	-	39	69
Profit before tax	39,885	36,973	47,629	46,280	52,778	13,651	51,243	6,771	295,210
Capital expenditure	2,351	1,873	7,896	3,110	2,533	1,209	2,233	5,935	27,140
Depreciation and amortisation	2,433	1,639	2,731	3,032	2,483	1,280	1,674	745	16,017

	2016								
Segment assets	3,287,924	2,248,437	2,341,529	3,223,419	2,745,765	966,670	8,456,699	1,663,306	24,933,749
Interests in associates and joint ventures	-	-	31	4,184	-	-	-	3,103	7,318
	3,287,924	2,248,437	2,341,560	3,227,603	2,745,765	966,670	8,456,699	1,666,409	24,941,067
Deferred tax assets									31,062
Elimination									(4,008,424)
Total assets									20,963,705
Segment liabilities	3,292,293	2,252,473	2,325,284	3,220,764	2,742,194	966,764	7,020,522	1,561,611	23,381,905
Deferred tax liabilities									570
Elimination									(4,008,424)
Total liabilities									19,374,051
Off-balance sheet credit commitments	570,239	403,398	699,060	418,924	318,757	151,838	2,800	159,510	2,724,526

(12) Operating segments (continued)

① Geographical segments (continued)

	2015								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	55,092	35,989	42,840	54,038	59,323	17,135	186,749	6,586	457,752
Internal net interest income/(expense)	17,014	23,628	30,196	22,276	17,479	9,803	(122,393)	1,997	-
Net interest income	72,106	59,617	73,036	76,314	76,802	26,938	64,356	8,583	457,752
Net fee and commission income	17,470	16,120	18,435	17,348	13,778	5,877	22,652	1,850	113,530
Net trading gain/(loss)	439	343	(105)	188	234	56	1,859	899	3,913
Dividend income	252	4	8	301	12	-	9	147	733
Net gain arising from investment securities	1,279	-	20	375	398	298	1,373	1,332	5,075
Other operating income	29	79	979	329	2,848	178	128	1,114	5,684
Operating income	91,575	76,163	92,373	94,855	94,072	33,347	90,377	13,925	586,687
Operating expenses	(32,210)	(25,536)	(31,506)	(36,720)	(34,056)	(13,781)	(15,265)	(5,752)	(194,826)
Impairment losses	(32,332)	(20,358)	(12,618)	(7,720)	(8,335)	(7,161)	(2,177)	(2,938)	(93,639)
Share of profit of associates and joint ventures	-	-	-	200	-	-	-	75	275
Profit before tax	27,033	30,269	48,249	50,615	51,681	12,405	72,935	5,310	298,497
Capital expenditure	2,429	2,605	6,034	5,143	3,185	1,733	3,204	795	25,128
Depreciation and amortisation	3,044	2,006	3,019	3,692	3,110	1,651	2,691	523	19,736

	2015								
Segment assets	2,565,723	1,756,844	1,988,554	2,855,335	2,798,176	1,056,288	5,835,333	1,149,541	20,005,794
Interests in associates and joint ventures	-	-	-	2,196	-	-	-	2,790	4,986
	2,565,723	1,756,844	1,988,554	2,857,531	2,798,176	1,056,288	5,835,333	1,152,331	20,010,780
Deferred tax assets									25,379
Elimination									(1,686,670)
Total assets									18,349,489
Segment liabilities	2,571,710	1,766,077	1,972,961	2,846,741	2,795,577	1,058,505	4,506,665	1,072,216	18,590,452
Deferred tax liabilities									624
Elimination									(1,686,670)
Total liabilities									16,904,406
Off-balance sheet credit commitments	497,837	385,693	611,674	356,079	305,375	116,537	3,500	125,589	2,402,284

(12) Operating segments(continued)

② Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(12) Operating segments (continued)

② Business segments (continued)

	Corporate banking (2016)	Personal banking (2016)	Treasury business (2016)	Others (2016)	Total (2016)
External net interest income	165,280	62,914	171,382	18,223	417,799
Internal net interest income/(expense)	52,430	95,564	(141,946)	(6,048)	-
Net interest income	217,710	158,478	29,436	12,175	417,799
Net fee and commission income	33,038	60,426	21,352	3,693	118,509
Net trading (loss)/gain	(7,075)	673	8,801	1,576	3,975
Dividend income	-	-	-	2,558	2,558
Net gain arising from investment securities	-	-	9,066	2,032	11,098
Other operating (expense)/income, net	(58)	(256)	9,998	(3,763)	5,921
Operating income	243,615	219,321	78,653	18,271	559,860
Operating expenses	(59,923)	(88,569)	(10,179)	(12,844)	(171,515)
Impairment losses	(85,363)	(1,483)	(2,466)	(3,892)	(93,204)
Share of profit of associates and joint ventures	-	-	-	69	69
Profit before tax	98,329	129,269	66,008	1,604	295,210
Capital expenditure	5,376	9,040	1,095	11,629	27,140
Depreciation and amortisation	5,014	8,433	1,021	1,549	16,017

	2016				
Segment assets	7,064,795	4,522,379	8,195,103	1,564,749	21,347,026
Interests in associates and joint ventures	-	-	-	7,318	7,318
	7,064,795	4,522,379	8,195,103	1,572,067	21,354,344
Deferred tax assets					31,062
Elimination					(421,701)
Total assets					20,963,705
Segment liabilities	9,780,961	7,169,317	834,943	2,009,961	19,795,182
Deferred tax liabilities					570
Elimination					(421,701)
Total liabilities					19,374,051
Off-balance sheet credit commitments	1,917,363	647,498	-	159,665	2,724,526

(12) Operating segments(continued)

② Business segments (continued)

	2015				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	244,837	26,725	171,724	14,466	457,752
Internal net interest (expenses)/income	(4,278)	130,274	(118,845)	(7,151)	-
Net interest income	240,559	156,999	52,879	7,315	457,752
Net fee and commission income	35,497	56,306	17,892	3,835	113,530
Net trading (loss)/gain	(4,593)	(127)	7,728	905	3,913
Dividend income	-	-	-	733	733
Net gain arising from investment securities	-	-	331	4,744	5,075
Other operating (expense)/income, net	(186)	(350)	2,785	3,435	5,684
Operating income	271,277	212,828	81,615	20,967	586,687
Operating expenses	(75,665)	(96,466)	(11,435)	(11,260)	(194,826)
Impairment losses	(87,428)	(1,178)	208	(5,241)	(93,639)
Share of profit of associates and joint ventures	-	-	-	275	275
Profit before tax	108,184	115,184	70,388	4,741	298,497
Capital expenditure	7,305	11,937	1,615	4,271	25,128
Depreciation and amortisation	6,556	10,713	1,449	1,018	19,736

	2015				
Segment assets	7,036,556	3,626,845	6,748,218	1,031,726	18,443,345
Interests in associates and joint ventures	-	-	-	4,986	4,986
	7,036,556	3,626,845	6,748,218	1,036,712	18,448,331
Deferred tax assets					25,379
Elimination					(124,221)
Total assets					18,349,489
Segment liabilities	7,841,404	7,203,232	547,997	1,435,370	17,028,003
Deferred tax liabilities					624
Elimination					(124,221)
Total liabilities					16,904,406
Off-balance sheet credit commitments	1,737,208	539,283	-	125,793	2,402,284

3 Unaudited supplementary financial information

(1) Liquidity coverage ratio

	Fourth quarter of 2016	Third quarter of 2016	Second quarter of 2016	First quarter of 2016
Liquidity coverage ratio	120.27%	117.08%	122.39%	133.09%

The formula of liquidity coverage ratio ("LCR") is dividing high quality liquid assets by net cash outflows in the next 30 days. The Group calculates the LCR as the arithmetic mean of its LCR as at each month-end in the quarter on the basis of the regulatory requirements, definitions and accounting standards as applicable to the current period.

(2) Currency concentrations

	2016			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**1,306,232**	**327,955**	**264,686**	**1,898,873**
Spot liabilities	**(1,087,356)**	**(351,161)**	**(227,688)**	**(1,666,205)**
Forward purchases	**2,621,532**	**98,488**	**230,706**	**2,950,726**
Forward sales	**(2,824,058)**	**(39,253)**	**(261,184)**	**(3,124,495)**
Net options position	**(4,012)**	**-**	**-**	**(4,012)**
Net long position	**12,338**	**36,029**	**6,520**	**54,887**
Net structural position	**29,785**	**258**	**(6,453)**	**23,590**

	2015			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	963,701	242,240	182,060	1,388,001
Spot liabilities	(770,728)	(270,351)	(158,982)	(1,200,061)
Forward purchases	1,481,023	108,489	190,402	1,779,914
Forward sales	(1,659,618)	(52,594)	(201,843)	(1,914,055)
Net options position	478	-	-	478
Net long position	14,856	27,784	11,637	54,277
Net structural position	16,744	1,948	(2,821)	15,871

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

(3) International claims

The Group is principally engaged in business operations within Mainland China. The international claims of the Group is the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigants which include guarantees, collateral and credit derivatives.

	2016				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**188,101**	**90,991**	**1,037,518**	**85,452**	**1,402,062**
- of which attributed to Hong Kong	**43,286**	**25,919**	**347,324**	**1,904**	**418,433**
Europe	**29,742**	**15,499**	**47,330**	**-**	**92,571**
North and South America	**32,377**	**99,318**	**76,207**	**-**	**207,902**
Total	**250,220**	**205,808**	**1,161,055**	**85,452**	**1,702,535**

(4) Overdue loans and advances to customers by geographical sector

	2016	2015
Yangtze River Delta	**27,322**	25,515
Pearl River Delta	**21,097**	20,348
Western	**20,351**	15,385
Bohai Rim	**19,458**	12,591
Central	**17,737**	12,388
Northeastern	**10,496**	10,547
Head office	**4,339**	4,669
Overseas	**1,125**	1,246
Total	**121,925**	102,689

According to regulation requirements, the above analysis represents the gross amount of loans and advances overdue for more than three months.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

(5) Exposure to non-banks in mainland China

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2016, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

4 MANAGEMENT DISCUSSION & ANALYSIS

4.1 FINANCIAL REVIEW

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

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

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

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

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

4.1.1 Statement of Comprehensive Income Analysis

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

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

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

Net interest income

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

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

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

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

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

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

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

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

Interest income

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

Interest income from loans and advances to customers

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

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

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

Interest income from debt securities investments

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

Interest income from deposits with central banks

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

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

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

Interest income from financial assets held under resale agreements

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

Interest expense

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

Interest expense on deposits from customers

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

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

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

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

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

Interest expense on debt securities issued

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

Interest expense on financial assets sold under repurchase agreements

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

Net non-interest income

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

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

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

Net fee and commission income

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

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

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

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

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

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

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

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

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

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

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

Other net non-interest income

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

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

Other net non-interest income of the Group was RMB 23,552 million, an increase of RMB8,147 million, or 52.89%, over 2015. In this amount, dividend income was RMB2,558 million, an increase of RMB1,825 million over 2015, mainly because of the increase in dividend income from CCB Life; the net gain arising from investment securities was RMB11,098 million, an increase of RMB6,023 million over 2015, mainly due to the sales of certain available-for-sale financial assets.

Operating expenses

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

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

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

Impairment losses

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

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

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

Income tax expense

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

4.1.2 Statement of Financial Position Analysis

Assets

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

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

1. These comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and investment classified as receivables.

2. These comprise precious metals, positive fair value of derivatives, interests in associates and joint ventures, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

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

Loans and advances to customers

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

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

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

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

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

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

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

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

Distribution of loans by type of collateral

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

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

Allowances for impairment losses on loans and advances to customers

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

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

Investments

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

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

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

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

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

Debt securities investments

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

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

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

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

Financial debt securities

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

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

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

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

Interest receivable

As at 31 December 2016, the Group's interest receivable was RMB101,645 million, an increase of RMB5,033 million or 5.21% over 2015.

Repossessed assets

As at 31 December 2016, the Group's repossessed assets were RMB3,473 million and the balance of impairment allowances for repossessed assets was RMB1,062 million.

Liabilities

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

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

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

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

Deposits from customers

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

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

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

Debt securities issued

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

Shareholder's equity

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

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

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

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, with a balance of RMB2,745,861 million as at 31 December 2016, an increase of RMB343,577 million over 2015. The credit risk-weighted assets reached RMB1,073,108 million, an increase of RMB 79,991 million, primarily driven by the increase of capital utilisation efficiency as a result of the Group's stress on businesses with "lower capital occupation and higher capital return rates" in optimisation of off-balance sheet items structure.

4.1.3Loan Quality Analysis

Distribution of loans by the five-category classification

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

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

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

Distribution of loans and NPLs by product type

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

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

Distribution of loans and NPLs by industry

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

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

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

4.2 BUSINESS REVIEW

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

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

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

4.2.1 Corporate Banking

Corporate deposits

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

Corporate loans

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

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

Small enterprise business

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

Cost advisory service

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

Institutional business

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

Financial institutional business

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

International business

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

Asset custodial business

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

Settlement and cash management business

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

4.2.2 Personal Banking

Personal deposits

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

Personal loans

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

Bank cards business

Credit card business

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

Debit card business

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

Private banking

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

Entrusted housing finance business

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

4.2.3 Treasury Business

Financial market business

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

Money market business

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

Debt securities investments

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

Customer-driven foreign exchange and interest rate trading business

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

Precious metals and commodities

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

Assets management business

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

Investment banking business

While consolidating its advantages in debt underwriting business, the Bank also actively seized the opportunity of RMB internationalisation to expand the influence of investment banking business. As the lead underwriter, the Bank assisted the World Bank in issuing its first RMB-clearing SDR debt securities in the world and BRICS bank in issuing its first green bond in China and continued to foster the development of innovative products such as panda bonds. In 2016, the Bank accumulatively undertook a total of 590 batches of debt financing instruments amounting to RMB561,574 million for non-financial enterprises, with the volume of underwriting and the number of underwriting batches ranking first in the market for six consecutive years. The Bank focused on promoting "CCB Investment Banking®" brand, and provided customers with comprehensive financing products and advisory services through "Financial Total Solutions (FITS®)", with a total of 554 contracted customers. The Bank made breakthroughs in asset securitisation and successfully issued assets-backed securities of Shanghai public reserve funds in the national inter-bank bond market. The Bank set up merger and acquisition (M&A) capital centre in Shanghai to establish a platform of M&A business for information integration, resources sharing, talent cultivation and service support. The Bank participated in major projects and key customers marketing via the equity investment fund and achieved good progress. Income from investment banking business reached RMB5,717 million in 2016.

4.2.4 Overseas Commercial Banking Business

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

CCB Asia

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

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

CCB London

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

CCB Russia

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

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

CCB Dubai

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

CCB Europe

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

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

CCB New Zealand

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

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

CCB Malaysia

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

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

CCB Brasil

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

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

CCB Indonesia

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

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

4.2.5 Integrated Operation Subsidiaries

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

CCB Principal Asset Management

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

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

CCB Financial Leasing

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

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

CCB Trust

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

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

CCB Life

CCB Life Insurance Company Limited has a registered capital of RMB4,496 million, of which the Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, China Jianyin Investment Limited, Shanghai Jin Jiang International Investment and

Management Company Limited, and Shanghai China-Sunlight Investment Co., Ltd. contribute 51%, 19.9%, 14.27%, 5.08%, 4.9% and 4.85% of its shares respectively. CCB Life's scope of business includes personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned businesses.

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

CCB Property & Casualty

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

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

CCB International

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

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

CCB Futures

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

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

CCB Pension

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

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

Sino-German Bausparkasse

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

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

Rural banks

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

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

4.2.6 Analysed by Geographical Segment

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

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

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

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

1. Total assets exclude elimination and deferred tax assets.

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

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

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

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

4.3 CAPITAL MANAGEMENT

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

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

4.3.1 Capital Adequacy Ratio

Scope for calculating capital adequacy ratios

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

Capital adequacy ratio

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

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

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

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

Composition of capital

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

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

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

Risk-weighted assets

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

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

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

4.3.2 Leverage Ratio

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

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

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

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

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

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

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

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

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

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

4.4PROSPECTS

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

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

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

5 OTHER INFORMATION

5.1 DETAILS OF SECURITIES ISSUANCE AND LISTING

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

5.2 DETAILS OF ISSUANCE AND LISTING OF PREFERENCE SHARES

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

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

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

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

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

5.3 PURCHASE, SALE AND REDEMPTION OF SHARES

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

5.4 CORPORATE GOVERNANCE

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

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

5.5 COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

5.6 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

5.7 PROFIT AND DIVIDENDS

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

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

The Bank's register of members will be closed from 24 June 2017 to 29 June 2017 (both days inclusive), during which period no transfer of H-shares will be effected. In order to receive the final dividend, holders of H-shares of the Bank, who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 23 June 2017. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

5.8 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2016 annual general meeting will be held on 15 June 2017. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 16 May 2017 to 15 June 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2016 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 15 May 2017. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

5.9 ANNUAL REPORT AND ANNOUNCEMENT

This results announcement is available on the "HKExnews" website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com. The annual report prepared in accordance with IFRS and PRC GAAP will be published on the "HKExnews" website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com in due course.

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Wang Zuji

Vice chairman, executive director and president

29 March 2017

As of the date of this announcement, the Bank's executive directors are Mr. Wang Hongzhang, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; non-executive directors are Mr. Li Jun, Ms. Hao Aiqun, and Mr. Dong Shi; and independent non-executive directors are Ms. Anita Fung Yuen Mei, Mr. Carl Walter, Mr. Zhang Long, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, and Mr. Murray Horn.