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)

INTERIM RESULTS ANNOUNCEMENT

For the Six Months Ended 30 June 2017

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2017, prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules of Hong Kong Stock Exchange") and International Accounting Standard 34 "Interim Financial Reporting". The interim results have been reviewed by the audit committee and external auditors of the Bank.

1 SUMMARY OF INTERIM RESULTS 2017

The financial information set forth in this half-year 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)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	For the six months ended 30 June 2015
For the period			
Net interest income	217,854	210,990	224,619
Net fee and commission income	68,080	67,190	63,645
Operating income	303,133	295,679	297,817
Profit before tax	172,093	169,878	169,207
Net profit	139,009	133,903	132,244
Net profit attributable to equity shareholders of the Bank	138,339	133,410	131,895
Per share (In RMB)			
Basic and diluted earnings per share	0.55	0.53	0.53
Profitability indicators (%)			
Annualised return on average assets[1]	1.30	1.41	1.51
Annualised return on average equity	17.09	17.80	20.18
Net interest spread	2.03	2.15	2.48
Net interest margin	2.14	2.32	2.67
Net fee and commission income to operating income	22.46	22.72	21.37
Cost-to-income ratio[2]	22.31	22.24	23.23

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then annualised.
2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2017**	**As at 31 December 2016**	**As at 31 December 2015**
As at the end of the period			
Gross loans and advances to customers	12,507,021	11,757,032	10,485,140
Allowances for impairment losses on loans	(302,291)	(268,677)	(250,617)
Total assets	21,692,067	20,963,705	18,349,489
Deposits from customers	16,274,393	15,402,915	13,668,533
Total liabilities	20,047,465	19,374,051	16,904,406
Total Equity	1,644,602	1,589,654	1,445,083
Total equity attributable to equity shareholders of the Bank	1,628,445	1,576,500	1,434,020
Share capital	250,011	250,011	250,011
Common Equity Tier 1 capital after deductions[1]	1,600,450	1,549,834	1,408,127
Additional Tier 1 capital after deductions[1]	19,761	19,741	19,720
Tier 2 capital after regulatory adjustment[1]	210,304	214,340	222,326
Total capital after deductions[1]	1,830,515	1,783,915	1,650,173
Risk-weighted assets[1]	12,622,157	11,937,774	10,722,082
Per share (In RMB)			
Net assets per share	6.50	6.28	5.78
Capital adequacy indicators (%)			
Common Equity Tier 1 ratio[1]	12.68	12.98	13.13
Tier 1 ratio[1]	12.84	13.15	13.32
Total capital ratio[1]	14.50	14.94	15.39
Total equity to total assets	7.58	7.58	7.88
Asset quality indicators (%)			
Non-performing loan (NPL) ratio	1.51	1.52	1.58
Allowances to NPLs	160.15	150.36	150.99
Allowances to total loans	2.42	2.29	2.39

1. Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*. The advanced capital measurement approaches and relevant rules in the transition period are applied in the calculation of capital adequacy ratios.

2 Financial statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change
	2017 **(Unaudited)**	2016 (Unaudited)	(%)
Interest income	**363,489**	346,411	4.93
Interest expense	**(145,635)**	(135,421)	7.54
Net interest income	**217,854**	210,990	3.25
Fee and commission income	**74,166**	70,907	4.60
Fee and commission expense	**(6,086)**	(3,717)	63.73
Net fee and commission income	**68,080**	67,190	1.32
Net trading gain	**2,842**	1,696	67.57
Dividend income	**980**	1,405	(30.25)
Net (loss)/gain arising from investment securities	**(1,632)**	7,337	(122.24)
Other operating income, net:			
– Other operating income	**34,143**	46,186	(26.08)
– Other operating expense	**(19,134)**	(39,125)	(51.10)
Other operating income, net	**15,009**	7,061	112.56
Operating income	**303,133**	295,679	2.52
Operating expenses	**(70,547)**	(79,116)	(10.83)
	232,586	216,563	7.40
Impairment losses on:			
– Loans and advances to customers	**(59,729)**	(46,798)	27.63
– Others	**(781)**	188	(515.43)
Impairment losses	**(60,510)**	(46,610)	29.82
Share of profit/(loss) of associates and joint ventures	**17**	(75)	(122.67)
Profit before tax	**172,093**	169,878	1.30
Income tax expense	**(33,084)**	(35,975)	(8.04)
Net profit	**139,009**	133,903	3.81

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change
	2017	2016	
	(Unaudited)	(Unaudited)	(%)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	**374**	49	663.27
Other	**-**	7	(100.00)
Subtotal	**374**	56	567.86
Items that may be reclassified subsequently to profit or loss			
Losses of available-for-sale financial assets arising during the period	**(24,044)**	(4,690)	412.67
Income tax impact relating to available-for-sale financial assets	**5,949**	1,254	374.40
Reclassification adjustments included in profit or loss	**2,456**	(3,812)	(164.43)
Net gains on cash flow hedges	**173**	-	100.00
Exchange difference on translating foreign operations	**(1,733)**	2,976	(158.23)
Subtotal	**(17,199)**	(4,272)	302.60
Other comprehensive income for the period, net of tax	**(16,825)**	(4,216)	299.07
Total comprehensive income for the period	**122,184**	129,687	(5.79)
Net profit attributable to:			
Equity shareholders of the Bank	**138,339**	133,410	3.69
Non-controlling interests	**670**	493	35.90
	139,009	133,903	3.81
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**121,448**	129,645	(6.32)
Non-controlling interests	**736**	42	1,652.38
	122,184	129,687	(5.79)
Basic and diluted earnings per share (in RMB Yuan)	**0.55**	0.53	3.77

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2017 (Unaudited)	31 December 2016 (Audited)	Change (%)
Assets:			
Cash and deposits with central banks	**2,941,465**	2,849,261	3.24
Deposits with banks and non-bank financial institutions	**293,561**	494,618	(40.65)
Precious metals	**181,566**	202,851	(10.49)
Placements with banks and non-bank financial institutions	**257,430**	260,670	(1.24)
Financial assets at fair value through profit or loss	**598,654**	488,370	22.58
Positive fair value of derivatives	**48,705**	89,786	(45.75)
Financial assets held under resale agreements	**279,535**	103,174	170.94
Interest receivable	**110,386**	101,645	8.60
Loans and advances to customers	**12,204,730**	11,488,355	6.24
Available-for-sale financial assets	**1,576,618**	1,633,834	(3.50)
Held-to-maturity investments	**2,395,855**	2,438,417	(1.75)
Investment classified as receivables	**473,999**	507,963	(6.69)
Interests in associates and joint ventures	**6,651**	7,318	(9.11)
Fixed assets	**166,962**	170,095	(1.84)
Land use rights	**14,381**	14,742	(2.45)
Intangible assets	**2,322**	2,599	(10.66)
Goodwill	**2,868**	2,947	(2.68)
Deferred tax assets	**37,241**	31,062	19.89
Other assets	**99,138**	75,998	30.45
Total assets	**21,692,067**	20,963,705	3.47

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2017 (Unaudited)	31 December 2016 (Audited)	Change (%)
Liabilities:			
Borrowings from central banks	**520,110**	439,339	18.38
Deposits from banks and non-bank financial institutions	**1,231,543**	1,612,995	(23.65)
Placements from banks and non-bank financial institutions	**444,458**	322,546	37.80
Financial liabilities at fair value through profit or loss	**417,836**	396,591	5.36
Negative fair value of derivatives	**40,973**	90,333	(54.64)
Financial assets sold under repurchase agreements	**60,839**	190,580	(68.08)
Deposits from customers	**16,274,393**	15,402,915	5.66
Accrued staff costs	**28,646**	33,870	(15.42)
Taxes payable	**33,800**	44,900	(24.72)
Interest payable	**202,197**	211,330	(4.32)
Provisions	**9,310**	9,276	0.37
Debt securities issued	**535,093**	451,554	18.50
Deferred tax liabilities	**506**	570	(11.23)
Other liabilities	**247,761**	167,252	48.14
Total liabilities	**20,047,465**	19,374,051	3.48
Equity:			
Share capital	**250,011**	250,011	-
Other equity instruments -Preference Shares	**19,659**	19,659	-
Capital reserve	**134,507**	133,960	0.41
Investment revaluation reserve	**(16,680)**	(976)	1,609.02
Surplus reserve	**175,445**	175,445	-
General reserve	**245,456**	211,193	16.22
Retained earnings	**821,433**	786,860	4.39
Exchange reserve	**(1,386)**	348	(498.28)
Total equity attributable to equity shareholders of the Bank	**1,628,445**	1,576,500	3.29
Non-controlling interests	**16,157**	13,154	22.83
Total equity	**1,644,602**	1,589,654	3.46
Total liabilities and equity	**21,692,067**	20,963,705	3.47

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)									
	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 2016	**250,011**	**19,659**	**133,960**	**(976)**	**175,445**	**211,193**	**786,860**	**348**	**13,154**	**1,589,654**
Movements during the period	**-**	**-**	**547**	**(15,704)**	**-**	**34,263**	**34,573**	**(1,734)**	**3,003**	**54,948**
(1) Total comprehensive income for the period	**-**	**-**	**547**	**(15,704)**	**-**	**-**	**138,339**	**(1,734)**	**736**	**122,184**
(2) Changes in share capital										
i Establishment of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150**	**150**
ii Change in shareholdings in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,268)**	**(1,268)**
iii Capital injection by other equity holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,421**	**3,421**
(3) Profit distribution										
i Appropriation to general reserve	**-**	**-**	**-**	**-**	**-**	**34,263**	**(34,263)**	**-**	**-**	**-**
ii Appropriation to ordinary shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(69,503)**	**-**	**(36)**	**(69,539)**
As at 30 June 2017	**250,011**	**19,659**	**134,507**	**(16,680)**	**175,445**	**245,456**	**821,433**	**(1,386)**	**16,157**	**1,644,602**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)									
	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 period	-	-	(241)	(6,797)	-	24,452	40,455	2,976	32	60,877
(1) Total comprehensive income for the period	-	-	56	(6,797)	-	-	133,410	2,976	42	129,687
(2) Changes in share capital										
i Acquisition of subsidiaries	-	-	(269)	-	-	-	-	-	25	(244)
ii Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	13	13
iii Change in shareholdings in subsidiaries	-	-	(28)	-	-	-	-	-	(19)	(47)
(3) Profit distribution										
i Appropriation to general reserve	-	-	-	-	-	24,452	(24,452)	-	-	-
ii Appropriation to ordinary shareholders	-	-	-	-	-	-	(68,503)	-	(29)	(68,532)
As at 30 June 2016	250,011	19,659	135,008	16,261	153,032	210,874	712,609	(2,589)	11,095	1,505,960

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	(Audited)									
	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 Appropriation to preference shareholders	-	-	-	-	-	-	(1,067)	-	-	(1,067)
v Appropriation 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 cash flows

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	**172,093**	169,878
Adjustments for:		
-Impairment losses	**60,510**	46,610
-Depreciation and amortisation	**8,606**	7,803
-Interest income from impaired financial assets	**(1,565)**	(1,917)
-Revaluation (gain)/loss on financial instruments at fair value through profit or loss	**(162)**	516
-Share of (profit)/loss of associates and joint ventures	**(17)**	75
-Dividend income	**(980)**	(1,405)
-Unrealised foreign exchange gain	**(9,185)**	(4,261)
-Interest expense on bonds issued	**6,003**	5,660
-Net loss/(gain) on disposal of investment securities	**1,632**	(7,337)
-Net gain on disposal of fixed assets and other long-term assets	**(113)**	(64)
	236,822	215,558

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities (continued)		
Changes in operating assets:		
Net decrease/(increase) in deposits with central banks and with banks and non-bank financial institutions	**74,288**	(276,260)
Net decrease/(increase) in placements with banks and non-bank financial institutions	**25,288**	(10,396)
Net increase in loans and advances to customers	**(808,597)**	(648,979)
Net (increase)/decrease in financial assets held under resale agreements	**(176,482)**	229,510
Net increase in financial assets at fair value through profit or loss	**(110,751)**	(91,993)
Net increase in other operating assets	**(4,791)**	(144,850)
	(1,001,045)	(942,968)
Changes in operating liabilities:		
Net increase in borrowings from central banks	**81,560**	167,495
Net increase in placements from banks and non-bank financial institutions	**129,664**	12,766
Net increase in deposits from customers and from banks and non-bank financial institutions	**514,208**	1,166,928
Net decrease in financial assets sold under repurchase agreements	**(129,364)**	(167,563)
Net increase/(decrease) in certificates of deposit issued	**77,417**	(16,487)
Income tax paid	**(45,906)**	(52,801)
Net increase in financial liabilities at fair value through profit or loss	**21,410**	36,386
Net (decrease)/increase in other operating liabilities	**(5,812)**	52,418
	643,177	1,199,142
Net cash (used in)/from operating activities	**(121,046)**	471,732

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Proceeds from sale and redemption of investments	**818,304**	516,005
Dividends received	**1,008**	1,412
Proceeds from disposal of fixed assets and other long-term assets	**2,181**	128
Purchase of investment securities	**(708,382)**	(833,804)
Purchase of fixed assets and other long-term assets	**(7,687)**	(9,153)
Acquisition of subsidiaries, associates, and joint ventures	**(864)**	(1,010)
Net cash from/(used in) investing activities	**104,560**	(326,422)
Cash flows from financing activities		
Issue of bonds	**16,949**	7,009
Issue of other equity instruments	**3,421**	-
Capital contribution by non-controlling interests	**150**	38
Consideration paid for acquisition of non-controlling interests	**(24)**	(19)
Dividends paid	**(2,703)**	(2,620)
Repayment of borrowings	**(3,335)**	(8,894)
Interest paid on bonds issued	**(2,578)**	(1,191)
Net cash from/(used in) financing activities	**11,880**	(5,677)
Effect of exchange rate changes on cash and cash equivalents	**(4,843)**	4,141
Net (decrease)/increase in cash and cash equivalents	**(9,449)**	143,774
Cash and cash equivalents as at 1 January	**599,124**	387,921
Cash and cash equivalents as at 30 June	**589,675**	531,695
Cash flows from operating activities include:		
Interest received	**351,842**	336,641
Interest paid, excluding interest expense on bonds issued	**(151,683)**	(133,572)

Notes:

(1) The preparation of the announcement is based on the same accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2016.

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

(3) 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.

(4) Net (loss)/gain arising from investment securities

	Six months ended 30 June	
	2017	2016
Net gain on sale of available-for-sale financial assets	**1,244**	960
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	**(3,053)**	5,024
Net gain on sale of held-to-maturity investments	**138**	467
Net gain on sale of receivables	**19**	748
Others	**20**	138
Total	**(1,632)**	7,337

(5) Operating expenses

	Six months ended 30 June	
	2017	2016
Staff costs		
- Salaries, bonuses, allowances and subsidies	**28,666**	26,393
- Other social insurance and welfare	**3,360**	3,453
- Housing funds	**2,925**	3,097
- Union running costs and employee education costs	**815**	837
- Defined contribution plans accrued	**6,200**	6,174
- Early retirement expenses	**15**	17
- Compensation to employees for termination of employment relationship	**3**	1
	41,984	39,972
Premises and equipment expenses		
- Depreciation charges	**6,937**	6,742
- Rent and property management expenses	**4,482**	4,411
- Maintenance	**871**	889
- Utilities	**862**	890
- Others	**859**	776
	14,011	13,708
Taxes and surcharges	**2,907**	13,359
Amortisation expenses	**1,150**	1,061
Audit fees	**72**	69
Other general and administrative expenses	**10,423**	10,947
Total	**70,547**	79,116

(6) Income tax expense

① Income tax expense

	Six months ended 30 June	
	2017	2016
Current tax	**34,196**	42,851
- Mainland China	**32,604**	42,221
- Hong Kong	**968**	360
- Other countries and regions	**624**	270
Adjustments for prior years	**-**	(187)
Deferred tax	**(1,112)**	(6,689)
Total	**33,084**	35,975

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 period 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

		Six months ended 30 June	
	Note	**2017**	2016
Profit before tax		**172,093**	169,878
Income tax calculated at statutory tax rates at 25%		**43,023**	42,470
Effects of different applicable rates of tax prevailing in other countries/regions		**(314)**	(362)
Non-deductible expenses	(i)	**3,438**	3,305
Non-taxable income	(ii)	**(13,063)**	(9,251)
Adjustments on income tax for prior years which affect profit or loss		**-**	(187)
Income tax expense		**33,084**	35,975

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, and 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 PRC loc government bonds.

(7) Earnings per share

Basic earnings per share for the six months ended 30 June 2017 and 2016 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 period.

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 Bank has not declared any dividend on preference shares for the six months ended 30 June 2017.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2017 and 2016, and the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2017	2016
Net profit attributable to ordinary shareholders of the Bank	**138,339**	133,410
Weighted average number of ordinary shares (in million shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.55**	0.53

(8) Derivatives and hedge accounting

① Analysed by type of contract

	30 June 2017			31 December 2016		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**263,609**	**860**	**739**	470,809	3,278	2,492
Exchange rate contracts	**5,122,432**	**41,165**	**38,848**	4,650,215	73,183	83,025
Other contracts (Note)	**258,182**	**6,680**	**1,386**	333,553	13,325	4,816
Total	**5,644,223**	**48,705**	**40,973**	5,454,577	89,786	90,333

② Analysed by credit risk-weighted assets

	30 June 2017	31 December 2016
Counterparty credit default risk-weighted assets		
- Interest rate contracts	**750**	2,649
- Exchange rate contracts	**38,440**	35,373
- Other contracts (Note)	**7,609**	10,751
Subtotal	**46,799**	48,773
Credit value adjustment	**18,241**	25,987
Total	**65,040**	74,760

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts 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 the status of counterparties, maturity characteristics and back-to-back client-driven transactions.

Note: Other contracts mainly consist of precious metals contracts.

(8) Derivatives and hedge accounting (continued)

③ Hedge accounting

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

	30 June 2017			31 December 2016		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**55,935**	**292**	**(174)**	45,148	507	(69)
Foreign exchange swaps	**489**	**7**	**(12)**	348	24	-
Cash flow hedges						
Foreign exchange swaps	**71,622**	**251**	**(2,024)**	21,491	-	(823)
Total	**128,046**	**550**	**(2,210)**	66,987	531	(892)

(a) Fair value hedge

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

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

	Six months ended 30 June	
	2017	2016
Net (losses)/gains on		
- hedging instruments	**(326)**	(8)
- hedged items	**328**	8

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the six months ended 30 June 2017 and 2016.

(b) Cash flow hedge

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

For the six months ended 30 June 2017, the Group’s net gain from the cash flow hedge of RMB 173 million were recognised in other comprehensive income (The Group for the six months ended 30 June 2016: None) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial for the six months ended 30 June 2017.

(9) Deposits from customers

	30 June 2017	31 December 2016
Demand deposits		
- Corporate customers	**5,551,943**	5,206,395
- Personal customers	**3,142,307**	3,022,447
Subtotal	**8,694,250**	8,228,842
Time deposits (including call deposits)		
- Corporate customers	**3,376,910**	3,120,699
- Personal customers	**4,203,233**	4,053,374
Subtotal	**7,580,143**	7,174,073
Total	**16,274,393**	15,402,915

Deposits from customers include:

		30 June 2017	31 December 2016
①	Pledged deposits		
	- Deposits for acceptance	**100,451**	99,822
	- Deposits for guarantee	**94,915**	80,930
	- Deposits for letter of credit	**30,622**	28,264
	- Others	**274,449**	313,110
	Total	**500,437**	522,126
②	Outward remittance and remittance payables	**23,533**	14,121

(10) 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.

	30 June 2017	31 December 2016
Loan commitments		
- with an original maturity under one year	**260,461**	191,077
- with an original maturity of one year or over	**505,463**	383,530
Credit card commitments	**774,623**	690,144
	1,540,547	1,264,751
Bank acceptances	**313,086**	296,606
Financing guarantees	**126,398**	107,160
Non-financing guarantees	**867,513**	776,775
Sight letters of credit	**36,386**	37,383
Usance letters of credit	**259,258**	160,141
Others	**154,274**	81,710
Total	**3,297,462**	2,724,526

(10) 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.

	30 June 2017	31 December 2016
Credit risk-weighted amount of contingent liabilities and commitments	**1,212,853**	1,073,108

③ Operating lease commitments

The Group leases certain property and equipment under operating leases, which typically runs 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:

	30 June 2017	31 December 2016
Within one year	**5,587**	5,717
After one year but within two years	**4,128**	4,396
After two years but within three years	**2,991**	3,194
After three years but within five years	**3,425**	5,076
After five years	**2,093**	2,756
Total	**18,224**	21,139

(10) Commitments and contingent liabilities(continued)

④ Capital commitments

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

	30 June 2017	31 December 2016
Contracted for	**8,826**	9,294

⑤ Underwriting obligations

As at 30 June 2017, there was no unexpired underwriting commitment of the Group (as at 31 December 2016: 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 30 June 2017, were RMB 78,065 million (as at 31 December 2016: RMB75,695 million).

⑦ Outstanding litigation and disputes

As at 30 June 2017, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB 7,329 million (as at 31 December 2016: RMB7,783 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 commitments and contingent liabilities in accordance with its accounting policies.

(11) 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 has 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 subsidiary operations in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur.

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

(11) 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.

(11) Operating segments (continued)

① Geographical segments (continued)

	Six months ended 30 June 2017								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	22,934	20,989	18,716	24,487	25,768	5,568	92,533	6,859	217,854
Internal net interest income/(expense)	11,957	9,481	16,697	14,867	12,685	6,186	(68,209)	(3,664)	-
Net interest income	34,891	30,470	35,413	39,354	38,453	11,754	24,324	3,195	217,854
Net fee and commission income	10,349	10,270	11,012	10,754	6,742	2,964	14,875	1,114	68,080
Net trading gain/(loss)	627	815	539	176	264	69	(219)	571	2,842
Dividend income	580	-	-	93	6	-	146	155	980
Net (loss)/gain arising from investment securities	(46)	-	23	91	-	-	(2,013)	313	(1,632)
Other operating income, net	700	485	762	238	1,318	85	5,074	6,347	15,009
Operating income	47,101	42,040	47,749	50,706	46,783	14,872	42,187	11,695	303,133
Operating expenses	(10,489)	(9,075)	(11,793)	(13,344)	(11,856)	(5,192)	(5,181)	(3,617)	(70,547)
Impairment losses	(5,993)	(8,196)	(16,180)	(10,815)	(10,354)	(5,503)	(2,749)	(720)	(60,510)
Share of (loss)/profit of associates and joint ventures	-	-	-	(6)	-	-	-	23	17
Profit before tax	30,619	24,769	19,776	26,541	24,573	4,177	34,257	7,381	172,093
Capital expenditure	469	452	3,227	451	327	175	167	2,023	7,291
Depreciation and amortisation	1,266	867	1,561	1,656	1,341	700	792	423	8,606
	30 June 2017								
Segment assets	4,538,339	3,431,225	4,929,195	3,972,183	3,321,063	1,119,927	8,368,693	1,875,220	31,555,845
Interests in associates and joint ventures	-	-	23	4,235	-	-	-	2,393	6,651
	4,538,339	3,431,225	4,929,218	3,976,418	3,321,063	1,119,927	8,368,693	1,877,613	31,562,496
Deferred tax assets									37,241
Elimination									(9,907,670)
Total assets									21,692,067
Segment liabilities	4,509,196	3,415,903	4,893,547	3,949,665	3,304,747	1,115,644	6,975,171	1,790,756	29,954,629
Deferred tax liabilities									506
Elimination									(9,907,670)
Total liabilities									20,047,465
Off-balance sheet credit commitments	646,719	530,194	846,851	503,758	362,853	158,382	2,500	246,205	3,297,462

(11) Operating segments (continued)

① Geographical segments (continued)

	Six months ended 30 June 2016								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	20,515	18,244	18,343	22,645	25,019	5,998	96,397	3,829	210,990
Internal net interest income/(expense)	13,794	10,678	17,373	14,805	11,998	6,203	(74,536)	(315)	-
Net interest income	34,309	28,922	35,716	37,450	37,017	12,201	21,861	3,514	210,990
Net fee and commission income	12,115	10,595	12,096	10,595	7,741	3,377	9,705	966	67,190
Net trading gain/(loss)	456	319	(123)	108	91	11	524	310	1,696
Dividend income	1,134	4	1	168	-	-	1	97	1,405
Net gain arising from investment securities	559	-	-	518	85	-	5,728	447	7,337
Other operating income, net	510	431	748	308	1,552	77	1,084	2,351	7,061
Operating income	49,083	40,271	48,438	49,147	46,486	15,666	38,903	7,685	295,679
Operating expenses	(12,834)	(10,326)	(13,272)	(14,792)	(13,128)	(5,491)	(6,336)	(2,937)	(79,116)
Impairment losses	(10,667)	(9,129)	(5,900)	(8,525)	(8,557)	(2,912)	(116)	(804)	(46,610)
Share of (loss)/profit of associates and joint ventures	-	-	-	(98)	-	-	-	23	(75)
Profit before tax	25,582	20,816	29,266	25,732	24,801	7,263	32,451	3,967	169,878
Capital expenditure	266	205	4,094	301	238	79	139	4,788	10,110
Depreciation and amortisation	1,209	808	1,292	1,495	1,225	633	804	337	7,803
	31 December 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

(11) 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.

(11) Operating segments (continued)

② Business segments (continued)

	Six months ended 30 June 2017				
	Corporate banking	**Personal banking**	**Treasury business**	**Others**	**Total**
External net interest income	**74,962**	**45,631**	**85,334**	**11,927**	**217,854**
Internal net interest income/(expenses)	**32,513**	**40,090**	**(70,550)**	**(2,053)**	**-**
Net interest income	**107,475**	**85,721**	**14,784**	**9,874**	**217,854**
Net fee and commission income	**18,612**	**33,708**	**13,151**	**2,609**	**68,080**
Net trading (loss)/gain	**(3,149)**	**(207)**	**5,851**	**347**	**2,842**
Dividend income	**-**	**-**	**-**	**980**	**980**
Net (loss)/gain arising from investment securities	**-**	**-**	**(1,759)**	**127**	**(1,632)**
Other operating (expense)/income, net	**(97)**	**330**	**4,195**	**10,581**	**15,009**
Operating income	**122,841**	**119,552**	**36,222**	**24,518**	**303,133**
Operating expenses	**(24,538)**	**(35,875)**	**(4,464)**	**(5,670)**	**(70,547)**
Impairment losses	**(51,045)**	**(7,634)**	**(709)**	**(1,122)**	**(60,510)**
Share of profit of associates and joint ventures	**-**	**-**	**-**	**17**	**17**
Profit before tax	**47,258**	**76,043**	**31,049**	**17,743**	**172,093**
Capital expenditure	**864**	**1,345**	**161**	**4,921**	**7,291**
Depreciation and amortisation	**2,796**	**4,353**	**523**	**934**	**8,606**
	30 June 2017				
Segment assets	**6,997,247**	**4,994,256**	**8,321,900**	**1,735,530**	**22,048,933**
Interests in associates and joint ventures	**-**	**-**	**-**	**6,651**	**6,651**
	6,997,247	**4,994,256**	**8,321,900**	**1,742,181**	**22,055,584**
Deferred tax assets					**37,241**
Elimination					**(400,758)**
Total assets					**21,692,067**
Segment liabilities	**9,873,586**	**7,527,570**	**800,584**	**2,245,977**	**20,447,717**
Deferred tax liabilities					**506**
Elimination					**(400,758)**
Total liabilities					**20,047,465**
Off-balance sheet credit commitments	**2,307,916**	**732,672**	**-**	**256,874**	**3,297,462**

(11) Operating segments (continued)

② Business segments (continued)

	Six months ended 30 June 2016				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	92,191	26,518	84,303	7,978	210,990
Internal net interest (expenses)/income	17,707	52,708	(68,269)	(2,146)	-
Net interest income	109,898	79,226	16,034	5,832	210,990
Net fee and commission income	21,814	33,195	12,598	(417)	67,190
Net trading (loss)/gain	(3,157)	213	4,366	274	1,696
Dividend income	-	-	-	1,405	1,405
Net gain arising from investment securities	-	-	5,698	1,639	7,337
Other operating (expense)/income, net	(6)	104	7,432	(469)	7,061
Operating income	128,549	112,738	46,128	8,264	295,679
Operating expenses	(28,987)	(39,860)	(4,610)	(5,659)	(79,116)
Impairment losses	(32,348)	(12,933)	(59)	(1,270)	(46,610)
Share of profit of associates and joint ventures	-	-	-	(75)	(75)
Profit before tax	67,214	59,945	41,459	1,260	169,878
Capital expenditure	551	903	93	8,563	10,110
Depreciation and amortisation	2,534	4,154	428	687	7,803
	31 December 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

3 Unaudited supplementary financial information

(1) Liquidity coverage ratio

	Second quarter of 2017	First quarter of 2017
Liquidity coverage ratio	**113.35%**	124.70%

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 day in the quarter on the basis of the regulatory requirements, definitions and accounting standards as applicable to the current period.

(2) Currency concentrations

	30 June 2017			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**1,462,389**	**309,780**	**377,442**	**2,149,611**
Spot liabilities	**(1,261,277)**	**(379,685)**	**(334,633)**	**(1,975,595)**
Forward purchases	**3,019,069**	**146,027**	**386,314**	**3,551,410**
Forward sales	**(3,121,311)**	**(57,090)**	**(417,416)**	**(3,595,817)**
Net options position	**(65,617)**	**-**	**-**	**(65,617)**
Net long position	**33,253**	**19,032**	**11,707**	**63,992**
Net structural position	**29,529**	**451**	**(6,119)**	**23,861**

	31 December 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

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.

	30 June 2017				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific					
- of which attributed to Hong Kong	**138,795**	**87,591**	**1,140,055**	**88,000**	**1,454,441**
Europe	**65,111**	**33,466**	**361,266**	**1,544**	**461,387**
North and South America	**26,904**	**45,000**	**60,845**	**1,933**	**134,682**
	26,735	**144,641**	**129,154**	**-**	**300,530**
Total	**192,434**	**277,232**	**1,330,054**	**89,933**	**1,889,653**

	31 December 2016				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific					
- of which attributed to Hong Kong	188,101	90,991	1,037,518	85,452	1,402,062
Europe	43,286	25,919	347,324	1,904	418,433
North and South America	29,742	15,499	47,330	-	92,571
	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

	30 June 2017	31 December 2016
Yangtze River Delta	**27,267**	27,322
Western	**23,141**	20,351
Central	**21,618**	17,737
Bohai Rim	**18,844**	19,458
Pearl River Delta	**16,675**	21,097
Northeastern	**15,557**	10,496
Head office	**5,758**	4,339
Overseas	**1,490**	1,125
Total	**130,350**	121,925

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.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 FINANCIAL REVIEW

In the first half of the year, the global economy continued to recover on the whole. The US economy experienced twists and turns in its recovery, while the Eurozone and Japan saw continued economic improvements. The emerging market economies showed rapid growth as a whole while the pressures of adjustment and transformation persisted.

In the first half of the year, China's economy maintained steady and rapid growth, with overall stable growth of investment, and fast growth of import and export. The employment was stable with signs of improvement, and major indicators were better than expected. In the first half of the year, GDP increased by 6.9% over the same period last year. The consumer price index rose by 1.4%. The financial market remained sound and stable on the whole. The money market interest rates rose generally and the market liquidity was basically stable.

The PBC continued to implement prudent and neutral monetary policy with macro-prudential management further strengthened. The CBRC issued a series of regulatory documents intensively, and carried out multiple targeted rectification missions. With the regulatory impact of financial "de-leveraging", China's banking industry gradually entered into a "de-leveraging" operating cycle. In the first half of the year, the banking industry was overall stable with more reasonable growth rate of assets, and the risks were within control on the whole. The support to the real economy was further enhanced.

In light of the changing situations, the Group adhered to prudent operation in strict compliance with regulatory requirements, and accelerated its transformation and development, which led to steady growth of assets and liabilities, sound growth momentum in profitability, gradual improvement in asset quality, and a high level of capital adequacy ratio.

4.1.1 Statement of Comprehensive Income Analysis

In the first half of 2017, the Group recorded profit before tax of RMB172,093 million and net profit of RMB139,009 million, up by 1.30% and 3.81% respectively over the same period last year, maintaining steady growth in profitability. Key factors affecting the Group's profitability included the following: First, net interest income increased by RMB6,864 million, or 3.25%, compared to the same period last year, mainly because the impact of the PBC's consecutive interest rate cuts had been substantially absorbed and the increase of interest-bearing assets brought the positive growth of net interest income; Second, the Group actively expanded its customer base, strengthened product innovation and continued to improve its comprehensive service ability, with its net fee and commission income up by RMB890 million, or 1.32%, over the same period last year; Third, the Group continued to improve its cost management and optimised its expenses structure. Cost-to-income ratio was 22.31%, up by 0.07 percentage points, roughly at par with the same period last year. In addition, the Group made prudent and sufficient provisions for impairment losses on loans and advances to customers. The impairment loss was RMB60,510 million, up by 29.82% compared to the same period last year.

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)	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**	**Change (%)**
Net interest income	217,854	210,990	3.25
Net non-interest income	85,279	84,689	0.70
- Net fee and commission income	68,080	67,190	1.32
Operating income	303,133	295,679	2.52
Operating expenses	(70,547)	(79,116)	(10.83)
Impairment losses	(60,510)	(46,610)	29.82
Share of profit/(loss) of associates and joint ventures	17	(75)	(122.67)
Profit before tax	172,093	169,878	1.30
Income tax expenses	(33,084)	(35,975)	(8.04)
Net profit	139,009	133,903	3.81

Net interest income

In the first half of 2017, the Group's net interest income amounted to RMB217,854 million, an increase of RMB6,864 million, or 3.25%, over the same period last year. The net interest income accounted for 71.87% 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)	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Gross loans and advances to customers	12,372,606	248,682	4.05	10,822,281	239,817	4.46
Debt securities investments	4,496,371	83,126	3.73	4,041,210	74,943	3.73
Deposits with central banks	2,817,957	21,057	1.51	2,552,945	19,261	1.52
Deposits and placements with banks and non-bank financial institutions	615,842	7,718	2.53	710,147	9,903	2.80
Financial assets held under resale agreements	200,563	2,906	2.92	190,933	2,487	2.62
Total interest-earning assets	20,503,339	363,489	3.58	18,317,516	346,411	3.80
Total allowances for impairment losses	(290,078)			(257,486)		
Non-interest-earning assets	1,762,520			1,229,089		
Total assets	21,975,781	363,489		19,289,119	346,411	
Liabilities						
Deposits from customers	15,895,456	105,936	1.34	14,144,091	106,835	1.52
Deposits and placements from banks and non-bank financial institutions	1,921,249	21,999	2.31	1,745,309	18,047	2.08
Debt securities issued	497,673	8,853	3.59	377,421	7,600	4.05
Borrowings from central banks	456,968	6,721	2.97	118,102	1,604	2.73
Financial assets sold under repurchase agreements	119,876	2,126	3.58	105,103	1,335	2.55
Total interest-bearing liabilities	18,891,222	145,635	1.55	16,490,026	135,421	1.65
Non-interest-bearing liabilities	1,429,330			1,067,961		
Total liabilities	20,320,552	145,635		17,557,987	135,421	
Net interest income		**217,854**			**210,990**	
Net interest spread			**2.03**			**2.15**
Net interest margin			**2.14**			**2.32**

In the first half of 2017, as affected by the different decrease rates between deposit interest rates and loan interest rates, the impact of the price and tax separation following the BT to VAT reform and the change in the asset and liability structure, the Group's yield on interest-earning assets decreased at a higher rate than the cost of interest-bearing liabilities. As a result, the net interest spread and net interest margin dropped by 12 basis points and 18 basis points to 2.03% and 2.14% respectively, compared to the same period last year. In view of the challenges arising from the complex market environment, the Group will continue to implement the strategy of pursuing development with balanced volume and prices, flexibly adopt the pricing strategy that combines standardisation and differentiation, and improve the effectiveness of pricing management in targeted areas.

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 changes in interest income and expenses in the first half of 2017 as compared with the same period last year.

(In millions of RMB)	**Volume factor[1]**	**Interest rate factor[1]**	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	32,665	(23,800)	8,865
Debt securities investments	8,392	(209)	8,183
Deposits with central banks	1,978	(182)	1,796
Deposits and placements with banks and non-bank financial institutions	(1,252)	(933)	(2,185)
Financial assets held under resale agreements	130	289	419
Change in interest income	41,913	(24,835)	17,078
Liabilities			
Deposits from customers	12,623	(13,522)	(899)
Deposits and placements from banks and non-bank financial institutions	1,912	2,040	3,952
Financial assets sold under repurchase agreements	205	586	791
Debt securities issued	2,212	(959)	1,253
Borrowings from central banks	4,970	147	5,117
Change in interest expense	21,922	(11,708)	10,214
Change in net interest income	19,991	(13,127)	6,864

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 the volume factor and interest rate factor.

Net interest income increased by RMB6,864 million over the same period last year. In this amount, an increase of RMB19,991 million was due to the movement of average balances of assets and liabilities, and a decrease of RMB13,127 million was due to the movements of average yields or costs.

Interest income

In the first half of 2017, the Group's interest income increased by RMB17,078 million or 4.93% over the same period last year to RMB363,489 million. In this amount, the proportions of interest income from loans and advances to customers, investments in debt securities, deposits with the central bank, deposits and placements with banks and non-bank financial institutions, and interest income from financial assets held under resale agreements were 68.42%, 22.87%, 5.79%, 2.12% and 0.80% respectively.

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 during the respective periods.

	Six months ended 30 June 2017			Six months ended 30 June 2016		
(In millions of RMB, except percentages)	**Average balance**	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
Corporate loans and advances	6,200,817	130,085	4.23	5,847,255	138,091	4.75
Short-term loans	2,265,680	46,109	4.10	2,207,775	50,523	4.60
Medium to long-term loans	3,935,137	83,976	4.30	3,639,480	87,568	4.84
Personal loans and advances	4,589,883	96,943	4.22	3,651,802	81,228	4.45
Discounted bills	304,127	4,080	2.71	456,687	7,488	3.30
Overseas operations and subsidiaries	1,277,779	17,574	2.77	866,537	13,010	3.02
Gross loans and advances to customers	12,372,606	248,682	4.05	10,822,281	239,817	4.46

Interest income from loans and advances to customers increased by RMB8,865 million, or 3.70% over the same period last year, to RMB248,682 million, mainly because the impact of the PBC's consecutive interest rate cuts on Bank's assets had been substantially absorbed. The average balance of loans and advances to customers increased by 14.33% over the same period last year, leading to the growth of interest income from loans and advances to customers.

Interest income from debt securities investments

Interest income from debt securities investments grew by RMB8,183 million or 10.92% to RMB83,126 million over the same period last year. This was mainly because the average balance of debt securities investments increased.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB21,057 million, an increase of RMB1,796 million or 9.32% from the same period last year. This was mainly because the average balance of deposits with central banks increased by 10.38% over the same period last 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 RMB2,185 million, or 22.06% from the same period last year, to RMB7,718 million. This was mainly because the average balance of deposits and placements with banks and non-bank financial institutions decreased by 13.28% and the average yield decreased by 27 basis points over the same period last year.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by RMB419 million, or 16.85% over the same period last year, to RMB2,906 million. This was primarily because the average yield of financial assets held under resale agreements increased by 30 basis points and the average balance increased by 5.04% over the same period last year.

Interest expense

In the first half of 2017, the Group's interest expense was RMB145,635 million, an increase of RMB10,214 million, or 7.54% over the same period last year.

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.

	Six months ended 30 June 2017			Six months ended 30 June 2016		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Average cost (%)**	**Average balance**	**Interest expense**	**Average cost (%)**
Corporate deposits	8,268,795	51,021	1.24	7,190,592	49,484	1.38
Demand deposits	5,237,678	16,959	0.65	4,385,470	14,588	0.67
Time deposits	3,031,117	34,062	2.25	2,805,122	34,896	2.49
Personal deposits	7,139,504	50,803	1.43	6,640,165	54,325	1.65
Demand deposits	3,062,763	4,624	0.30	2,678,428	4,068	0.31
Time deposits	4,076,741	46,179	2.27	3,961,737	50,257	2.54
Overseas operations and subsidiaries	487,157	4,112	1.70	313,334	3,026	1.94
Total deposits from customers	15,895,456	105,936	1.34	14,144,091	106,835	1.52

Interest expense on deposits from customers decreased by RMB899 million, or 0.84% to RMB105,936 million over the same period last year, mainly because the average cost of deposits from customers decreased by 18 basis points to 1.34% over the same period last year.

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 was RMB21,999 million, an increase of RMB3,952 million, or 21.90%, over the same period last year. This was largely because the average cost increased by 23 basis points over the same period last year, and the average balance of deposits and placements from banks and non-bank financial institutions increased by 10.08% driven by the increase in placements from financial institutions with overseas operations.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB791 million or 59.25% to RMB2,126 million over the same period last year. This was primarily because the average cost of financial assets sold under repurchase agreements increased by 103 basis points and the average balance increased by 14.06% over the same period last year.

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)	Six months ended 30 June 2017	Six months ended 30 June 2016	Change (%)
Fee and commission income	74,166	70,907	4.60
Fee and commission expense	(6,086)	(3,717)	63.73
Net fee and commission income	68,080	67,190	1.32
Other net non-interest income	17,199	17,499	(1.71)
Total net non-interest income	85,279	84,689	0.70

In the first half of 2017, the Group's net non-interest income reached RMB85,279 million, an increase of RMB590 million, or 0.70% over the same period last year.

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)	Six months ended 30 June 2017	Six months ended 30 June 2016	Change (%)
Fee and commission income	74,166	70,907	4.60
Bank card fees	20,110	17,785	13.07
Wealth management service fees	12,381	11,324	9.33
Agency service fees	10,221	12,738	(19.76)
Settlement and clearing fees	7,442	7,130	4.38
Commission on trust and fiduciary activities	6,610	6,244	5.86
Consultancy and advisory fees	6,593	7,318	(9.91)
Electronic banking service fees	6,484	4,594	41.14
Guarantee fees	1,714	1,574	8.89
Credit commitment fees	836	1,264	(33.86)
Others	1,775	936	89.64
Fee and commission expense	(6,086)	(3,717)	63.73
Net fee and commission income	68,080	67,190	1.32

In the first half of 2017, the Group's net fee and commission income increased by RMB890 million, or 1.32%, over the same period last year, to RMB68,080 million. The ratio of net fee and commission income to operating income decreased by 0.26 percentage points to 22.46% over the same period last year.

Bank card fees grew by 13.07% to RMB20,110 million, mainly because the growth rate of income from credit card exceeded 20%.

Wealth management service fees increased by 9.33% to RMB12,381 million. It was mainly because the Group launched differentiated WMPs that effectively met the needs of various customers and achieved stable growth in sales.

Agency service fees decreased by 19.76% to RMB10,221 million. It was mainly because the fees from agency insurance services and agency fund sales fell due to market and other factors.

Settlement and clearing fees increased by 4.38% to RMB7,442 million. In this amount, RMB settlement income fell from the same period last year as a result of regulatory policies change and increased benefits to the customers, including fee reductions and concessions. Income from other settlement businesses grew due to the Group’s continued efforts in product innovation, which delivered convenient and comprehensive services to customers.

Commission on trust and fiduciary activities rose by 5.86% to RMB6,610 million. In this amount, custodial income grew driven by the continued growth of assets under custody, and commission from syndicated loans achieved fast growth.

Consultancy and advisory fees decreased by 9.91% to RMB6,593 million, mainly because the Group increased exemptions and reductions in service fees for corporate customers in line with state policies to support the development of real economy.

Income from electronic banking services increased by 41.14% to RMB6,484 million. It was mainly because the Group spared no effort in building an Internet-based financial eco-system, fuelling the rapid increase in the number of customers and the volume of transactions.

In the second half of the year, the Group will perform in-depth analyses of the market and customer needs, diligently identify and take advantage of business development opportunities, strengthen product innovation, enhance its comprehensive service capability, and strive to maintain the stable growth of 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)	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**	**Change (%)**
Net trading gain	2,842	1,696	67.57
Dividend income	980	1,405	(30.25)
Net (loss)/gain arising from investment securities	(1,632)	7,337	(122.24)
Other net operating income	15,009	7,061	112.56
Other net non-interest income	17,199	17,499	(1.71)

Other net non-interest income of the Group was RMB17,199 million, a decrease of RMB300 million, or 1.71%, from the same period last year. In this amount, net trading gain was RMB2,842 million, an increase of RMB1,146 million over the same period last year, mainly driven by the increase in income from precious metal leasing; net loss arising from investment securities was RMB1,632 million, mainly because the change in equity due to certain investments in available-for-sale debt-type public funds was included during the reporting period, and the base number was relatively high due to the disposal of certain profitable debt securities during the same period last year; other net operating income was RMB15,009 million, an increase of RMB7,948 million over the same period last year, mainly because the foreign exchange gain increased due to the increase of foreign exchange transaction volume and the evaluation gain from foreign exchange derivative transactions.

Operating expenses

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**
Staff costs	41,984	39,972
Premises and equipment expenses	14,011	13,708
Taxes and surcharges	2,907	13,359
Others	11,645	12,077
Total operating expenses	70,547	79,116
Cost-to-income ratio (%)	22.31	22.24

In the first half of 2017, the Group enhanced cost management and optimised expenses structure. Cost-to-income ratio was 22.31%, an increase of 0.07 percentage points over the same period last year, remaining basically stable. The Group's operating expenses were RMB70,547 million, a year-on-year decrease of RMB8,569 million, or 10.83%. In this amount, staff costs were RMB41,984 million, a year-on-year increase of RMB2,012 million, or 5.03%. Premises and equipment expenses were RMB14,011 million, an increase of RMB303 million, or 2.21% over the same period last year. Tax and surcharges were RMB2,907 million, a decrease of RMB10,452 million, or 78.24% year-on-year, mainly due to the inclusion of business tax and surcharges in the figure of 2016. Other operating expenses were RMB11,645 million, a year-on-year decrease of RMB432 million, or 3.58%, mainly because the Group arranged marketing expenditures more effectively in line with its strategic transformation targets, and more strictly controlled 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)	Six months ended 30 June 2017	Six months ended 30 June 2016
Loans and advances to customers	59,729	46,798
Investments	663	(1,027)
Available-for-sale financial assets	282	(59)
Held-to-maturity investments	12	(512)
Investment classified as receivables	369	(456)
Others	118	839
Total impairment losses	60,510	46,610

In the first half of 2017, the Group's impairment losses were RMB60,510 million, an increase of RMB13,900 million over the same period last year. This was mainly because impairment losses on loans and advances to customers increased by RMB12,931 million over the same period last year, and impairment losses on investments increased by RMB1,690 million over the same period last year. For the impairment losses on investments, those incurred to investments classified as receivables were RMB369 million, and those incurred to available-for-sale financial assets were RMB282 million.

Income tax expense

In the first half of 2017, the Group's income tax expense amounted to RMB33,084 million, a decrease of RMB2,891 million over the same period last year. The effective income tax rate was 19.22%, lower than the statutory rate 25%, mainly due to 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 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Gross loans and advances to customers	12,507,021		11,757,032	
Allowances for impairment losses on loans	(302,291)		(268,677)	
Net loans and advances to customers	12,204,730	56.26	11,488,355	54.80
Investment[1]	5,045,126	23.26	5,068,584	24.18
Cash and deposits with central banks	2,941,465	13.56	2,849,261	13.59
Deposits and placements with banks and non-bank financial institutions	550,991	2.54	755,288	3.60
Financial assets held under resale agreements	279,535	1.29	103,174	0.49
Interest receivable	110,386	0.51	101,645	0.49
Others[2]	559,834	2.58	597,398	2.85
Total assets	21,692,067	100.00	20,963,705	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.

At the end of June, the Group's total assets were RMB21,692,067 million, an increase of RMB728,362 million or 3.47% over the end of last year, slower than the same period last year. In this amount, net loans and advances to customers increased by RMB716,375 million or 6.24%. Deposits and placements with banks and non-bank financial institutions decreased by RMB204,297 million or 27.05%. Financial assets held under resale agreements increased by RMB176,361 million or 170.94% over the end of last year. Accordingly, the proportion of net loans and advances to customers in the total assets rose by 1.46 percentage points to 56.26%, the proportion of deposits and placements with banks and non-bank financial institutions in total assets decreased by 1.06 percentage points to 2.54%, and the proportion of financial assets held under resale agreements rose by 0.80 percentage points to 1.29%.

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 30 June 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances	6,348,232	50.76	5,864,895	49.89
Short-term loans	2,014,450	16.11	1,786,442	15.20
Medium to long-term loans	4,333,782	34.65	4,078,453	34.69
Personal loans and advances	4,806,101	38.43	4,338,349	36.90
Residential mortgages	3,926,190	31.39	3,585,647	30.50
Credit card loans	493,121	3.94	442,001	3.76
Personal consumer loans	158,076	1.27	75,039	0.64
Personal business loans	39,398	0.32	46,395	0.39
Other loans[1]	189,316	1.51	189,267	1.61
Discounted bills	168,014	1.34	495,140	4.21
Overseas operations and subsidiaries	1,184,674	9.47	1,058,648	9.00
Gross loans and advances to customers	12,507,021	100.00	11,757,032	100.00

1. These comprise personal commercial property loans, home equity loans and education loans.

At the end of June, the Group's gross loans and advances to customers were RMB12,507,021 million, an increase of RMB749,989 million or 6.38% over the end of last year.

Domestic corporate loans and advances of the Bank reached RMB6,348,232 million, an increase of RMB483,337 million, or 8.24% over the end of last year, mainly extended to infrastructure sectors and small and micro enterprises. In this amount, short-term loans increased by RMB228,008 million, or 12.76%; medium to long-term loans increased by RMB255,329 million, or 6.26% over the end of last year.

Domestic personal loans and advances of the Bank were RMB4,806,101 million, an increase of RMB467,752 million or 10.78% over the end of last year. In this amount, residential mortgages were RMB3,926,190 million, an increase of RMB340,543 million, or 9.50%, slower compared to the same period last year; credit card loans increased by RMB51,120 million or 11.57% to RMB493,121 million over the end of last year; personal consumer loans rose by RMB83,037 million or 110.66% to RMB158,076 million, mainly driven by the increase in personal self-service loan product branded as "CCB Rapid Personal Loan Online"; personal business loans decreased by RMB6,997 million from the end of last year to RMB39,398 million.

Discounted bills reached RMB168,014 million, a decrease of RMB327,126 million over the end of last year, mainly to meet the other loan needs of the real economy.

Loans and advances to customers at overseas operations and subsidiaries amounted to RMB1,184,674 million, an increase of RMB126,026 million or 11.90% over the end of last year, mainly due to the business growth of overseas operations.

Distribution of loans by collateral type

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

(In millions of RMB, except percentages)	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Unsecured loans	3,642,528	29.12	3,471,042	29.52
Guaranteed loans	2,167,701	17.33	1,964,685	16.71
Loans secured by tangible assets other than monetary assets	5,356,838	42.84	5,095,325	43.34
Loans secured by monetary assets	1,339,954	10.71	1,225,980	10.43
Gross loans and advances to customers	12,507,021	100.00	11,757,032	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	Six months ended 30 June 2017			
	Allowances for collectively assessed loans and advances	Allowances for impaired loans and advances		Total
		collectively assessed	individually assessed	
As at 1 January	155,949	13,275	99,453	268,677
Charge for the period	24,630	3,932	40,628	69,190
Release during the period	-	-	(9,461)	(9,461)
Unwinding of discount	-	-	(1,520)	(1,520)
Transfers out	(10)	(34)	(10,702)	(10,746)
Write-offs	-	(2,172)	(14,216)	(16,388)
Recoveries	-	499	2,040	2,539
As at 30 June	180,569	15,500	106,222	302,291

The Group adhered to the prudence principle in making full provisions for impairment losses on loans and advances to customers, by fully considering the impact of changes in external environment including macroeconomy and government regulatory policies on loans and advances to customers. At the end of June, the allowances for impairment losses on loans and advances to customers were RMB302,291 million, an increase of RMB33,614 million over the end of last year. The ratio of allowances to NPLs was 160.15%, up 9.79 percentage points from the end of last year. The ratio of allowances to total loans was 2.42%, an increase of 0.13 percentage points from the end of last year.

Please refer to Note "Loans and advances to customers" in the "Financial Statements" for detailed information about provisioning for impaired loans.

Investments

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

(In millions of RMB, except percentages)	As at 30 June 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Debt securities investments	4,511,400	89.42	4,445,214	87.70
Equity instruments and funds	167,789	3.33	303,398	5.99
Other debt instruments	365,937	7.25	319,972	6.31
Total investments	5,045,126	100.00	5,068,584	100.00

In the first half of 2017, in accordance with its annual investment and trading strategies and risk policy requirements, the Group proactively dealt with regulatory and market changes to achieve a sound balance between risks and returns. At the end of June, the Group's investments totalled RMB5,045,126 million, at par with the end of last year. In this amount, debt securities investments accounted for 89.42% of the total investments, an increase of 1.72 percentage points over the end of 2016. Equity instruments and funds accounted for 3.33% of the total investments, a decrease of 2.66 percentage points compared to the end of last year, mainly because investments in public funds dropped. Other debt instruments accounted for 7.25% of the total investments, an increase of 0.94 percentage points over the end of last year, mainly because the deposits with banks and credit assets under principal-guaranteed wealth investments increased.

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 30 June 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Financial assets at fair value through profit or loss	598,654	11.87	488,370	9.64
Available-for-sale financial assets	1,576,618	31.25	1,633,834	32.23
Held-to-maturity investments	2,395,855	47.49	2,438,417	48.11
Investment classified as receivables	473,999	9.39	507,963	10.02
Total investments	5,045,126	100.00	5,068,584	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 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
RMB	4,291,340	95.12	4,257,384	95.77
USD	133,196	2.95	106,761	2.40
HKD	36,612	0.81	38,085	0.86
Other foreign currencies	50,252	1.12	42,984	0.97
Total debt securities investments	4,511,400	100.00	4,445,214	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 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Government	2,916,745	64.65	2,667,258	60.00
Banks and non-bank financial institutions	775,264	17.19	892,154	20.07
Policy banks	339,694	7.53	361,574	8.13
Central banks	21,881	0.49	21,722	0.49
Enterprises	400,776	8.88	355,213	7.99
Others	57,040	1.26	147,293	3.32
Total debt securities investments	4,511,400	100.00	4,445,214	100.00

Financial debt securities

At the end of June, the Group held financial debt securities issued by financial institutions totalling RMB1,114,958 million. In this amount, RMB339,694 million were issued by policy banks, and RMB775,264 million were issued by banks and non-bank financial institutions, representing 30.47% and 69.53% respectively in the total amount.

The following table sets forth the top ten largest financial debt securities 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	10,682	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	8,280	One-year time deposit interest rate +0.59%	25 February 2020	-
Issued by a commercial bank in 2011	8,280	4.62	22 February 2021	-
Issued by a policy bank in 2011	8,170	4.49	25 August 2018	-
Issued by a commercial bank in 2013	7,860	4.97	24 October 2018	-

Interest receivable

At the end of June, the Group's interest receivable was RMB110,386 million, an increase of RMB8,741 million or 8.60% over the end of last year, mainly due to the increase in interest receivable from loans and advances to customer. The allowances for impairment losses of interest receivable were 0.

Repossessed assets

At the end of June, the Group's repossessed assets were RMB3,324 million, a decrease of RMB149 million over the end of last year; the balance of impairment allowances for repossessed assets was RMB986 million, a decrease of RMB76 million over the end of last year. Please refer to Note "Other Assets" in the "Financial Statements" for details.

Liabilities

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

(In millions of RMB, except percentages)	As at 30 June 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Deposits from customers	16,274,393	81.18	15,402,915	79.50
Deposits and placements from banks and non-bank financial institutions	1,676,001	8.36	1,935,541	9.99
Debt securities issued	535,093	2.67	451,554	2.33
Borrowings from central banks	520,110	2.59	439,339	2.27
Financial assets sold under repurchase agreements	60,839	0.30	190,580	0.98
Other liabilities[1]	981,029	4.90	954,122	4.93
Total liabilities	20,047,465	100.00	19,374,051	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.

At the end of June, the Group's total liabilities were RMB20,047,465 million, an increase of RMB673,414 million or 3.48% over the end of 2016. In this amount, deposits from customers increased by RMB871,478 million or 5.66% over the end of 2016, and the accounted for 81.18% of total liabilities, an increase of 1.68 percentage points over the end of 2016, mainly due to the Bank's efforts in expanding lower-cost settlement funds. Due to the sluggish capital market and maturity of certain deposits from banks, deposits from banks and non-bank financial institutions experienced a significant decrease, as reflected by a decrease of 2.19 percentage points to 6.14% in the total liabilities.

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 30 June 2017**		**As at 31 December 2016**	
	Amount	**% of total**	**Amount**	**% of total**
Corporate deposits	8,538,449	52.47	8,008,460	51.99
Demand deposits	5,482,660	33.69	5,145,626	33.41
Time deposits	3,055,789	18.78	2,862,834	18.58
Personal deposits	7,193,830	44.20	6,927,182	44.98
Demand deposits	3,106,195	19.08	2,986,109	19.39
Time deposits	4,087,635	25.12	3,941,073	25.59
Overseas operations and subsidiaries	542,114	3.33	467,273	3.03
Total deposits from customers	16,274,393	100.00	15,402,915	100.00

At the end of June, the Group's total deposits from customers reached RMB16,274,393 million, up by RMB871,478 million or 5.66% over the end of 2016. In this amount, corporate deposits increased by RMB529,989 million, up by 6.62%. Personal deposits increased by RMB266,648 million, up by 3.85%. Deposits from overseas operations and subsidiaries increased by RMB74,841 million, up by 16.02%. The Bank's domestic demand deposits increased by RMB457,120 million or 5.62% over the end of 2016, and the proportion of demand deposits in domestic deposits from customers increased by 0.15 percentage points over the end of 2016 to 54.59%. The domestic time deposits increased by RMB339,517 million or 4.99% from the end of 2016.

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. 3 – Contents and Formats of Half-Year Reports (2016 Revision).*

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

Shareholder’s equity

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

(In millions of RMB)	As at 30 June 2017	As at 31 December 2016
Share capital	250,011	250,011
Other equity instruments - preference shares	19,659	19,659
Capital reserve	134,507	133,960
Investment revaluation reserve	(16,680)	(976)
Surplus reserve	175,445	175,445
General reserve	245,456	211,193
Retained earnings	821,433	786,860
Exchange reserve	(1,386)	348
Total equity attributable to equity shareholders of the Bank	1,628,445	1,576,500
Non-controlling interests	16,157	13,154
Total equity	1,644,602	1,589,654

At the end of June, the Group’s total equity reached RMB1,644,602 million, an increase of RMB54,948 million or 3.46% over the end of 2016, primarily driven by the increase of RMB34,573 million or 4.39% in retained earnings. The ratio of total equity to total assets for the Group was 7.58%.

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 other contracts. Please refer to Note “Derivatives and Hedge Accounting” in the “Financial Statements” of this half-year report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, with a balance of RMB3,297,462 million as at 30 June 2017, an increase of RMB572,936 million over the end of 2016. Please refer to Note “Commitments and Contingent Liabilities” in the “Financial Statements” in this half-year report for details on commitments and contingent liabilities.

4.1.3 Loan Quality Analysis

Distribution of loans by 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 30 June 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Normal	11,962,913	95.65	11,241,249	95.61
Special mention	355,356	2.84	337,093	2.87
Substandard	78,007	0.62	71,412	0.61
Doubtful	90,044	0.72	82,505	0.70
Loss	20,701	0.17	24,773	0.21
Gross loans and advances to customers	12,507,021	100.00	11,757,032	100.00
NPLs	188,752		178,690	
NPL ratio		1.51		1.52

In the first half of the year, the Group carried forward 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 remained stable. At the end of June, the Group's NPLs were RMB188,752 million, an increase of RMB10,062 million over the end of last year; the NPL ratio was 1.51%, a decrease of 0.01 percentage points from the end of last year. The special mention loans accounted for 2.84% of gross loans and advances, a decrease of 0.03 percentage points from the end of last year.

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 30 June 2017			As at 31 December 2016		
	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	6,348,232	160,805	2.53	5,864,895	152,323	2.60
Short-term loans	2,014,450	89,655	4.45	1,786,442	92,547	5.18
Medium to long-term loans	4,333,782	71,150	1.64	4,078,453	59,776	1.47
Personal loans and advances	4,806,101	23,578	0.49	4,338,349	21,548	0.50
Residential mortgages	3,926,190	10,963	0.28	3,585,647	10,175	0.28
Credit card loans	493,121	5,758	1.17	442,001	4,343	0.98
Personal consumer loans	158,076	1,218	0.77	75,039	1,196	1.59
Personal business loans	39,398	2,036	5.17	46,395	2,106	4.54
Other loans[1]	189,316	3,603	1.90	189,267	3,728	1.97
Discounted bills	168,014	-	-	495,140	-	-
Overseas operations and subsidiaries	1,184,674	4,369	0.37	1,058,648	4,819	0.46
Total	12,507,021	188,752	1.51	11,757,032	178,690	1.52

1. These comprise personal commercial property loans, home equity loans and education loans.

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 30 June 2017				As at 31 December 2016			
	Loans	% of total	NPLs	NPL ratio	Loans	% of total	NPLs	NPL ratio
Corporate loans and advances	6,348,232	50.76	160,805	2.53	5,864,895	49.89	152,323	2.60
Manufacturing	1,228,449	9.82	75,879	6.18	1,177,985	10.02	69,764	5.92
Transportation, storage and postal services	1,251,716	10.01	6,347	0.51	1,207,636	10.27	5,970	0.49
Production and supply of electric power, heat, gas and water	773,569	6.19	1,459	0.19	689,258	5.86	985	0.14
Real estate	381,868	3.05	8,634	2.26	342,531	2.91	8,652	2.53
Leasing and commercial services	888,498	7.10	4,415	0.50	749,690	6.38	4,573	0.61
- Commercial services	794,054	6.35	4,096	0.52	658,347	5.60	4,456	0.68
Wholesale and retail trade	448,704	3.59	33,833	7.54	410,923	3.50	37,016	9.01
Water, environment and public utility management	373,356	2.99	675	0.18	314,032	2.67	502	0.16
Construction	246,804	1.97	8,097	3.28	236,382	2.01	7,402	3.13
Mining	228,266	1.83	13,722	6.01	216,421	1.84	11,040	5.10
- Exploitation of petroleum and natural gas	6,584	0.05	-	-	5,745	0.05	-	-
Education	71,297	0.57	125	0.18	72,631	0.62	203	0.28
Information transmission, software and information technology services	36,496	0.29	462	1.27	30,607	0.26	432	1.41
- Telecommunications, broadcasting and television, and satellite transmission services	24,644	0.20	2	0.01	21,138	0.18	-	-
Others	419,209	3.35	7,157	1.71	416,799	3.55	5,784	1.39
Personal loans and advances	4,806,101	38.43	23,578	0.49	4,338,349	36.90	21,548	0.50
Discounted bills	168,014	1.34	-	-	495,140	4.21	-	-
Overseas operations and subsidiaries	1,184,674	9.47	4,369	0.37	1,058,648	9.00	4,819	0.46
Total	12,507,021	100.00	188,752	1.51	11,757,032	100.00	178,690	1.52

Facing the complex external environment and risk situation in the first half of the year, the Group optimised credit policies, improved its systems and mechanisms, clarified and improved customer acceptance criteria, strictly adhered to industry limits management, and continuously enhanced its credit structure. The loan quality in infrastructure sectors remained stable although the loan balance increased. The NPL ratio of manufacturing industry was basically stable, and the NPLs in the wholesale and retail industry and real estate industry decreased as compared to the end of 2016.

4.1.4 Differences between the Financial Statements Prepared under PRC GAAP and those Prepared under IFRS

There is no difference in the net profit for the six months ended 30 June 2017 or total equity as at 30 June 2017 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

4.2 BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business, and others including overseas operations 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)	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Amount	**% of total**	**Amount**	**% of total**
Corporate banking	47,258	27.46	67,214	39.57
Personal banking	76,043	44.19	59,945	35.29
Treasury business	31,049	18.04	41,459	24.40
Others	17,743	10.31	1,260	0.74
Profit before tax	172,093	100.00	169,878	100.00

4.2.1 Corporate Banking

Corporate deposits

The Bank's corporate deposits grew steadily with a consolidated customer base. At the end of June, domestic corporate deposits of the Bank amounted to RMB8,538,449 million, an increase of RMB529,989 million, or 6.62% over the end of last year. In this amount, demand deposits increased by 6.55%, while time deposits increased by 6.74%.

Corporate loans

Corporate loans were granted to support the development of the real economy with optimised credit structure and stable asset quality. At the end of June, domestic corporate loans and advances of the Bank amounted to RMB6,348,232 million, an increase of RMB483,337 million, or 8.24% over the end of last year. The NPL ratio of corporate loans and advances was 2.53%, a decrease of 0.07 percentage points over the end of last year.

Loans to infrastructure sectors totalled RMB3,223,923 million, accounting for 50.78% of the gross corporate loans and advances, representing an increase of RMB327,767 million, or 11.32%, over the end of last year, with its NPL ratio at 0.39%. 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 RMB133 million to RMB125,140 million from the end of last year. Property development loans were mainly extended to high quality real estate developers with high credit ratings, 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 RMB317,023 million, an increase of RMB17,825 million over the end of last year. The Bank strictly controlled the total amount of loans to government financing vehicles, and continued to optimise the related cash flow structure. The outstanding balance of those classified under the regulated category decreased by RMB17,823 million over the end of last year. In this amount, loans fully covered by cash flows accounted for 92.42%. Agriculture-related loans amounted to RMB1,722,503 million. In this amount, loans to new countryside construction were RMB42,165 million. The accumulated amount of "e-loan" series products granted through online channel based on supply chains since 2007 reached RMB297,611 million, covering over 20.3 thousand customers by cooperation with 146 platforms.

Small enterprise business

In the first half of the year, the Bank established the inclusive financial service business department to provide more support to small and micro enterprises and to extend the coverage of inclusive financial services. With enhanced application of big data and internet technologies in precise customer service and refined risk control, and through the end-to-end online financing service model of “Rapid Loan for Small and Micro Businesses”, the Bank extended its financial services to more small and micro businesses and led the market in terms of both the increment and the total number of small and micro business borrowers. By means of “Yunongtong”, the Bank extended its financial services to county and rural areas, and provided basic financial services as well as micro-credit support to small and micro businesses in the vast rural areas across China. At the end of June, according to the categorisation policy of small and medium-sized enterprises in 2011 as well as the CBRC’s latest regulatory requirements, the outstanding balance of loans to small and micro enterprises was RMB1,490,072 million, an increase of RMB48,180 million over the end of last year. The number of small and micro enterprise borrowers was 397.4 thousand, an increase of 88.5 thousand over the end of last year, and the availability rate of loan applications for small and micro enterprises was 92.86%, 1.95 percentage points higher from the end of last year, fulfilling the regulatory requirements of “Three No-Less-Than”. The Bank also maintained the overall stability of asset quality of loans to small and micro enterprises by implementing prudent customer selection, strict customer acceptance and industry screening, enhancing early warnings and preemptive controls, and improving post-lending management model featured by graded disposal.

Institutional business

In the first half of the year, the number of universities in cooperation with the Bank through “Yinxiaotong” channel increased by 73, and the number of hospitals in cooperation with the Bank through “Yinyitong” channel increased by 192. The Bank cooperated with approximately 50% of the “211 Project” first-rate universities and Grade III A hospitals. The Bank won the bidding of treasury time deposits as cash manager for a cumulative amount of RMB133 billion during the first half of year. It ranked first among peer banks in terms of the number of customers of the central finance authorised payment. The number of civil service bank cards issued to central fiscal budget agencies continued to be first in the market. Moreover, the Bank launched a series of comprehensive financial service brands, including “Junjian’anxin”, “Xin-e-bao”, and “Shanjianyixin”, and improved overall customer service level with such innovative brands as membership dues cloud, civil capital verification platform, etc. It continued to sponsor the “CCB Cup” innovation and entrepreneurship competition for university students, and promoted the launch of the Innovation and Entrepreneurship Industrial Investment Fund and the Fund for Transformation and Transfer of Scientific and Technological Achievements in Chinese Universities.

Financial institutional business

In strict adherence to relevant regulatory policies, the Bank launched the campaign of “Year for Promoting Compliance in Financial Institutional Business” to enhance its internal control and compliance management in financial institutional business. It steadily downsized financial institutional assets in light of the needs for bank-wide assets and liabilities management. The financial institutional business maintained sound development with “zero legal case, zero NPL and low risk”. At the end of June, the Bank’s domestic financial institutional assets were RMB602,520 million, a decrease of RMB429,776 million from the end of last year; its domestic financial institutional liabilities (including deposits from insurance companies) were RMB1,073,739 million, a decrease of RMB378,253 million from the end of last year.

International business

The Bank quickened its pace in promoting “Cross-border e+”, its comprehensive financial service platform for cross-border e-commerce, so as to offer “end-to-end, wholly on-line and one-stop” cross-border financial services to the market. It enhanced product innovation by launching a series of new products, including “bulk commodity buyout financing”, “Zhumaodai” for medium, small and micro-sized enterprises, “export rebate credit loans”, and “Zhengbaodai”. Overseas correspondent banks and foreign currency clearing service networks continued to grow with a total of 1,369 head office level correspondent banks in 132 countries and regions. In the first half of the year, the volume of international settlement amounted to US$578,872 million, generating income of RMB2,742 million. The volume of cross-border RMB-denominated settlement amounted to RMB428,962 million and the number of cross-border RMB-denominated settlement customers increased by 16,000.

Asset custodial business

Against the backdrop of the sluggish capital market, the Bank proactively enhanced product marketing and strengthened innovations in custodial business. At the end of June, the Bank’s assets under custody reached RMB9.92 trillion, an increase of 7.26% over the end of last year. In this amount, insurance assets under custody totalled RMB3.11 trillion, up by 20.70%; the Bank was the first in the industry to initiate private fund custodial service for wholly foreign-owned enterprises, and private funds under custody totalled RMB393,334 million, up by 30.01%.

Settlement and cash management business

The Bank was the first pilot bank approved by the PBC to innovate account management in commercial system reform. It also innovatively launched cross-border information reporting, cross-border payment and other global cash management products, and built an integrated cash management product system encompassing both domestic and foreign currencies as well as domestic and overseas operations. The Bank innovatively created a product system including cross-bank cash management and “Jianguanyi” for corporate funds supervision, which fully enhanced the enterprises’ capability of integrated management of funds. With the launch of “Bank Bills Pool+” comprehensive financing, agency collection and payment, E-cards for corporate settlement and other scenario-based application solutions, it endeavoured to build a corporate payment ecosystem and enhance the recognition and influence of its “Yudao” brand. At the end of June, the Bank had 7.33 million corporate RMB settlement accounts, an increase of 610 thousand over the end of last year; it had 1.02 million active cash management customers.

4.2.2 Personal Banking

Personal deposits

The Bank enhanced its capability to attract deposits through highly effective products and services, maintaining the steady growth of personal deposits. At the end of June, domestic personal deposits of the Bank increased by RMB266,648 million, or 3.85% to RMB7,193,830 million over the end of last year. In this amount, demand deposits increased by 4.02% and time deposits increased by 3.72%.

Personal loans

The Bank’s personal loan business developed steadily. At the end of June, domestic personal loans of the Bank increased by RMB467,752 million, or 10.78% to RMB4,806,101 million over the end of last year. Both the loan balance and increase ranked first among peers. Differentiated credit policies were strictly followed in granting residential mortgages, which mainly supported customers’ credit demand in purchasing houses for own use. Residential mortgages amounted to RMB3,926,190 million, up by RMB340,543 million or 9.50% over the end of last year. Driven by personal self-service loans branded as “CCB Rapid Personal Loan Online” through the electronic channel, personal consumer loans achieved fast growth, reaching RMB158,076 million, up by RMB83,037 million, or 110.66% over the end of last year. Personal business loans were RMB39,398 million and personal agriculture-related loans totalled RMB6,435 million.

Credit card business

The Bank accelerated innovation and transformation of its credit card business, with a better operating structure and a strong brand, further enhancing its market competitiveness. The Bank vigorously intensified promotion among young people with the launching of six youth-oriented products, including Tencent Game Card, Global Hot Purchase Card, JOY Card, Tongcheng Long Card, JinJiang Long Card and “Transformer 5” Credit Card. With increased promotion of its mobile payment applications, including Long Pay, Cloud Quick Pass, and ApplePay, the Bank successfully launched two promotion-based products, namely “Long Card Saturday” and “Travel around the World”. The innovation of consumer loan products expanded to various consumer service areas, including automobile, home renovation, travel, education, stores and restaurants, with its instalment product system fully covering all market segments, and the innovation and promotion of revolving credit businesses including cash withdrawals and transfers was also enhanced. Based on the development of its “smart customer services”, self-service channels were used more in credit card customer service. To further enhance service quality, the Bank became the first in the industry to adopt grade-based early warning model in managing customer complaints. At the end of June, the accumulative number of credit cards issued reached 102 million, an increase of 7.56 million over the end of last year; spending through credit cards totalled RMB1.24 trillion, an increase of 7.27% year on year; the loan balance totalled RMB493,121 million and the asset quality remained good.

Debit card business

With focus on Long Pay and the payment and settlement ecosystem, the Bank gradually established its comprehensive service model with the combination of “scenario-based payment + financial services + marketing services”, by leveraging on its financial IC cards, development of its account system, and integration of its online and offline service. At the end of June, the accumulative number of debit cards issued totalled 863 million, an increase of 32 million over the end of last year; spending through debit cards totalled RMB6.77 trillion, an increase of 40.75% year on year. The accumulative number of financial IC debit cards issued totalled 455 million, an increase of 42 million over the end of last year. “Long Pay” included the UnionPay QR codes in its functions to further enhance customer experience and offer a greater variety of payment scenarios, and the accumulative number of users since its launch in November 2016 has reached 27.08 million.

Private banking

For the private banking business, the Bank developed its “trump product” - family trust business by coordinating efforts between the parent company and subsidiaries, and continuously improved “Golden Housekeeper” business. The Bank diversified its value-added services in three major areas, namely exclusive private banking services, professional consultation and cross-border services. In addition to its traditional non-financial services such as global hospitality, health, travel and overseas studies, the Bank promoted its professional consultation service on pension planning, marital property planning, legal and tax matters, and introduced innovative offerings in children’s education planning, family business governance and charity activities, among others. At the end of June, the total amount of financial assets of private banking customers with financial assets above RMB10 million reached RMB887,446 million, an increase of RMB101,109 million or 12.86% over the end of last year. The number of such customers amounted to 64,005, an increase of 5,284 or 9.00% over the end of last year.

Entrusted housing finance business

For the entrusted housing finance business, the Bank proactively improved its IT system, and strengthened electronic channel expansion and product innovation in provident housing funds, in order to provide comprehensive and high-quality housing reform financial services. At the end of June, the housing fund deposits were RMB684,544 million, while personal provident housing fund loans were RMB1,963,516 million. The Bank steadily carried forward loan business for indemnificatory housing to support the self-occupied housing needs of low and middle-income residents and accumulatively granted personal indemnificatory housing loans of RMB5,205 million in the first half of 2017.

4.2.3 Treasury Business

Financial market business

In the first half of 2017, the Bank prudently carried out financial market operations with focus on increasing trading activity and market influence, and strengthened market research, customer development and business innovation. As a result, the profitability and risk management capabilities grew steadily.

Money market business

The Bank actively responded to market fluctuations, took initiatives to broaden the financing and investment channels, and managed its RMB and foreign currency positions in a centralised manner to safeguard the Bank's liquidity. With regard to the RMB positions, the Bank strengthened its research and forecast of market liquidity and fund positions, deployed financing plans in advance, carefully arranged the maturity structure of the fund outflows, and ensured a proper level of surplus reserve. With regard to the foreign currency positions, the Bank adhered to its principle of prudence, carefully managed the structure of its fund inflows, and actively took advantage of rise in market prices to increase returns on its funds.

Debt securities investments

The Bank continuously enhanced the refined management of its investment portfolio by carefully balancing risks and returns, and optimised the portfolio structure to raise returns on its investment portfolio. With regard to investments in RMB debt securities, the Bank adhered to its philosophy of value investment, carefully managed the timing of its investment, and capitalised on interest rate fluctuations in the market to adjust the structure of its debt securities portfolio. With regard to investments in foreign-currency debt securities, the Bank closely monitored the market rate trend and proactively optimised the portfolio structure to enhance returns.

Customer-driven foreign exchange and interest rate trading business

The Bank proactively responded to changes in the market and carefully implemented regulatory policies to ensure that its business activities were conducted prudently in compliance with relevant requirements. With greater efforts in product innovation and customer development, the Bank launched innovative corporate foreign exchange trading products, including the option to settle on the differences against the middle rates, and vigorously promoted the account foreign exchange services to meet personal customers' needs for foreign exchange transactions. With enhanced trading activity and market influence, the transaction volume of customer-driven foreign exchange and interest rate trading business reached US$224,970 million in the first half of 2017, while the Bank continued to maintain its leading position in China's interbank foreign exchange market in terms of comprehensive ranking.

Precious metals and commodities

The Bank actively seized market opportunities to reinforce product innovation and marketing, achieving steady progress in precious metals and commodities. The Bank innovatively launched commodity trading around the clock to enhance customer experience, and carried out marketing activities to consolidate customer base and enhance trading activity. In the first half of 2017, the total trading volume of precious metals of the Bank reached 29,775 tonnes, and the number of personal precious metal trading and commodity trading customers totalled 26.91 million, an increase of 2.53 million over the end of last year.

Assets management business

The Bank reinforced its effort in developing high-quality and high-yield assets, and strengthened the collaboration between the parent company and subsidiaries. It actively and prudently pushed ahead the development of standardised investment business in asset management through the combination of self-directed investment and entrusted investment. The first transfer of non-standardised assets to standardised assets was carried out, and the Bank successfully launched its innovative “Touzitong” product. In the first half of 2017, the Bank independently issued 5,723 batches of WMPs with a total amount of RMB3,904,914 million to effectively meet the investment needs of customers. At the end of June, the balance of WMPs was RMB2,001,245 million. In this amount, the non-principal-guaranteed WMPs were RMB1,627,348 million and the principal-guaranteed WMPs were RMB373,897 million.

Investment banking business

By virtue of direct financing methods, including debt securities underwriting, asset securitisation, and fund establishment, the Bank assisted enterprises in reducing their financing costs and revitalising existing assets. 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 an addition of 619 new contracted FITS® customers. The Bank was the lead underwriter in delivering the Group’s first cross-border structured project that converted an overseas loan to a debt security. In addition, the Bank was the sole lead underwriter in the first poverty alleviation bonds in China’s inter-bank market, and successfully underwrote the first batch of “Bond Connect” bonds. In the first half of 2017, the Bank accumulatively underwrote a total of 225 batches of debt financing instruments for non-financial enterprises with an amount of RMB204,296 million, and led the market in terms of both the volume and the number of bonds underwritten. In addition, it signed cooperative contracts with multiple enterprises with an amount of RMB54 billion to lower their leverage ratios.

4.2.4 Overseas Commercial Banking Business

In the first half of 2017, the Group made positive progress in expanding its overseas presence. CCB Indonesia was inaugurated in February, while Warsaw Branch of CCB Europe, CCB Malaysia and Perth Branch officially opened for business one after another. At the end of June, the Group had 251 overseas institutions at various levels in 29 countries and regions. The net profit of the Group’s overseas commercial banks was RMB5,433 million, a year-on-year increase of 86.70%.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank incorporated 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 business and small and medium-sized enterprises 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. With Hong Kong and Macau as its core areas, the wholesale financial business of CCB Asia covers Mainland China and Southeast Asia. CCB Asia has rich experience and traditional advantages in providing specialised financial services, including overseas syndicated loans and structured finance, and has achieved rapid growth in various comprehensive corporate financial services, such as international settlement, trade finance, treasury transactions, structured large deposits and financial advisory services. At the end of June, total assets of CCB Asia amounted to RMB351,515 million, and shareholders' equity was RMB43,587 million. Net profit for the first half of the year was RMB1,492 million.

CCB London

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank 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. CCB London has a registered capital of US$200 million and RMB1.5 billion, and is mainly engaged in corporate deposits and loans, international settlement and trade finance, RMB and British pound clearing, and treasury-related financial products. CCB London is dedicated to serving the Chinese institutions doing business in the UK, British companies investing in China, and enterprises involved in Sino-UK bilateral trade, and continuously improving the Bank's customer service quality and capability in the UK and Europe. At the end of June, total assets of CCB London amounted to RMB8,421 million, and shareholders' equity was RMB3,469 million. Net profit for the first half of the year was RMB174 million.

CCB Russia

China Construction Bank (Russia) Limited Liability Company is a wholly-owned subsidiary of the Bank incorporated 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 loans, bilateral loans, trade finance, international settlement, treasury transactions, debt securities transactions, financial institution business, clearing, cash transactions, deposits, and safe deposit box services, etc. At the end of June, total assets of CCB Russia amounted to RMB2,889 million, and shareholders' equity was RMB644 million. Net profit for the first half of the year was RMB32 million.

CCB Europe

China Construction Bank (Europe) S.A. is a wholly-owned subsidiary of the Bank incorporated in Luxembourg with a registered capital of EUR200 million. In July 2013, CCB Europe obtained the full banking license issued by the Financial Ministry of Luxembourg. With Luxembourg as its centre, CCB Europe continues to expand its network across Europe. In addition to the branches opened in Paris, Amsterdam, Barcelona and Milan in 2015, Warsaw Branch of CCB Europe was opened in May 2017.

Focusing on corporate finance and financial market businesses, CCB Europe mainly provides services to large and medium-sized Chinese enterprises pursuing their "Going global" strategies in Europe and also European multinational enterprises doing business in China. At the end of June, total assets of CCB Europe amounted to RMB11,528 million, and shareholders' equity was RMB1,375 million. Net profit for the first half of the year was a negative value of RMB38 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited is a wholly-owned subsidiary of the Bank incorporated in New Zealand in July 2014.

CCB New Zealand has the licence to provide all-round and high-quality wholesale and retail financial services, including corporate loans, trade finance, RMB clearing and treasury transactions to Chinese enterprises pursuing their “Going global” strategies as well as local customers. Meanwhile, CCB New Zealand provides residential mortgages to personal customers and can meet other financial needs of the high net worth customers. At the end of June, the registered capital of CCB New Zealand was NZD199 million, total assets of CCB New Zealand amounted to RMB6,063 million, and shareholders’ equity was RMB988 million. Net profit for the first half of the year was RMB22 million.

CCB Brasil

The Bank completed the acquisition of Banco Industrial e Comercial S.A. (BIC) in August 2014 and renamed it as China Construction Bank (Brasil) Banco Múltiplo S/A in December 2015. At the end of June 2017, the Bank held 99.34% of its equity. Headquartered in Sao Paulo, CCB Brasil has 37 local branches covering most states and main cities in Brasil, one branch in Cayman, as well as five wholly-owned subsidiaries and one joint venture. At the end of June, the registered capital of CCB Brasil was BRL1,554 million, total assets of CCB Brasil amounted to RMB51,465 million, and shareholders’ equity was RMB2,605 million. Net profit for the first half of the year was a negative value of RMB463 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad is a wholly-owned subsidiary of the Bank incorporated in Malaysia with a registered capital of MYR823 million. It obtained its commercial banking license in October 2016 and officially opened for business in June 2017.

CCB Malaysia is engaged in wholesale and retail banking services, mainly serves key Chinese enterprises pursuing their “Going global” strategies, enterprises engaging in bilateral trade as well as large local infrastructure projects in Malaysia. It provides domestic and foreign clients with various financial services, including global credit lines, trade finance, supply chain finance, multi-currency clearing, and treasury transactions. At the end of June, total assets of CCB Malaysia amounted to RMB1,827 million, and shareholders’ equity was RMB1,310 million. Net profit for the first half of the year was RMB11 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange with a registered capital of IDR1.66 trillion. Headquartered in Jakarta, it has 112 branches and sub-branches across Indonesia, focusing on providing commercial banking services, including loans and deposits, settlement and foreign exchange services.

The Bank completed the acquisition of 60% of the equity of PT Bank Windu Kentjana International Tbk in September 2016 and renamed the latter as PT Bank China Construction Bank Indonesia Tbk in February 2017. At the end of June, total assets of CCB Indonesia amounted to RMB7,379 million, and shareholders’ equity was RMB1,247 million. Net profit for the first half of the year was RMB34 million.

4.2.5 Integrated Operation Subsidiaries

The Group has gradually refined its comprehensive financial services. In non-banking financial sectors, the subsidiaries now include CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Property & Casualty, CCB International, CCB Futures, and CCB Pension. The Group also 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 June, total assets of integrated operation subsidiaries were RMB409,564 million, an increase of 10.41% over the end of last year. Net profit for the first half of the year reached RMB3,357 million, an increase of 20.89% year on year.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. has a registered capital of RMB200 million, with 65% of the equity held by the Bank. It is engaged in raising and selling funds, assets management as well as other businesses permitted by the CSRC.

At the end of June, the total volume of funds managed by CCB Principal Asset Management was RMB1,139,615 million. In this amount, funds raised from public offerings were RMB343,909 million, and the number of public offering funds managed by CCB Principal Asset Management was 87. Special account business amounted to RMB346,242 million. At the end of June, total assets of CCB Principal Asset Management were RMB3,460 million, and shareholders' equity was RMB3,024 million. Net profit for the first half of the year was RMB483 million.

CCB Financial Leasing

CCB Financial Leasing Corporation Limited is a wholly-owned subsidiary of the Bank with a registered capital of RMB8 billion. CCB Financial Leasing is mainly engaged in finance leasing, transfer and purchase of finance leasing assets, fixed-income securities investment, collecting security deposits from lessees, interbank lending, borrowing from financial institutions, overseas borrowing, sales and disposal of leased properties, economic consulting, establishing special purpose entities to provide financial leasing in domestic bonded areas, and providing guarantee for external financing by its subsidiaries and special purpose entities.

In the first half of 2017, the assets of CCB Financial Leasing increased steadily, and the business transformation continued to move forward. In support of major national strategies, CCB Financial Leasing established three distinct brands in its strong areas, namely aircraft leasing, green leasing and livelihood services. It optimised capital allocation, mainly supporting industrial transformation and upgrade. Meanwhile, it strengthened collaborative product innovation by taking advantage of tax deduction for direct financial leasing, and steadily advanced its internationalisation by continuously expanding overseas presence. It effectively enhanced capabilities in risk management, internal control and compliance, while maintaining stable asset quality. At the end of June, total assets of CCB Financial Leasing were RMB141,637 million, and shareholders' equity was RMB12,702 million. Net profit for the first half of the year was RMB754 million.

CCB Trust

CCB Trust Co., Limited has a registered capital of RMB1,527 million, with 67% of the equity held by the Bank. Its main operations include trust, investment banking and proprietary businesses. Trust business mainly comprises single fund trust, collective fund trust, property trust, equity trust and family trust. Trust assets are mainly used for loans and investments. Investment banking mainly comprises financial advisory services, equity trust and bonds underwriting. Proprietary business mainly comprises lending, equity investment and securities investment with its own funds.

At the end of June, the trust assets under management amounted to RMB1,169,125 million. Total assets of CCB Trust were RMB16,590 million, and shareholders' equity was RMB11,018 million. Net profit for the first half of the year was RMB919 million.

CCB Life

CCB Life Insurance Company Limited has a registered capital of RMB4,496 million, with 51% of the equity held by the Bank. CCB Life's scope of business includes personal insurance, such as life, health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

In the first half of 2017, CCB Life further broadened its business region coverage, while its investment income steadily increased. At the end of June, total assets of CCB Life were RMB121,905 million, and shareholders' equity was RMB11,711 million. Net profit for the first half of the year was RMB262 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was incorporated in October 2016 with a registered capital of RMB1 billion, with 90.2% of the equity held by CCB Life. CCB Property & Casualty's scope of business includes motor vehicle insurance, insurance for business and households property, construction and engineering (excluding specific risk), liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

At the end of June, total assets of CCB Property & Casualty were RMB999 million, and shareholders' equity was RMB951 million. Net profit for the first half of the year was a negative value of RMB16 million.

CCB International

CCB International (Holdings) Limited, the Bank's wholly-owned subsidiary in Hong Kong with a registered capital of US$601 million, offers investment banking related services and products, including sponsoring and underwriting of public offerings, M&A and restructuring, direct investment, asset management, securities brokerage and market research.

In the first half of 2017, CCB International maintained sound development in various business lines. It was a leading player in the marketplace in terms of securities sponsoring and underwriting as well as M&A financial advisory projects. At the end of June, total assets of CCB International were RMB66,168 million, and shareholders' equity was RMB11,233 million. Net profit for the first half of the year was RMB759 million.

CCB Futures

CCB Futures Co., Ltd. has a registered capital of RMB561 million, with 80% of the equity held by CCB Trust. CCB Futures is mainly engaged in commodity futures brokerage, financial futures brokerage and asset management.

At the end of June, total assets of CCB Futures were RMB5,258 million, and shareholders' equity was RMB651 million. Net profit for the first half of the year was RMB13 million.

CCB Pension

CCB Pension Management Co., Ltd. has a registered capital of RMB2.3 billion, with 85% of the equity held by the Bank. CCB Pension is mainly engaged in investment management for the National Social Security Fund, services related to the management of annuity funds, entrusted management of funds reserved for pension purpose, and pension advisory services for above businesses.

At the end of June, the assets under management of CCB Pension reached RMB164.8 billion. It adopted innovative models in investment management for local pension venture funds, pension products for farmers and open-ended pension funds, and built an adequate portfolio of pension products. At the end of June, total assets of CCB Pension were RMB2,322 million, and shareholders’ equity was RMB2,179 million. Net profit for the first half of the year was a negative value of RMB31 million.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion, with 75.10% of the equity held by the Bank. As a specialised commercial bank in the housing finance sector, Sino-German Bausparkasse is engaged in taking housing savings deposits, providing 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 the first half of 2017, Sino-German Bausparkasse proactively pursued its strategic transformation, and achieved steady business development. The sales of housing savings products reached RMB9,762 million. At the end of June, total assets of Sino-German Bausparkasse were RMB29,393 million, and shareholders’ equity was RMB2,884 million. Net profit for the first half of the year was RMB27 million.

Rural banks

By the end of June, the Bank had altogether sponsored the establishment of 27 rural banks in Hunan Taojiang and other small towns. The registered capital of these rural banks totalled RMB2,820 million, with a contribution of RMB1,378 million from the Bank.

Rural banks were dedicated to offering efficient financial services to support “agriculture, farmers and rural areas” and small and micro enterprises in county regions, which delivered good operating results. At the end of June, total assets of the 27 rural banks were RMB17,954 million and shareholders’ equity was RMB3,290 million. Loans were primarily extended to support “agricultural initiatives and small and micro enterprises”, and the loan balance was RMB12,841 million. Net profit for the first half of the year was RMB148 million.

4.2.6 Analyses by Geographical Segment

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

(In millions of RMB, except percentages)	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Amount	% of total	Amount	% of total
Yangtze River Delta	30,619	17.79	25,582	15.06
Pearl River Delta	24,769	14.39	20,816	12.25
Bohai Rim	19,776	11.49	29,266	17.23
Central	26,541	15.42	25,732	15.15
Western	24,573	14.28	24,801	14.60
Northeastern	4,177	2.43	7,263	4.27
Head office	34,257	19.91	32,451	19.10
Overseas	7,381	4.29	3,967	2.34
Profit before tax	172,093	100.00	169,878	100.00

The following table sets forth the distribution of the Group's assets by geographical segment:

(In millions of RMB, except percentages)	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Yangtze River Delta	4,538,339	14.38	3,287,924	13.18
Pearl River Delta	3,431,225	10.87	2,248,437	9.02
Bohai Rim	4,929,218	15.62	2,341,560	9.39
Central	3,976,418	12.60	3,227,603	12.94
Western	3,321,063	10.52	2,745,765	11.01
Northeastern	1,119,927	3.55	966,670	3.88
Head office	8,368,693	26.51	8,456,699	33.91
Overseas	1,877,613	5.95	1,666,409	6.67
Total assets[1]	31,562,496	100.00	24,941,067	100.00

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth the distribution of the Group's loans and NPLs by geographical segment:

(In millions of RMB, except percentages)	As at 30 June 2017				As at 31 December 2016			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	2,238,658	17.90	37,735	1.69	2,117,133	18.02	41,539	1.96
Pearl River Delta	1,862,438	14.89	27,238	1.46	1,762,963	14.99	29,426	1.67
Bohai Rim	2,091,084	16.72	33,027	1.58	1,946,622	16.56	29,199	1.50
Central	2,107,673	16.85	30,677	1.46	1,982,785	16.86	26,654	1.34
Western	2,059,455	16.47	33,177	1.61	1,953,377	16.61	29,435	1.51
Northeastern	660,492	5.28	17,834	2.70	643,515	5.47	14,794	2.30
Head office	504,887	4.04	6,332	1.25	452,941	3.85	4,296	0.95
Overseas	982,334	7.85	2,732	0.28	897,696	7.64	3,347	0.37
Gross loans and advances to customers	12,507,021	100.00	188,752	1.51	11,757,032	100.00	178,690	1.52

The following table sets forth the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	As at 30 June 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Yangtze River Delta	2,921,174	17.95	2,820,430	18.31
Pearl River Delta	2,523,579	15.51	2,352,719	15.28
Bohai Rim	2,924,769	17.97	2,743,537	17.81
Central	3,188,736	19.59	3,000,106	19.48
Western	3,139,060	19.29	2,957,827	19.20
Northeastern	1,050,822	6.46	1,071,195	6.95
Head office	4,900	0.03	11,565	0.08
Overseas	521,353	3.20	445,536	2.89
Deposits from customers	16,274,393	100.00	15,402,915	100.00

4.3 CAPITAL MANAGEMENT

The Group has implemented a comprehensive capital management framework, which covers the formulation of capital management policies, capital blueprint and planning, capital measurement, assessment on internal capital adequacy, capital allocation, capital incentives, disciplines and transmission, capital raising, monitoring and reporting, and the application of the advanced capital management approach in its daily operations.

In the first half of 2017, the Group continued to improve capital transmission and constraint mechanisms and strive for a shift to capital-intensive operations. It took initiatives to push forward improvement in its business structure, promoted the application of capital return in its resource allocation, and guided capital to areas with higher returns. Besides, the Group persisted in refined capital management, continued to identify opportunities for saving capital, and reduced the inefficient use of capital to improve capital efficiency. Moreover, the Group improved its capability of consolidated capital management, regulated capital management processes, and gradually enhanced the role of capital as a guiding and restraining force in business development.

4.3.1 Capital Adequacy Ratios

Calculation scope of the capital adequacy ratios

In accordance with the regulatory requirements, the Group calculates and discloses capital adequacy ratios both 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 ratios

The Group calculated capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC in June 2012 and began to implement the advanced capital management approach from April 2014. The capital charge for corporate credit risk exposures that meet regulatory requirements is calculated with the foundation internal rating-based (FIRB) approach, that for retail credit risk exposures is calculated with the internal rating-based approach, that for market risk is calculated with the internal model approach, and that for operational risk is calculated with the standardised approach.

At the end of June, considering relevant rules in the transition period, 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)*, were 14.50%, 12.84% and 12.68%, respectively, all in compliance with the regulatory requirements.

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

	As at 30 June 2017		As at 31 December 2016	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	**The Group**	**The Bank**
Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Common Equity Tier 1 capital after deductions	1,600,450	1,501,851	1,549,834	1,456,011
Tier 1 capital after deductions	1,620,211	1,520,616	1,569,575	1,475,184
Total capital after deductions	1,830,515	1,728,030	1,783,915	1,686,768
Common Equity Tier 1 ratio	12.68%	12.56%	12.98%	12.89%
Tier 1 ratio	12.84%	12.72%	13.15%	13.06%
Total capital ratio	14.50%	14.45%	14.94%	14.93%
Calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*				
Core capital adequacy ratio	12.28%	12.28%	12.55%	12.57%
Capital adequacy ratio	14.90%	14.73%	15.31%	15.16%

Composition of capital

The following table shows, 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 30 June 2017	As at 31 December 2016
Common Equity Tier 1 capital		
Qualifying common share capital	250,011	250,011
Capital reserve[1]	114,269	132,800
Surplus reserve	175,445	175,445
General reserve	245,397	211,134
Undistributed profits	821,722	784,164
Minority interest recognised in Common Equity Tier 1 capital	3,113	4,069
Others[2]	(1,083)	798
Deductions for Common Equity Tier 1 capital		
Goodwill[3]	2,674	2,752
Other intangible assets (excluding land use right)[3]	1,825	2,083
Cash-flow hedge reserve from items that are not measured at fair value	23	(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
Minority interest recognised in Additional Tier 1 capital	102	82
Tier 2 capital		
Directly issued qualifying Tier 2 instruments including related premium	139,379	155,684
Provisions in Tier 2	70,510	58,281
Minority interest recognised in Tier 2 capital	415	375
Common Equity Tier 1 capital after deductions[4]	**1,600,450**	**1,549,834**
Tier 1 capital after deductions[4]	**1,620,211**	**1,569,575**
Total capital after deductions[4]	**1,830,515**	**1,783,915**

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 deductions is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deductions is calculated by netting off the corresponding deduction items from the total capital.

Risk-weighted assets

The following table shows, 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).*

(In millions of RMB)	As at 30 June 2017	As at 31 December 2016
Credit risk-weighted assets	**11,521,992**	**10,821,591**
Covered by internal rating-based approach	8,050,135	7,465,207
Uncovered by internal rating-based approach	3,471,857	3,356,384
Market risk-weighted assets	**87,476**	**103,494**
Covered by internal model approach	44,712	58,277
Uncovered by internal model approach	42,764	45,217
Operational risk-weighted assets	**1,012,689**	**1,012,689**
Total risk-weighted assets	**12,622,157**	**11,937,774**

4.3.2 Leverage Ratio

Since the first quarter of 2015, the Group calculates 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. At the end of June 2017, the Group met the regulatory requirements with a leverage ratio of 6.95%.

The following table shows, as at the dates indicated, the general information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 30 June 2017	As at 31 March 2017	As at 31 December 2016	As at 30 September 2016
Leverage Ratio[1]	**6.95%**	**7.01%**	**7.03%**	**7.12%**
Tier 1 capital after deductions	1,620,211	1,629,829	1,569,575	1,552,524
On- and off-balance sheet assets after adjustments[2]	23,312,727	23,251,597	22,321,581	21,796,235

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. Tier 1 capital after deductions is consistent with that used in the calculation of capital adequacy ratio by the Group.

2. On- and off-balance sheet assets after adjustment = On-balance sheet assets after adjustment + Off-balance sheet items after adjustment – Deductions from Tier 1 capital.

The following table shows, as at the dates indicated, the accounting items related to the Group's leverage ratio and their differences with the regulatory items.

(In millions of RMB)	**As at 30 June 2017**	**As at 31 December 2016**
Total on-balance sheet assets[1]	21,692,067	20,963,705
Consolidated adjustment[2]	(112,796)	(99,697)
Derivatives adjustment	72,693	25,535
Securities financing transactions adjustment	2,733	922
Off-balance sheet items adjustment[3]	1,666,454	1,439,703
Other adjustments[4]	(8,424)	(8,587)
On- and off-balance sheet assets after adjustments	**23,312,727**	**22,321,581**

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

The following table shows, as at dates indicated, 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 30 June 2017**	**As at 31 December 2016**
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	21,257,451	20,672,026
Less: Deductions from Tier 1 capital	(8,424)	(8,587)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**21,249,027**	**20,663,439**
Replacement costs of various derivatives (excluding eligible margin)	52,031	61,402
Potential risk exposures of various derivatives	69,167	53,443
Nominal principals arising from sales of credit derivatives	-	50
Positive fair value of derivatives	**121,198**	**114,895**
Accounting assets arising from securities financing transactions	273,315	102,622
Counter-party credit risk exposure arising from securities financing transactions	2,733	922
Securities financing transactions assets	**276,048**	**103,544**
Off-balance sheet assets	3,297,462	2,745,861
Less: Decrease in off-balance sheet assets due to credit conversion	(1,631,008)	(1,306,158)
Off-balance sheet assets after adjustments	**1,666,454**	**1,439,703**
Tier 1 capital after deductions	1,620,211	1,569,575
On- and off-balance sheet assets after adjustments	**23,312,727**	**22,321,581**
Leverage Ratio[2]	**6.95%**	**7.03%**

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated as Tier 1 capital after deductions divided by on- and off-balance sheet assets after adjustments.

4.4 PROSPECTS

In the second half of 2017, global economies will continue to recover, while the risk of economic downturn still exists. It is expected that the US economy will stabilise and rebound, the Eurozone economy will experience a slight slowdown in recovery momentum, while the Japanese economy is expected to maintain a low-speed recovery. Emerging economies remain the main drivers for global economic growth. Chinese economy will keep on growing steadily with the further promotion of supply-side structural reform, continuous deepening of financial reform and further strengthened macro-prudential regulation.

The banking industry will still face a complex and grim business environment, with both challenges and opportunities. On the one hand, credit risks and hidden local government debt risks continue to accumulate, presenting huge pressure to prevent and manage these risks; domestic regulators strengthen macro-prudential regulation and the overhaul of the financial environment, and international regulators roll out more regulations and set stricter requirements on AML, hence higher requirement on bank compliance management; Internet-based financial companies extend their reach to the banking sector, posing challenges to banks' development. On the other hand, the implementation of a series of major national development strategies and key engineering projects brings huge potential for business development; the frequent appearance of new economy, new business forms and new products creates extensive opportunities; the upgrades in the consumer sector creates a favourable environment for developing payment and settlement, private banking and consumer finance.

The Group will focus on key missions of supporting the real economy, preventing and managing financial risks, and deepening financial reform, and make efforts in the following aspects to improve its capabilities of prudent operation and management in compliance with regulatory requirements: First is to serve national strategies. The Group will closely follow up implementation of national strategies, including the "Belt and Road", coordinated development of the Beijing-Tianjin-Hebei region, Yangtze River Economic Belt and Xiong'an New Area, and leverage its strength to provide solid credit support to major national projects. Second is to effectively align its efforts with the supply-side structural reform. With the opening of CCB Financial Asset Investment Co., Ltd., the Group will take the opportunity to push forward its market-driven debt-to-equity swap services; it will strictly implement the adjustment and control policy for the real estate market; it will continue to implement fee reductions and concessions policies to reduce corporate financing costs; it will support the weak areas of the real economy, promote business start-ups and innovations, and innovate financial services to small and micro enterprises and "agriculture, farmers and rural areas". Third is to support the economic transformation and upgrade. The Group will increase its lending to advanced manufacturing industry and green credit, and tap into new business forms in culture and entertainment, medical care, education, leisure and tourism; it will push ahead the development of retail business, offer personalised services for the consumption upgrade by applying big data and capitalising on the advantage as a Group. Fourth is to make greater efforts to prevent and mitigate risks. The Group will ensure that its risks are effectively managed by focusing on management and control of credit risk, liquidity risk, and risks associated with direct operation divisions, subsidiaries and overseas institutions, and strengthening its compliance and internal control. Fifth is to further enhance its management ability. The Group will reinforce the application of the "New Generation Core Banking System" and big data technology, build an all-around intensive operation and management system, enhance the mechanism for collaboration and synergy, and continuously push forward its refined management, in order to improve its value creation capabilities.

5 MAJOR ISSUES

5.1 Corporate Governance

The Bank is committed to a high standard of corporate governance. In strict compliance with the Company Law of the People's Republic of China, the Law of the People's Republic of China on Commercial Banks and other laws and regulations, regulations and requirements of regulators, as well as the listing rules of the listing venues, the Bank refined its corporate governance structure and improved related rules in line with its corporate governance practices.

During the reporting period, the Bank reviewed and approved proposals including the amendments to articles of association, rules of procedure for the shareholders' general meeting, rules of procedure for the Board, and rules of procedure for the board of supervisors; the election and appointments of non-executive directors, independent non-executive directors, shareholder representative supervisor, and senior executives; and the proposal to issue eligible Tier 2 capital instruments up to the equivalent of RMB96.0 billion.

During the reporting period, there was no material difference between the actual state of the Bank's corporate governance and the corporate governance regulations for the listing companies promulgated by the CSRC. 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 complied with the recommended best practices therein.

5.2 Formulation and Implementation of Cash Dividend Policy

As approved by the 2016 annual general meeting, the Bank distributed the 2016 cash dividend of RMB0.278 per share (including tax), totalling RMB2,667 million, on 30 June 2017 to all of its holders of A-shares whose names appeared on the register of members on 29 June 2017. It distributed the 2016 cash dividend of RMB0.278 per share (including tax), totalling RMB66,836 million, on 20 July 2017 to all of its holders of H-shares whose names appeared on the register of members on 29 June 2017. The Bank would not declare 2017 interim dividend nor would it propose any capitalisation of capital reserve into share capital during the reporting period.

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

The formulation and implementation of the Bank's profit distribution plan are in line with the provisions of the articles of association and the requirements of the resolution of the shareholders' general meeting. The procedures and mechanism for the decision-making of profit distribution are sound, and the standard and proportion of dividends are clear and definite. The independent non-executive directors conducted due diligence and played their due roles in the decision-making process of the profit distribution plan. Minority shareholders can fully express their opinions and requests, and their legitimate rights and interests have been fully respected.

5.3 Purchase, Sale and Redemption of Shares

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

5.4 Directors and Supervisors' Securities Transactions

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* in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code during the six months ended 30 June 2017.

5.5 Events after the Reporting Period

On 26 July 2017, CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary established by the Bank, obtained its business license with a registered capital of RMB12 billion.

Save as disclosed above, there are no other significant events after the reporting period.

5.6 Review of Half-Year Report

The Group's 2017 half-year financial statements prepared under PRC GAAP have been reviewed by PricewaterhouseCoopers Zhong Tian LLP and the Group's 2017 half-year financial statements prepared under IFRS have been reviewed by PricewaterhouseCoopers.

The Group's 2017 half-year report has been reviewed by the Audit Committee of the Bank.

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Wang Zuji

Vice chairman, executive director and president

30 August 2017

As of the date of this announcement, the executive directors of the Bank are Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; the non-executive directors of the Bank are Ms. Feng Bing, Mr. Zhu Hailin, Mr. Li Jun, Mr. Wu Min, Mr. Zhang Qi and Ms. Hao Aiqun; and the independent non-executive directors of the Bank are Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Chung Shui Ming Timpson and Mr. Murray Horn.