Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

中国建设银行
China Construction Bank

中國建設銀行股份有限公司

CHINA CONSTRUCTION BANK CORPORATION

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

Stock Code: 939 (Ordinary H-share)

4606 (Offshore Preference Share)

ANNOUNCEMENT OF ANNUAL RESULTS 2017

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the audited results, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (collectively the "Group") for the year ended 31 December 2017. The annual results for the year of 2017 have been reviewed by the audit committee of the Bank's board of directors. The external auditors of the Bank, PricewaterhouseCoopers ZhongTian LLP and PricewaterhouseCoopers have audited the financial reports prepared by the Bank in accordance with PRC GAAP and IFRS respectively, and provided audit report with unqualified audit opinion.

1 FINANCIAL HIGHLIGHTS

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

(Expressed in millions of RMB unless otherwise stated)	2017	2016	Change (%)	2015	2014	2013
For the year						
Net interest income	452,456	417,799	8.30	457,752	437,398	389,544
Net fee and commission income	117,798	118,509	(0.60)	113,530	108,517	104,283
Other net non-interest income	23,777	23,552	0.96	15,405	10,825	17,313
Operating income	594,031	559,860	6.10	586,687	556,740	511,140
Operating expenses	(167,043)	(171,515)	(2.61)	(194,826)	(195,988)	(188,185)
Impairment losses	(127,362)	(93,204)	36.65	(93,639)	(61,911)	(43,209)
Profit before tax	299,787	295,210	1.55	298,497	299,086	279,806
Net profit	243,615	232,389	4.83	228,886	228,247	215,122
Net profit attributable to equity shareholders of the Bank	242,264	231,460	4.67	228,145	227,830	214,657
As at 31 December						
Gross loans and advances to customers	12,903,441	11,757,032	9.75	10,485,140	9,474,510	8,590,057
Allowances for impairment losses on loans	(328,968)	(268,677)	22.44	(250,617)	(251,613)	(228,696)
Total assets	22,124,383	20,963,705	5.54	18,349,489	16,744,093	15,363,210
Deposits from customers	16,363,754	15,402,915	6.24	13,668,533	12,899,153	12,223,037
Total liabilities	20,328,556	19,374,051	4.93	16,904,406	15,492,245	14,288,881
Total equity attributable to equity shareholders of the Bank	1,779,760	1,576,500	12.89	1,434,020	1,241,510	1,065,951
Share capital	250,011	250,011	-	250,011	250,011	250,011
Total capital after deduction[1]	2,003,072	1,783,915	12.29	1,650,173	1,516,310	1,316,724
Risk-weighted assets[1]	12,919,980	11,937,774	8.23	10,722,082	10,203,754	9,872,790
Per share (In RMB)						
Basic and diluted earnings per share	0.96	0.92	4.35	0.91	0.91	0.86
Final cash dividend proposed after the reporting period	0.291	0.278	4.68	0.274	0.301	0.30
Net assets per share	6.86	6.28	9.24	5.78	5.01	4.30

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

Financial ratios (%)	2017	2016	Change +/(-)	2015	2014	2013
Profitability indicators						
Return on average assets[1]	1.13	1.18	(0.05)	1.30	1.42	1.47
Return on average equity	14.80	15.44	(0.64)	17.27	19.74	21.23
Net interest spread	2.10	2.06	0.04	2.46	2.61	2.56
Net interest margin	2.21	2.20	0.01	2.63	2.80	2.74
Net fee and commission income to operating income	19.83	21.17	(1.34)	19.35	19.49	20.40
Cost-to-income ratio[2]	27.15	27.51	(0.36)	27.02	28.92	29.65
Capital adequacy indicators						
Common Equity Tier 1 ratio[3]	13.09	12.98	0.11	13.13	12.11	10.75
Tier 1 ratio[3]	13.71	13.15	0.56	13.32	12.11	10.75
Total capital ratio[3]	15.50	14.94	0.56	15.39	14.86	13.34
Total equity to total assets	8.12	7.58	0.54	7.88	7.48	6.99
Asset quality indicators						
Non-performing loan (NPL) ratio	1.49	1.52	(0.03)	1.58	1.19	0.99
Allowances to NPLs	171.08	150.36	20.72	150.99	222.33	268.22
Allowances to total loans	2.55	2.29	0.26	2.39	2.66	2.66

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

2 Financial statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	2017	2016	Change(%)
Interest income	**750,154**	696,637	7.68
Interest expense	**(297,698)**	(278,838)	6.76
Net interest income	**452,456**	417,799	8.30
Fee and commission income	**131,322**	127,863	2.71
Fee and commission expense	**(13,524)**	(9,354)	44.58
Net fee and commission income	**117,798**	118,509	(0.60)
Net trading gain	**4,858**	3,975	22.21
Dividend income	**2,195**	2,558	(14.19)
Net (loss)/gain arising from investment securities	**(835)**	11,098	(107.52)
Other operating income, net:			
– Other operating income	**49,009**	55,340	(11.44)
– Other operating expense	**(31,450)**	(49,419)	(36.36)
Other operating income, net	**17,559**	5,921	196.55
Operating income	**594,031**	559,860	6.10
Operating expenses	**(167,043)**	(171,515)	(2.61)
	426,988	388,345	9.95
Impairment losses on:			
– Loans and advances to customers	**(123,389)**	(89,588)	37.73
– Others	**(3,973)**	(3,616)	9.87
Impairment losses	**(127,362)**	(93,204)	36.65
Share of profits of associates and joint ventures	**161**	69	133.33
Profit before tax	**299,787**	295,210	1.55
Income tax expense	**(56,172)**	(62,821)	(10.58)
Net profit	**243,615**	232,389	4.83

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2017	2016	Change(%)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	**593**	(839)	(170.68)
Others	**208**	68	205.88
Subtotal	**801**	(771)	(203.89)
Items that may be reclassified subsequently to profit or loss			
Losses of available-for-sale financial assets arising during the period	**(38,151)**	(27,841)	37.03
Income tax impact relating to available-for-sale financial assets	**9,230**	7,055	30.83
Reclassification adjustments included in profit or loss	**3,403**	(3,930)	(186.59)
Net gain /(loss) on cash flow hedges	**470**	(150)	(413.33)
Exchange difference on translating foreign operations	**(4,748)**	5,885	(180.68)
Subtotal	**(29,796)**	(18,981)	56.98
Other comprehensive income for the year, net of tax	**(28,995)**	(19,752)	46.80
Total comprehensive income for the year	**214,620**	212,637	0.93
Net profit attributable to:			
Equity shareholders of the Bank	**242,264**	231,460	4.67
Non-controlling interests	**1,351**	929	45.43
	243,615	232,389	4.83
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**213,837**	212,418	0.67
Non-controlling interests	**783**	219	257.53
	214,620	212,637	0.93
Basic and diluted earnings per share (in RMB Yuan)	**0.96**	0.92	4.35

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	2017	2016	Change(%)
Assets:			
Cash and deposits with central banks	**2,988,256**	2,849,261	4.88
Deposits with banks and non-bank financial institutions	**175,005**	494,618	(64.62)
Precious metals	**157,036**	202,851	(22.59)
Placements with banks and non-bank financial institutions	**325,233**	260,670	24.77
Financial assets at fair value through profit or loss	**578,436**	488,370	18.44
Positive fair value of derivatives	**82,980**	89,786	(7.58)
Financial assets held under resale agreements	**208,360**	103,174	101.95
Interest receivable	**116,993**	101,645	15.10
Loans and advances to customers	**12,574,473**	11,488,355	9.45
Available-for-sale financial assets	**1,550,680**	1,633,834	(5.09)
Held-to-maturity investments	**2,586,722**	2,438,417	6.08
Investment classified as receivables	**465,810**	507,963	(8.30)
Interests in associates and joint ventures	**7,067**	7,318	(3.43)
Fixed assets	**169,679**	170,095	(0.24)
Land use rights	**14,545**	14,742	(1.34)
Intangible assets	**2,752**	2,599	5.89
Goodwill	**2,751**	2,947	(6.65)
Deferred tax assets	**46,189**	31,062	48.70
Other assets	**71,416**	75,998	(6.03)
Total assets	**22,124,383**	20,963,705	5.54

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2017	2016	Change(%)
Liabilities:			
Borrowings from central banks	**547,287**	439,339	24.57
Deposits from banks and non-bank financial institutions	**1,336,995**	1,612,995	(17.11)
Placements from banks and non-bank financial institutions	**383,639**	322,546	18.94
Financial liabilities at fair value through profit or loss	**414,148**	396,591	4.43
Negative fair value of derivatives	**79,867**	90,333	(11.59)
Financial assets sold under repurchase agreements	**74,279**	190,580	(61.02)
Deposits from customers	**16,363,754**	15,402,915	6.24
Accrued staff costs	**32,632**	33,870	(3.66)
Taxes payable	**54,106**	44,900	20.50
Interest payable	**199,588**	211,330	(5.56)
Provisions	**10,581**	9,276	14.07
Debt securities issued	**596,526**	451,554	32.11
Deferred tax liabilities	**389**	570	(31.75)
Other liabilities	**234,765**	167,252	40.37
Total liabilities	**20,328,556**	19,374,051	4.93
Equity:			
Share capital	**250,011**	250,011	0.00
Other equity instruments			
Preference Shares	**79,636**	19,659	305.09
Capital reserve	**135,225**	133,960	0.94
Investment revaluation reserve	**(26,004)**	(976)	2,564.34
Surplus reserve	**198,613**	175,445	13.21
General reserve	**259,680**	211,193	22.96
Retained earnings	**886,921**	786,860	12.72
Exchange reserve	**(4,322)**	348	(1,341.95)
Total equity attributable to equity shareholders of the Bank	**1,779,760**	1,576,500	12.89
Non-controlling interests	**16,067**	13,154	22.15
Total equity	**1,795,827**	1,589,654	12.97
Total liabilities and equity	**22,124,383**	20,963,705	5.54

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments -preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2016	**250,011**	**19,659**	**133,960**	**(976)**	**175,445**	**211,193**	**786,860**	**348**	**13,154**	**1,589,654**
Movements during the year	**-**	**59,977**	**1,265**	**(25,028)**	**23,168**	**48,487**	**100,061**	**(4,670)**	**2,913**	**206,173**
(1) Total comprehensive income for the year	**-**	**-**	**1,271**	**(25,028)**	**-**	**-**	**242,264**	**(4,670)**	**783**	**214,620**
(2) Changes in share capital										
i Establishment of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**147**	**147**
ii Change in shareholdings in subsidiaries	**-**	**-**	**(6)**	**-**	**-**	**-**	**-**	**-**	**(1,322)**	**(1,328)**
iii Capital injection by other equity holders	**-**	**59,977**	**-**	**-**	**-**	**-**	**-**	**-**	**3,422**	**63,399**
(3) Profit distribution										
i Appropriation to surplus reserve	**-**	**-**	**-**	**-**	**23,168**	**-**	**(23,168)**	**-**	**-**	**-**
ii Appropriation to general reserve	**-**	**-**	**-**	**-**	**-**	**48,487**	**(48,487)**	**-**	**-**	**-**
iii Appropriation to ordinary shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(69,503)**	**-**	**-**	**(69,503)**
iv Dividends paid to preference shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(1,045)**	**-**	**-**	**(1,045)**
v Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(117)**	**(117)**
As at 31 December 2017	**250,011**	**79,636**	**135,225**	**(26,004)**	**198,613**	**259,680**	**886,921**	**(4,322)**	**16,067**	**1,795,827**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

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

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	2017	2016
Cash flows from operating activities		
Profit before tax	**299,787**	295,210
Adjustments for:		
– Impairment losses	**127,362**	93,204
– Depreciation and amortisation	**17,414**	16,017
– Interest income from impaired financial assets	**(3,182)**	(3,704)
– Revaluation loss on financial instruments at fair value through profit or loss	**32**	1,412
– Share of profit of associates and joint ventures	**(161)**	(69)
– Dividend income	**(2,195)**	(2,558)
– Unrealised foreign exchange gain	**(531)**	(479)
– Interest expense on bonds issued	**12,110**	11,362
– Net loss/(gain) on disposal of investment securities	**835**	(11,098)
– Net gain on disposal of fixed assets and other long-term assets	**(138)**	(159)
	451,333	399,138

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2017	2016
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	**32,837**	(328,481)
Net decrease in placements with banks and non-bank financial institutions	**47,448**	10,762
Net increase in financial assets at fair value through profit or loss	**(92,424)**	(211,099)
Net (increase)/decrease in financial assets held under resale agreements	**(105,468)**	208,433
Net increase in loans and advances to customers	**(1,299,971)**	(1,258,420)
Net decrease/(increase) in other operating assets	**56,768**	(166,173)
	(1,360,810)	(1,744,978)
Changes in operating liabilities:		
Net increase in borrowings from central banks	**110,473**	395,118
Net increase in deposits from customers and from banks and non-bank financial institutions	**766,290**	1,829,273
Net increase/(decrease) in placements from banks and non-bank financial institutions	**79,857**	(16,216)
Net increase in financial liabilities at fair value through profit or loss	**18,588**	92,919
Net decrease in financial assets sold under repurchase agreements	**(115,297)**	(78,104)
Net increase in certificates of deposit issued	**141,011**	12,653
Income tax paid	**(54,551)**	(65,264)
Net increase in other operating liabilities	**42,196**	57,993
	988,567	2,228,372
Net cash from operating activities	**79,090**	882,532

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2017	2016
Cash flows from investing activities		
Proceeds from sale and redemption of investments	**1,446,732**	777,941
Dividends received	**2,237**	2,566
Proceeds from disposal of fixed assets and other long-term assets	**2,911**	1,187
Purchase of investment securities	**(1,525,529)**	(1,363,040)
Purchase of fixed assets and other long-term assets	**(22,263)**	(27,742)
Acquisition of subsidiaries, associates and joint ventures	**(1,544)**	(1,393)
Net cash used in investing activities	**(97,456)**	(610,481)
Cash flows from financing activities		
Issue of bonds	**34,989**	16,522
Capital contribution by non-controlling interests	**3,569**	13
Contribution by preference shareholders	**59,977**	-
Consideration paid for acquisition of non-controlling interests	**-**	(144)
Dividends paid	**(70,688)**	(69,574)
Repayment of borrowings	**(6,347)**	(11,711)
Interest paid on bonds issued	**(12,708)**	(10,474)
Net cash from/(used in) in financing activities	**8,792**	(75,368)
Effect of exchange rate changes on cash and cash equivalents	**(18,211)**	14,520
Net (decrease)/increase in cash and cash equivalents	**(27,785)**	211,203
Cash and cash equivalents as at 1 January	**599,124**	387,921
Cash and cash equivalents as at 31 December	**571,339**	599,124
Cash flows from operating activities include:		
Interest received	**730,411**	687,994
Interest paid, excluding interest expense on bonds issued	**(297,536)**	(262,259)

Notes:

(1) The IFRS financial statements of the Group for the year ended 31 December 2017 will be available on the website of The Stock Exchange of Hong Kong Limited. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Except for the new or revised IFRSs and Interpretations effective for the year ended 31 December 2017 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2016.

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

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

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

	2017	2016
Net gain and investment income of available-for-sale financial assets	**2,549**	3,390
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	**(4,048)**	5,546
Net gain on sale of held-to-maturity investments	**278**	732
Net gain on sale of investments classified as receivables	**33**	906
Others	**353**	524
Total	**(835)**	11,098

(6) Operating expenses

	2017	2016
Staff costs		
– Salaries, bonuses, allowances and subsidies	**64,274**	62,093
– Other social insurance and welfare	**10,213**	8,997
– Housing funds	**6,214**	6,296
– Union running costs and employee education costs	**2,609**	2,567
– Defined contribution plans	**12,923**	12,846
– Early retirement expenses	**37**	45
– Compensation to employees for termination of employment relationship	**4**	3
	96,274	92,847
Premises and equipment expenses		
– Depreciation charges	**14,049**	13,804
– Rent and property management expenses	**9,578**	9,341
– Maintenance	**2,882**	2,890
– Utilities	**1,988**	2,071
– Others	**1,988**	1,875
	30,485	29,981
Taxes and surcharges	**5,767**	17,473
Amortisation expenses	**2,306**	2,213
Audit fees	**172**	142
Other general and administrative expenses	**32,039**	28,859
Total	**167,043**	171,515

(7) Income tax expense

① Income tax expense

	2017	2016
Current tax	**63,737**	60,380
- Mainland China	**60,753**	58,713
- Hong Kong	**1,377**	875
- Other countries and regions	**1,607**	792
Adjustments for prior years	**(352)**	(187)
Deferred tax	**(7,213)**	2,628
Total	**56,172**	62,821

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

② Reconciliation between income tax expense and accounting profit

	Note	2017	2016
Profit before tax		**299,787**	295,210
Income tax calculated at 25% statutory tax rate		**74,947**	73,803
Effects of different applicable rates of tax prevailing in other countries/regions		**(573)**	(577)
Non-deductible expenses	(i)	**9,340**	10,648
Non-taxable income	(ii)	**(27,190)**	(20,866)
Adjustments on income tax for prior years which affect profit or loss		**(352)**	(187)
Income tax expense		**56,172**	62,821

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

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

(8) Earnings per share

Basic earnings per share for the year ended 31 December 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 years.

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

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2017 and 2016, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2017	2016
Net profit attributable to equity shareholders of the Bank	**242,264**	231,460
Less: profit for the year attributable to preference shareholders of the Bank	**(1,045)**	(1,067)
Net profit attributable to ordinary shareholders of the Bank	**241,219**	230,393
Weighted average number of shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.96**	0.92
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.96**	0.92

(9) Derivatives and hedge accounting

① Analysed by type of contract

	Note	**2017** Notional amounts	**2017** Assets	**2017** Liabilities	2016 Notional amounts	2016 Assets	2016 Liabilities
Interest rate contracts		**332,480**	**980**	**487**	470,809	3,278	2,492
Exchange rate contracts		**5,307,995**	**78,909**	**78,581**	4,650,215	73,183	83,025
Other contracts	*(a)*	**182,632**	**3,091**	**799**	333,553	13,325	4,816
Total		**5,823,107**	**82,980**	**79,867**	5,454,577	89,786	90,333

② Analysed by credit risk-weighted assets

	Note	**2017**	2016
Counterparty credit default risk-weighted assets			
- Interest rate contracts		**651**	2,649
- Exchange rate contracts		**47,728**	35,373
- Other contracts	*(a)*	**5,395**	10,751
Subtotal		**53,774**	48,773
Credit value adjustment		**20,545**	25,987
Total		**74,319**	74,760

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

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

(9) Derivatives and hedge accounting(continued)

③ Hedge accounting

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

	2017			2016		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**49,087**	**469**	**(98)**	45,148	507	(69)
Foreign exchange swaps	**325**	**12**	**-**	348	24	-
Cash flow hedges						
Foreign exchange swaps	**33,193**	**1,051**	**(418)**	21,491	-	(823)
Foreign exchange forwards	**51,684**	**918**	**(69)**	-	-	-
Total	**134,289**	**2,450**	**(585)**	66,987	531	(892)

(a) Fair value hedge

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

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

	2017	2016
Net (losses)/gains on		
– hedging instruments	**(77)**	419
– hedged items	**71**	(439)

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2017 and 2016.

(b) Cash flow hedge

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

For the year ended 31 December 2017, net profit from the cash flow hedge of RMB 470 million were recognised in other comprehensive income (2016: net loss 150 million) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial.

(10) Deposits from customers

	2017	2016
Demand deposits		
- Corporate customers	**5,767,595**	5,206,395
- Personal customers	**3,204,950**	3,022,447
Subtotal	**8,972,545**	8,228,842
Time deposits (including call deposits)		
- Corporate customers	**3,312,456**	3,120,699
- Personal customers	**4,078,753**	4,053,374
Subtotal	**7,391,209**	7,174,073
Total	**16,363,754**	15,402,915

Deposits from customers include:

		2017	2016
①	Pledged deposits		
	- Deposits for acceptance	**83,365**	99,822
	- Deposits for guarantee	**97,050**	80,930
	- Deposits for letter of credit	**22,491**	28,264
	- Others	**290,235**	313,110
	Total	**493,141**	522,126
②	Outward remittance and remittance payables	**29,635**	14,121

(11) Commitments and contingent liabilities

① Credit commitments

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

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

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

	2017	2016
Loan commitments		
- with an original maturitywithin one year	**192,768**	191,077
- with an original maturity of one year or over	**396,467**	383,530
Credit card commitments	**801,618**	690,144
	1,390,853	1,264,751
Bank acceptances	**276,629**	296,606
Financing guarantees	**60,821**	107,160
Non-financing guarantees	**898,422**	776,775
Sight letters of credit	**41,216**	37,383
Usance letters of credit	**266,865**	160,141
Others	**94,366**	81,710
Total	**3,029,172**	2,724,526

(11) Commitments and contingent liabilities(continued)

② Credit risk-weighted amount

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

	2017	2016
Credit risk-weighted amount of contingent liabilities and commitments	**1,110,481**	1,073,108

③ Operating lease commitments

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

	2017	2016
Within one year	**5,720**	5,717
After one year but within two years	**4,289**	4,396
After two years but within three years	**3,024**	3,194
After three years but within five years	**3,350**	5,076
After five years	**2,423**	2,756
Total	**18,806**	21,139

(11) Commitments and contingent liabilities(continued)

④ Capital commitments

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

	2017	2016
Contracted for	**5,882**	9,294

⑤ Underwriting obligations

As at 31 December 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 31 December 2017, were RMB79,431million (as at 31 December 2016: RMB75,695 million).

⑦ Outstanding litigation and disputes

As at 31 December 2017, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB10,499 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 commitments and contingent liabilities in accordance with their accounting policies.

(12) Operating segments

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

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

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

① Geographical segments

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

(12) Operating segments(continued)

① Geographical segments (continued)

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

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

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

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

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

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

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

(12) Operating segments (continued)

① Geographical segments (continued)

	2017								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	48,813	44,573	38,519	52,282	53,586	12,290	186,954	15,439	452,456
Internal net interest income/(expense)	23,973	19,223	33,632	28,890	25,935	11,576	(136,706)	(6,523)	-
Net interest income	72,786	63,796	72,151	81,172	79,521	23,866	50,248	8,916	452,456
Net fee and commission income	17,095	15,584	18,332	16,872	11,383	3,813	31,780	2,939	117,798
Net trading gain/(loss)	1,022	1,567	637	362	407	189	(1,392)	2,066	4,858
Dividend income	1,288	5	-	189	11	-	245	457	2,195
Net gain/(loss) arising from investment securities	481	-	35	658	199	-	(2,846)	638	(835)
Other operating income, net	58	790	1,569	561	2,625	149	3,394	8,413	17,559
Operating income	92,730	81,742	92,724	99,814	94,146	28,017	81,429	23,429	594,031
Operating expenses	(25,727)	(21,426)	(26,204)	(30,140)	(27,754)	(11,324)	(16,748)	(7,720)	(167,043)
Impairment losses	(13,724)	(16,877)	(31,377)	(21,669)	(20,555)	(14,243)	(5,324)	(3,593)	(127,362)
Share of profit of associates and joint ventures	-	-	-	100	-	-	-	61	161
Profit before tax	53,279	43,439	35,143	48,105	45,837	2,450	59,357	12,177	299,787
Capital expenditure	1,932	1,916	7,655	2,666	2,006	1,054	1,687	6,209	25,125
Depreciation and amortisation	2,581	1,750	3,166	3,343	2,704	1,417	1,624	829	17,414

	2017								
Segment assets	4,687,992	3,479,166	4,916,680	4,058,155	3,294,459	1,100,318	8,672,547	1,723,881	31,933,198
Interests in associates and joint ventures	1	-	-	4,904	-	-	-	2,162	7,067
	4,687,993	3,479,166	4,916,680	4,063,059	3,294,459	1,100,318	8,672,547	1,726,043	31,940,265
Deferred tax assets									46,189
Elimination									(9,862,071)
Total assets									22,124,383
Segment liabilities	4,675,179	3,479,313	4,887,516	4,058,490	3,303,501	1,110,903	7,050,551	1,624,785	30,190,238
Deferred tax liabilities									389
Elimination									(9,862,071)
Total liabilities									20,328,556
Off-balance sheet credit commitments	600,582	422,504	767,363	492,226	348,508	155,452	-	242,537	3,029,172

(12) Operating segments (continued)

① Geographical segments (continued)

	2016								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	40,351	36,855	34,408	45,352	49,218	11,517	191,503	8,595	417,799
Internal net interest income/(expense)	28,147	22,638	36,501	30,117	25,491	12,653	(153,546)	(2,001)	-
Net interest income	68,498	59,493	70,909	75,469	74,709	24,170	37,957	6,594	417,799
Net fee and commission income	17,974	16,352	19,581	17,983	13,301	5,821	24,865	2,632	118,509
Net trading gain/(loss)	388	517	(686)	122	44	46	1,051	2,493	3,975
Dividend income	1,908	5	1	278	2	-	87	277	2,558
Net gain arising from investment securities	759	-	29	501	254	-	8,780	775	11,098
Other operating income/(expense), net	173	709	1,812	522	2,987	221	(3,202)	2,699	5,921
Operating income	89,700	77,076	91,646	94,875	91,297	30,258	69,538	15,470	559,860
Operating expenses	(26,634)	(21,740)	(27,905)	(31,221)	(29,002)	(11,658)	(16,683)	(6,672)	(171,515)
Impairment losses	(23,181)	(18,363)	(16,112)	(17,404)	(9,517)	(4,949)	(1,612)	(2,066)	(93,204)
Share of profit of associates and joint ventures	-	-	-	30	-	-	-	39	69
Profit before tax	39,885	36,973	47,629	46,280	52,778	13,651	51,243	6,771	295,210
Capital expenditure	2,351	1,873	7,896	3,110	2,533	1,209	2,233	5,935	27,140
Depreciation and amortisation	2,433	1,639	2,731	3,032	2,483	1,280	1,674	745	16,017
	2016								
Segment assets	3,287,924	2,248,437	2,341,529	3,223,419	2,745,765	966,670	8,456,699	1,663,306	24,933,749
Interests in associates and joint ventures	-	-	31	4,184	-	-	-	3,103	7,318
	3,287,924	2,248,437	2,341,560	3,227,603	2,745,765	966,670	8,456,699	1,666,409	24,941,067
Deferred tax assets									31,062
Elimination									(4,008,424)
Total assets									20,963,705
Segment liabilities	3,292,293	2,252,473	2,325,284	3,220,764	2,742,194	966,764	7,020,522	1,561,611	23,381,905
Deferred tax liabilities									570
Elimination									(4,008,424)
Total liabilities									19,374,051
Off-balance sheet credit commitments	570,239	403,398	699,060	418,924	318,757	151,838	2,800	159,510	2,724,526

(12) Operating segments(continued)

② Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

(12) Operating segments (continued)

② Business segments (continued)

	2017				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	150,924	101,139	173,958	26,435	452,456
Internal net interest income/(expense)	73,083	74,348	(139,552)	(7,879)	-
Net interest income	224,007	175,487	34,406	18,556	452,456
Net fee and commission income	30,739	61,298	19,850	5,911	117,798
Net trading (loss)/gain	(6,128)	(1,357)	11,687	656	4,858
Dividend income	-	-	-	2,195	2,195
Net gain/(loss) arising from investment securities	-	-	681	(1,516)	(835)
Other operating (expense)/income, net	(556)	526	(700)	18,289	17,559
Operating income	248,062	235,954	65,924	44,091	594,031
Operating expenses	(59,291)	(83,839)	(9,582)	(14,331)	(167,043)
Impairment losses	(106,047)	(14,379)	(1,725)	(5,211)	(127,362)
Share of profit of associates and joint ventures	-	-	-	161	161
Profit before tax	82,724	137,736	54,617	24,710	299,787
Capital expenditure	5,110	7,974	849	11,192	25,125
Depreciation and amortisation	5,701	8,897	947	1,869	17,414

	2017				
Segment assets	6,837,261	5,377,252	8,475,693	1,648,535	22,338,741
Interests in associates and joint ventures	-	-	-	7,067	7,067
	6,837,261	5,377,252	8,475,693	1,655,602	22,345,808
Deferred tax assets					46,189
Elimination					(267,614)
Total assets					22,124,383
Segment liabilities	10,072,832	7,502,694	900,534	2,119,721	20,595,781
Deferred tax liabilities					389
Elimination					(267,614)
Total liabilities					20,328,556
Off-balance sheet credit commitments	2,016,432	761,613	-	251,127	3,029,172

(12) Operating segments(continued)

② Business segments (continued)

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

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

3 Unaudited supplementary financial information

3.1 Liquidity coverage ratio

	Fourth quarter of 2017	Third quarter of 2017	Second quarter of 2017	First quarter of 2017
Liquidity coverage ratio	121.99%	117.44%	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.

3.2 Currency concentrations

	2017			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**1,285,315**	**415,267**	**383,769**	**2,084,351**
Spot liabilities	**(1,151,780)**	**(453,711)**	**(326,808)**	**(1,932,299)**
Forward purchases	**2,737,947**	**178,350**	**247,059**	**3,163,356**
Forward sales	**(2,794,336)**	**(105,881)**	**(280,868)**	**(3,181,085)**
Net options position	**(72,996)**	**-**	**-**	**(72,996)**
Net long position	**4,150**	**34,025**	**23,152**	**61,327**
Net structural position	**24,947**	**3,230**	**(6,104)**	**22,073**

	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.

3.3 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.

	2017				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**346,088**	**93,120**	**1,055,030**	**118,362**	**1,612,600**
- of which attributed to HongKong	**46,609**	**35,932**	**335,490**	**3,033**	**421,064**
Europe	**27,815**	**32,342**	**99,400**	**169**	**159,726**
North and South America	**20,274**	**105,162**	**124,671**	**-**	**250,107**
Total	**394,177**	**230,624**	**1,279,101**	**118,531**	**2,022,433**

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

3.4 Overdue loans and advances to customers by geographical sector

	2017	2016
Central	**20,327**	17,737
Western	**19,555**	20,351
Bohai Rim	**18,824**	19,458
Yangtze River Delta	**18,205**	27,322
Pearl River Delta	**17,965**	21,097
Northeastern	**11,247**	10,496
Head office	**5,223**	4,339
Overseas	**1,136**	1,125
Total	**112,482**	121,925

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

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

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

3.5 Exposures to non-banks in Mainland China

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2017, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.

4 MANAGEMENT DISCUSSION & ANALYSIS

4.1 FINANCIAL REVIEW

In 2017, the global economy witnessed a generally synchronised recovery. The economy expanded continuously, whereas inflation remained subdued and the labour market was solid. Growth remained strong in the US, and the recovery picked up in the Euro area and Japan. The emerging market economies grew relatively rapidly, although some continued to face economic restructuring and transformation pressures.

In 2017, China's economy continued its steady growth, with stronger-than-expected performance supported by greater economic dynamism, growth momentum and development potentials. The stability, coordination and sustainability of the economy were enhanced noticeably, reflecting a steady and healthy economic development. As the economic structure continued to improve, new growth drivers gained momentum, and the quality and efficiency of growth improved significantly. Consumer demand remained a strong driving force behind economic growth, and the growth of investment was stable amidst moderation with optimised structure. Export and import grew rapidly. Industrial production accelerated. The value contributed by the tertiary industry reached 51.6% of the gross domestic product (GDP), 11.1 percentage points higher than that of the secondary industry. Employment grew steadily, and consumer prices rose moderately. In 2017, China's GDP reached RMB82.7 trillion, up by 6.9% year on year. The annual consumer price index (CPI) rose by 1.6% over the previous year and the annual trade surplus was RMB2.9 trillion.

China's financial market was stable on the whole. Against the backdrop of generally stable economic fundamentals, interest-rate hikes and the unwinding of balance sheet by the US Federal Reserve, and the moderate deleveraging in the domestic financial system, the volume of interbank repo transactions increased moderately and the market rates stabilised after edging upward. In the bond market, the yields rose on the whole, while the volume decreased. Stock indices were generally stable with a moderate increase, while the trading and financing volume dropped from the previous year. In the insurance sector, the growth of asset and premium income slowed down

China's banking industry as a whole remained sound with steady growth in assets and liabilities. At the end of 2017, the total assets of China's banking financial institutions were RMB252 trillion, up by 8.7% year on year. The total liabilities were RMB233 trillion, up by 8.4% year on year. The capital adequacy ratio of commercial banks was 13.65%. The quality of credit assets remained stable. The NPLs of commercial banks were RMB1.71 trillion, with an NPL ratio of 1.74%.

The Group actively adapted to the changes of situation, and persisted in prudent operation in strict compliance with regulatory requirements. As a result, it achieved balanced growth of assets and liabilities, stable and improving asset quality, and steady increase of profit, while maintaining relatively high level of capital adequacy ratio.

4.1.1 Statement of Comprehensive Income Analysis

In 2017, the profitability of the Group achieved steady growth with profit before tax of RMB299,787 million, an increase of 1.55% over the previous year, and net profit of RMB243,615 million, an increase of 4.83% over the previous year. The increase was mainly due to an increase of RMB34,657 million in net interest income over the previous year, representing an increase of 8.30%. Based on the prudence principle, the Group made sufficient provisions for impairment losses on loans and advances to customers, resulting in an impairment loss of RMB127,362 million, an increase of 36.65% over the previous 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)	**2017**	**2016**	**Change (%)**
Net interest income	452,456	417,799	8.30
Net non-interest income	141,575	142,061	(0.34)
- Net fee and commission income	117,798	118,509	(0.60)
Operating income	594,031	559,860	6.10
Operating expenses	(167,043)	(171,515)	(2.61)
Impairment losses	(127,362)	(93,204)	36.65
Share of profit of associates and joint ventures	161	69	133.33
Profit before tax	299,787	295,210	1.55
Income tax expense	(56,172)	(62,821)	(10.58)
Net profit	243,615	232,389	4.83

Net interest income

In 2017, the Group's net interest income was RMB452,456 million, representing an increase of RMB34,657 million or 8.30% over the previous year, and accounted for 76.17% 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)	2017			2016		
	Average balance	**Interest income/ expense**	**Average yield/ cost (%)**	**Average balance**	**Interest income/ expense**	**Average yield/ cost (%)**
Assets						
Gross loans and advances to customers	12,332,949	515,427	4.18	11,198,284	477,204	4.26
Debt securities investments	4,567,181	170,713	3.74	4,281,294	156,204	3.65
Deposits with central banks	2,847,380	43,027	1.51	2,615,994	39,512	1.51
Deposits and placements with banks and non-bank financial institutions	578,376	15,279	2.64	709,735	19,615	2.76
Financial assets held under resale agreements	191,028	5,708	2.99	157,860	4,102	2.60
Total interest-earning assets	20,516,914	750,154	3.66	18,963,167	696,637	3.67
Total allowances for impairment losses	(304,369)			(274,175)		
Non-interest-earning assets	1,895,179			998,631		
Total assets	22,107,724	750,154		19,687,623	696,637	
Liabilities						
Deposits from customers	16,037,819	213,313	1.33	14,666,217	212,474	1.45
Deposits and placements from banks and non-bank financial institutions	1,875,668	46,621	2.49	1,942,354	40,593	2.09
Debt securities issued	539,251	19,887	3.69	411,584	16,615	4.04
Borrowings from central banks	484,099	14,486	2.99	205,300	5,671	2.76
Financial assets sold under repurchase agreements	101,842	3,391	3.33	128,026	3,485	2.72
Total interest-bearing liabilities	19,038,679	297,698	1.56	17,353,481	278,838	1.61
Non-interest-bearing liabilities	1,383,210			848,040		
Total liabilities	20,421,889	297,698		18,201,521	278,838	
Net interest income		**452,456**			**417,799**	
Net interest spread			**2.10**			**2.06**
Net interest margin			**2.21**			**2.20**

In 2017, the Group optimised the structure of assets and liabilities, raised return on assets, and increased its efforts in deposit growth. As a result, the Group's cost of interest-bearing liabilities decreased at a higher rate than the yield on interest-earning assets with a net interest spread of 2.10%, up by four basis points over the previous year. The net interest margin was 2.21%, up by one basis point over the previous year. The Group will continue to deploy comprehensive measures to promote the growth of deposits, stabilise the sources of core liabilities, optimise the loan structure, deepen the management of customer relationship and actively respond to the challenges brought by the complicated external environment changes.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense for 2017 versus 2016.

(In millions of RMB)	**Volume factor**[1]	**Interest rate factor**[1]	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	47,362	(9,139)	38,223
Debt securities investments	10,595	3,914	14,509
Deposits with central banks	3,515	-	3,515
Deposits and placements with banks and non-bank financial institutions	(3,511)	(825)	(4,336)
Financial assets held under resale agreements	937	669	1,606
Change in interest income	58,898	(5,381)	53,517
Liabilities			
Deposits from customers	19,119	(18,280)	839
Deposits and placements from banks and non-bank financial institutions	(1,447)	7,475	6,028
Financial assets sold under repurchase agreements	(790)	696	(94)
Debt securities issued	4,810	(1,538)	3,272
Borrowings from central banks	8,306	509	8,815
Change in interest expense	29,998	(11,138)	18,860
Change in net interest income	28,900	5,757	34,657

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

Net interest income increased by RMB34,657 million over the previous year. In this amount, an increase of RMB28,900 million was due to the movement of average balances of assets and liabilities, and an increase of RMB5,757 million was due to the movements of average yields or costs.

Interest income

In 2017, the Group realised interest income of RMB750,154 million, an increase of RMB53,517 million or 7.68% over the previous year. In this amount, interest income from loans and advances to customers, interest income from debt securities investments, interest income from deposits with the central bank, interest income from deposits and placements with banks and non-bank financial institutions accounted for 68.71%, 22.76%, 5.74% and 2.04% 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.

(In millions of RMB, except percentages)	2017			2016		
	Average balance	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
Corporate loans and advances	6,291,705	267,676	4.25	5,835,605	264,376	4.53
Short-term loans	2,314,327	95,743	4.14	2,172,900	95,207	4.38
Medium to long-term loans	3,977,378	171,933	4.32	3,662,705	169,169	4.62
Personal loans and advances[1]	4,537,703	202,473	4.46	3,893,844	169,141	4.34
Discounted bills	214,118	6,894	3.22	504,864	15,637	3.10
Overseas operations and subsidiaries	1,289,423	38,384	2.98	963,971	28,050	2.91
Gross loans and advances to customers	12,332,949	515,427	4.18	11,198,284	477,204	4.26

1. The yield of personal loans and advances increased over the previous year, mainly due to the adjustment of personal credit card instalment to non-interest-earning assets based on the principle of matching returns with assets.

Interest income from loans and advances to customers amounted to RMB515,427 million, an increase of RMB38,223 million or 8.01% over the previous year. It was mainly because the optimisation of the interest-earning assets structure and the rapid growth of corporate loans and advances and personal loans and advances, led to the growth of interest income from loans and advances to customers.

Interest income from debt securities investments

Interest income from debt securities investments amounted to RMB170,713 million, an increase of RMB14,509 million or 9.29% over the previous year. This was mainly because the average balance of debt securities investments increased by 6.68% and the average yield rose by nine basis points over the previous year.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB43,027 million, an increase of RMB3,515 million or 8.90% over the previous year. This was mainly because the average balance of deposits with central banks increased by 8.85% over the previous 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 amounted to RMB15,279 million, a decrease of RMB4,336 million or 22.11% from the previous year. This was mainly because the average balance of deposits and placements with banks and non-bank financial institutions decreased by 18.51% and the average yield declined by 12 basis points from the previous year.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements amounted to RMB5,708 million, an increase of RMB1,606 million or 39.15% over the previous year. This was mainly because the average balance of financial assets held under resale agreements increased by 21.01% and the average yield increased by 39 basis points from the previous year.

Interest expense

In 2017, the Group's interest expense amounted to RMB297,698 million, an increase of RMB18,860 million or 6.76% from the previous year. In this amount, interest expense on deposits from customers accounted for 71.65%, and interest expense on deposits and placements from banks and non-bank financial institutions accounted for 15.66%.

Interest expense on deposits from customers

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

	2017			2016		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	8,430,224	104,137	1.24	7,517,512	100,649	1.34
Demand deposits	5,406,626	35,532	0.66	4,653,401	31,428	0.68
Time deposits	3,023,598	68,605	2.27	2,864,111	69,221	2.42
Personal deposits	7,078,489	100,088	1.41	6,712,026	105,283	1.57
Demand deposits	3,063,410	9,298	0.30	2,739,082	8,279	0.30
Time deposits	4,015,079	90,790	2.26	3,972,944	97,004	2.44
Overseas operations and subsidiaries	529,106	9,088	1.72	436,679	6,542	1.50
Total deposits from customers	16,037,819	213,313	1.33	14,666,217	212,474	1.45

Interest expense on deposits from customers was RMB213,313 million, an increase of RMB839 million or 0.39% from the previous year, mainly because the average balance of deposits from customers increased by 9.35% over the previous 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 increased by RMB6,028 million or 14.85% over the previous year to RMB46,621 million, mainly because the average cost of deposits and placements from banks and non-bank financial institutions increased over the previous year, offsetting the effect of the decrease in average balance.

Interest expense on debt securities issued

Interest expense on debt securities issued was RMB19,887 million, an increase of RMB3,272 million or 19.69% over the previous year, mainly because the average balance of debt securities issued including certificates of deposits increased by 31.02% over the previous year.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements amounted to RMB3,391 million, down by RMB94 million or 2.70% over the previous year, mainly because the average balance of financial assets sold under repurchase agreements decreased by 20.45% over the previous 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)	2017	2016	Change (%)
Fee and commission income	131,322	127,863	2.71
Fee and commission expense	(13,524)	(9,354)	44.58
Net fee and commission income	117,798	118,509	(0.60)
Other net non-interest income	23,777	23,552	0.96
Total net non-interest income	141,575	142,061	(0.34)

In 2017, the Group's net non-interest income was RMB141,575 million, a decrease of RMB486 million or 0.34% from the previous 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)	2017	2016	Change (%)
Fee and commission income	131,322	127,863	2.71
Bank card fees	42,242	37,649	12.20
Wealth management products service fees	20,040	20,537	(2.42)
Agency service fees	16,256	20,025	(18.82)
Settlement and clearing fees	13,211	12,612	4.75
Commission on trust and fiduciary activities	11,857	11,174	6.11
Consultancy and advisory fees	9,906	11,368	(12.86)
Electronic banking service fees	9,341	7,584	23.17
Guarantee fees	3,330	2,938	13.34
Credit commitment fees	1,525	1,830	(16.67)
Others	3,614	2,146	68.41
Fee and commission expense	(13,524)	(9,354)	44.58
Net fee and commission income	117,798	118,509	(0.60)

In 2017, the Group's net fee and commission income was RMB117,798 million, down by 0.60% over the previous year, mainly because agency service fees and consultancy and advisory fees decreased as a result of market changes and fee reductions and concessions. The ratio of net fee and commission income to operating income decreased by 1.34 percentage points from the previous year to 19.83%.

Bank card fees were RMB42,242 million, an increase of 12.20%. In this amount, fee from credit card exceeded RMB30 billion, up by over 20% from the previous year, mainly because the amount of credit card transactions increased and instalment business developed as a result of product optimisation and innovation as well as service scenarios expansion.

Wealth management products (WMPs) service fees decreased by 2.42% to RMB20,040 million, mainly because the return on WMPs paid to customers rose substantially over the previous year due to changes in market prices, and the management fees for the bank decreased .

Agency service fees decreased by 18.82% to RMB16,256 million. This was mainly because agency insurance fee dropped substantially as a result of the decrease in supply of best-selling products through the bank-insurance channel, and agency funds fee declined as a result of a fall in average fee rates of agency funds.

Settlement and clearing fees increased by 4.75% to RMB13,211 million. In this amount, fee from corporate RMB settlement increased as a result of further exploitation of market and customer needs and innovation and optimisation of new settlement products; fee from international settlement grew steadily as a result of strengthening group-level internal coordination and actively serving "Going Global" customers.

Commission on trust and fiduciary activities was RMB11,857 million, an increase of 6.11%. In this amount, custodial income grew driven by the continued growth of assets under custody as a result of further expansion of insurance and emerging businesses. The syndicated loans grew well and the financial services for housing reform developed steadily.

Consultancy and advisory fees decreased by 12.86% to RMB9,906 million. This was mainly because the Group increased exemption, reductions and preferential treatments in service fees for corporate customers including micro and small enterprises in line with state requirements to support the development of real economy.

Electronic banking service fees increased by 23.17% to RMB9,341 million. This was mainly because the numbers of users and transactions through network channels such as mobile banking and online banking increased steadily due to the continuous promotion of the building of online financial ecosystem.

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)	**2017**	**2016**	**Change (%)**
Net trading gain	4,858	3,975	22.21
Dividend income	2,195	2,558	(14.19)
Net (loss)/gain arising from investment securities	(835)	11,098	(107.52)
Other net operating income	17,559	5,921	196.55
Other net non-interest income	23,777	23,552	0.96

Other net non-interest income was RMB23,777 million, an increase of RMB225 million or 0.96% over the previous year. In this amount, net trading income was RMB4,858 million, an increase of RMB883 million over the previous year, mainly due to the increase of income from precious metals leasing business. Net loss arising from investment securities was RMB835 million, while net gain in the previous year was RMB11,098 million, mainly because the unrealised loss from certain mutual funds of available-for-sale debt securities was taken to the statement of comprehensive income in 2017 and the disposal of some bonds with unrealised profit in the previous year led to a higher base. Other net operating income increased by RMB11,638 million to RMB17,559 million over the previous year, mainly due to the increase in foreign exchange business and the gain on valuation of 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)	2017	2016
Staff costs	96,274	92,847
Premises and equipment expenses	30,485	29,981
Taxes and surcharges	5,767	17,473
Others	34,517	31,214
Operating expenses	167,043	171,515
Cost-to-income ratio (%)	27.15	27.51

In 2017, the Group strengthened cost management and optimised expense structure. Cost-to-income ratio decreased by 0.36 percentage points to 27.15% over the previous year. Operating expenses were RMB167,043 million, a decrease of RMB4,472 million or 2.61% from the previous year. In this amount, staff costs were RMB96,274 million, an increase of RMB3,427 million or 3.69% over the previous year; premises and equipment expenses were RMB30,485 million, an increase of RMB504 million or 1.68% over the previous year; taxes and surcharges were RMB5,767 million, a decrease of RMB11,706 million or 66.99% over the previous year, mainly because business taxes and surcharges were included in 2016; other operating expenses were RMB34,517 million, an increase of RMB3,303 million or 10.58% over the previous year, mainly due to the increased expenditure inbusinesses such as mobile payment, customer development, and points redemption.

Impairment losses

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

(In millions of RMB)	2017	2016
Loans and advances to customers	123,389	89,588
Investments	1,973	690
Available-for-sale financial assets	764	306
Held-to-maturity investments	413	970
Investment classified as receivables	796	(586)
Others	2,000	2,926
Total impairment losses	127,362	93,204

In 2017, the Group's impairment losses were RMB127,362 million, an increase of RMB34,158 million or 36.65% over the previous year, mainly because impairment losses on loans and advances to customers increased by RMB33,801 million, and impairment losses on investments increased by RMB1,283 million. For the impairment losses on investment, impairment losses on investment classified as receivables were RMB796 million and impairment losses on available-for-sale financial assets were RMB764 million.

Income tax expense

In 2017, income tax expense was RMB56,172 million, a decrease of RMB6,649 million over the previous year. The effective income tax rate was 18.74%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC government bonds and local government bonds was non-taxable in accordance with the tax law, and in 2017 the Group increased investments in local government bonds.

4.1.2 Statement of Financial Position Analysis

Assets

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	Amount	% of total	Amount	% of total	Amount	% of total
Gross loans and advances to customers	12,903,441		11,757,032		10,485,140	
Allowances for impairment losses on loans	(328,968)		(268,677)		(250,617)	
Net loans and advances to customers	12,574,473	56.84	11,488,355	54.80	10,234,523	55.78
Investments[1]	5,181,648	23.42	5,068,584	24.18	4,271,406	23.28
Cash and deposits with central banks	2,988,256	13.51	2,849,261	13.59	2,401,544	13.09
Deposits and placements with banks and non-bank financial institutions	500,238	2.26	755,288	3.60	663,745	3.62
Financial assets held under resale agreements	208,360	0.94	103,174	0.49	310,727	1.69
Interest receivable	116,993	0.53	101,645	0.49	96,612	0.52
Others[2]	554,415	2.50	597,398	2.85	370,932	2.02
Total assets	22,124,383	100.00	20,963,705	100.00	18,349,489	100.00

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

As at 31 December 2017, the Group's total assets stood at RMB22.12 trillion, an increase of RMB1,160,678 million or 5.54% over 2016. Net loans and advances to customers increased by RMB1,086,118 million or 9.45% over 2016, to support the real economy. Total investments increased by RMB 113,064 million or 2.23% over 2016. As the growth of deposits pushed up the deposit reserve, cash and deposit with central banks increased by RMB138,995 million or 4.88% over 2016. Due to the Group's adjustments to the allocation of resources, deposits and placements with banks and non-bank financial institutions decreased by RMB255,050 million or 33.77% over 2016. To fully leverage its short term fund at the end of the quarter, the Group increased the financial assets held under resale agreements by RMB105,186 million or 101.95% over 2016. As a result, in the total assets, the proportion of net loans and advances to customers increased by 2.04 percentage points to 56.84%, that of investments decreased by 0.76 percentage points to 23.42%, that of cash and deposits with central banks decreased by 0.08 percentage points to 13.51%, that of deposits and placements with banks and non-bank financial institutions decreased by 1.34 percentage points to 2.26%, and that of financial assets held under resale agreements increased by 0.45 percentage points to 0.94%.

Loans and advances to customers

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

(In millions of RMB, except percentages)	**As at 31 December 2017**		**As at 31 December 2016**		**As at 31 December 2015**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Corporate loans and advances	6,443,524	49.94	5,864,895	49.89	5,777,513	55.11
Short-term loans	2,050,273	15.89	1,786,442	15.20	1,811,557	17.28
Medium to long-term loans	4,393,251	34.05	4,078,453	34.69	3,965,956	37.83
Personal loans and advances	5,193,853	40.25	4,338,349	36.90	3,466,810	33.06
Residential mortgages	4,213,067	32.65	3,585,647	30.50	2,773,895	26.45
Credit card loans	563,613	4.37	442,001	3.76	390,274	3.72
Personal consumer loans	192,652	1.49	75,039	0.64	55,427	0.53
Personal business loans	36,376	0.28	46,395	0.39	63,153	0.60
Other loans[1]	188,145	1.46	189,267	1.61	184,061	1.76
Discounted bills	122,495	0.95	495,140	4.21	433,153	4.13
Overseas operations and subsidiaries	1,143,569	8.86	1,058,648	9.00	807,664	7.70
Gross loans and advances to customers	12,903,441	100.00	11,757,032	100.00	10,485,140	100.00

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

As at 31 December 2017, the Group's gross loans and advances to customers stood at RMB12,903,441 million, an increase of RMB1,146,409 million or 9.75% over 2016, mainly due to the increase in domestic personal and corporate loans and advances.

Corporate loans and advances reached RMB6,443,524 million, an increase of RMB578,629 million or 9.87% over 2016, mainly extended to infrastructures, small and micro enterprises, etc. In this amount, short-term loans increased by RMB263,831 million or 14.77%, while the medium to long-term loans increased by RMB314,798 million or 7.72% year on year.

Personal loans and advances reached RMB5,193,853 million, an increase of RMB855,504 million or 19.72% over 2016. In this amount, residential mortgages experienced an increase of RMB627,420 million or 17.50% to RMB4,213,067 million; credit card loans were RMB563,613 million, an increase of RMB121,612 million or 27.51%; personal consumer loans rose by RMB117,613 million or 156.74% to RMB192,652 million, mainly due to the rapid development of "CCB Kuaidai" (Quick Loans); personal business loans decreased by RMB10,019 million to RMB36,376 million over 2016, mainly due to the adjustment of product structure to enhance risk control.

Discounted bill reached RMB122,495 million, a decrease of RMB372,645 million or 75.26% over 2016, mainly to meet the demand of non-discount loans of the real economy.

Loans and advances to customers at overseas operations and subsidiaries amounted to RMB1,143,569 million, an increase of RMB84,921 million or 8.02% over 2016, mainly due to the business growth of overseas operations.

Distribution of loans by type of collateral

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

	As at 31 December 2017		**As at 31 December 2016**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Unsecured loans	3,885,329	30.11	3,471,042	29.52
Guaranteed loans	2,123,492	16.46	1,964,685	16.71
Loans secured by tangible assets other than monetary assets	5,539,863	42.93	5,095,325	43.34
Loans secured by monetary assets	1,354,757	10.50	1,225,980	10.43
Gross loans and advances to customers	12,903,441	100.00	11,757,032	100.00

Allowances for impairment losses on loans and advances to customers

	2017			
		Allowances for impaired loans and advances		
(In millions of RMB)	**Allowances for loans and advances which are collectively assessed**	**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January	155,949	13,275	99,453	268,677
Charge for the year	45,602	7,524	88,831	141,957
Release during the year	-	-	(18,568)	(18,568)
Unwinding of discount	-	-	(3,143)	(3,143)
Transfers out	(205)	(2,919)	(24,352)	(27,476)
Write-offs	-	(5,270)	(31,721)	(36,991)
Recoveries	-	1,192	3,320	4,512
As at 31 December	201,346	13,802	113,820	328,968

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 such as macro-economy and government regulatory policies on the asset quality of loans and advances to customers. As at 31 December 2017, the allowances for impairment losses on loans and advances to customers were RMB328,968 million, an increase of RMB60,291 million over 2016. The ratio of allowances to NPLs was 171.08%, an increase of 20.72 percentage points from 2016. The ratio of allowances to total loans was 2.55%, an increase of 0.26 percentage points from 2016.

Investments

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Debt securities investments	4,714,014	90.97	4,445,214	87.70
Equity instruments and funds	113,244	2.19	303,398	5.99
Other debt instruments	354,390	6.84	319,972	6.31
Total investments	5,181,648	100.00	5,068,584	100.00

In 2017, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively responded to regulatory and market changes, reasonably balanced risks and returns, and continuously optimised the structure of investment portfolio. As at 31 December 2017, the Group's investments totalled RMB5,181,648 million, an increase of RMB113,064 million or 2.23% over 2016. In this amount, debt securities investments increased by RMB268,800 million or 6.05% over 2016, and accounted for 90.97% of total investments, up by 3.27 percentage points year on year; equity instruments and funds decreased by RMB190,154 million over 2016, and accounted for 2.19% of total investments, a decrease of 3.80 percentage points over 2016.

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Financial assets at fair value through profit or loss	578,436	11.16	488,370	9.64
Available-for-sale financial assets	1,550,680	29.93	1,633,834	32.23
Held-to-maturity investments	2,586,722	49.92	2,438,417	48.11
Investment classified as receivables	465,810	8.99	507,963	10.02
Total investments	5,181,648	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 31 December 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
RMB	4,474,161	94.91	4,257,384	95.77
USD	142,899	3.03	106,761	2.40
HKD	43,256	0.92	38,085	0.86
Other foreign currencies	53,698	1.14	42,984	0.97
Total debt securities investments	4,714,014	100.00	4,445,214	100.00

As at 31 December 2017, the total investments in RMB debt securities totalled RMB4,474,161 million, an increase of RMB216,777 million or 5.09% over the previous year. Total investments in foreign-currency debt securities were RMB239,853 million, an increase of RMB52,023 million over the previous year.

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Government	3,254,126	69.03	2,667,258	60.00
Central banks	37,712	0.80	21,722	0.49
Policy banks	814,909	17.29	361,574	8.13
Banks and non-bank financial institutions	170,730	3.62	892,154	20.07
Others	436,537	9.26	502,506	11.31
Total debt securities investments	4,714,014	100.00	4,445,214	100.00

Interest receivable

As at 31 December 2017, the Group's interest receivable was RMB116,993 million, an increase of RMB15,348 million or 15.10% over 2016.

Repossessed assets

As at 31 December 2017, the Group's repossessed assets were RMB3,166 million and the balance of impairment allowances for repossessed assets was RMB1,035 million.

Liabilities

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Deposits from customers	16,363,754	80.50	15,402,915	79.50	13,668,533	80.86
Deposits and placements from banks and non-bank financial institutions	1,720,634	8.46	1,935,541	9.99	1,761,107	10.42
Debt securities issued	596,526	2.93	451,554	2.33	415,544	2.46
Borrowings from central banks	547,287	2.69	439,339	2.27	42,048	0.25
Financial assets sold under repurchase agreements	74,279	0.37	190,580	0.98	268,012	1.58
Other liabilities[1]	1,026,076	5.05	954,122	4.93	749,162	4.43
Total liabilities	20,328,556	100.00	19,374,051	100.00	16,904,406	100.00

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

As at 31 December 2017, the Group's total liabilities were RMB20.33 trillion, an increase of RMB954,505 million or 4.93% over 2016. In this amount, deposits from customers amounted to

RMB16.36 trillion, up by RMB960,839 million or 6.24% over 2016. Deposits and placements from banks and non-bank financial institutions decreased by RMB214,907 million or 11.10% over 2016 to RMB1,720,634 million. Debt securities issued were RMB596,526 million, an increase of RMB144,972 million or 32.11% over 2016, mainly due to the rapid increase in certificates of deposit issued. Borrowings from central banks were RMB547,287 million, an increase of RMB107,948 million or 24.57% over 2016, mainly due to the increase of medium-term lending facilities. Financial assets sold under repurchase agreements decreased by RMB116,301 million or 61.02% over 2016, mainly due to reduced market financing with the ample liquidity. As a result, deposits from customers accounted for 80.50% of total liabilities, up by 1.00 percentage point over 2016; deposits and placements from banks and non-bank financial institutions accounted for 8.46%, down by 1.53 percentage points over 2016; debt securities issued accounted for 2.93%, up by 0.60 percentage points over the previous year; borrowings from the central bank were 2.69%, up by 0.42 percentage points over 2016; financial assets sold under repurchase agreements accounted for 0.37%, down by 0.61 percentage points from 2016.

Deposits from customers

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Corporate deposits	8,700,872	53.17	8,008,460	51.99	6,891,295	50.42
Demand deposits	5,723,939	34.98	5,145,626	33.41	4,213,395	30.83
Time deposits	2,976,933	18.19	2,862,834	18.58	2,677,900	19.59
Personal deposits	7,105,813	43.43	6,927,182	44.98	6,367,364	46.58
Demand deposits	3,169,395	19.37	2,986,109	19.39	2,584,774	18.91
Time deposits	3,936,418	24.06	3,941,073	25.59	3,782,590	27.67
Overseas operations and subsidiaries	557,069	3.40	467,273	3.03	409,874	3.00
Total deposits from customers	16,363,754	100.00	15,402,915	100.00	13,668,533	100.00

As at 31 December 2017, domestic corporate deposits of the Bank were RMB8,700,872 million, an increase of RMB692,412 million or 8.65% over 2016, and accounted for 55.05% of total domestic deposits from customers, up by 1.43 percentage points. Domestic personal deposits of the Bank were RMB7,105,813 million, an increase of RMB178,631 million or 2.58% over 2016. Deposits from overseas operations and subsidiaries were RMB557,069 million, an increase of RMB89,796 million over 2016. The Bank continued to strengthen the management of its deposit customer base by expanding low-cost settlement funds. The domestic demand deposits were RMB8,893,334 million, an increase of RMB761,599 million or 9.37% over 2016, and the proportion of demand deposits in domestic deposits from customers increased by 1.81 percentage points over 2016 to 56.26%. The time deposits were RMB6,913,351 million, an increase of RMB109,444 million or 1.61% over 2016, and the proportion of time deposits in domestic deposits from customers was 43.74%.

Debt securities issued

The Bank issued no corporate debt securities that were required to be disclosed in accordance with *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports (2017 Revision)* and *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 38 - Contents and Formats of Annual Reports on Corporate Debt Securities*.

Shareholder's equity

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

(In millions of RMB)	**As at 31 December 2017**	**As at 31 December 2016**
Share capital	250,011	250,011
Other equity instruments - preference shares	79,636	19,659
Capital reserve	135,225	133,960
Investment revaluation reserve	(26,004)	(976)
Surplus reserve	198,613	175,445
General reserve	259,680	211,193
Retained earnings	886,921	786,860
Exchange reserve	(4,322)	348
Total equity attributable to equity shareholders of the Bank	1,779,760	1,576,500
Non-controlling interests	16,067	13,154
Total equity	1,795,827	1,589,654

As at 31 December 2017, the Group's total equity reached RMB1,795,827 million, an increase of RMB206,173 million or 12.97% over 2016, primarily driven by the increase of retained earnings and the issuance of preference shares. As the growth rate of shareholders' equity surpassed that of assets, the ratio of total equity to total assets for the Group reached 8.12%, an increase of 0.54 percentage points over 2016.

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. 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 RMB3,029,172 million as at 31 December 2017, an increase of RMB304,646 million over 2016. The credit risk-weighted assets reached RMB1,110,481 million, an increase of RMB37,373 million, primarily driven by the increase of capital utilisation efficiency as a result of the Group's stress on businesses with "lower capital occupation and higher capital return rates" in optimisation of off-balance sheet structure.

4.1.3 Loan Quality Analysis

Distribution of loans by the five-category classification

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Normal	12,345,554	95.67	11,241,249	95.61
Special mention	365,596	2.83	337,093	2.87
Substandard	72,919	0.57	71,412	0.61
Doubtful	97,522	0.76	82,505	0.70
Loss	21,850	0.17	24,773	0.21
Gross loans and advances to customers	12,903,441	100.00	11,757,032	100.00
NPLs	192,291		178,690	
NPL ratio		1.49		1.52

In 2017, the Group adopted stringent risk management, and proactively enhanced credit risk management. It strived to make progress while maintaining stability, and consolidated the steady improvement of asset quality. As at 31 December 2017, the Group's NPLs were RMB192,291 million, an increase of RMB13,601 million over 2016. The NPL ratio stood at 1.49%, a decrease of 0.03 percentage points over 2016. The special mention loans accounted for 2.83% of the gross loans, a decrease of 0.04 percentage points over 2016.

Distribution of loans and NPLs by product type

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

(In millions of RMB, except percentages)	As at 31 December 2017			As at 31 December 2016		
	Loans	**NPLs**	**NPL ratio (%)**	**Loans**	**NPLs**	**NPL ratio (%)**
Corporate loans and advances	6,443,524	166,044	2.58	5,864,895	152,323	2.60
Short-term loans	2,050,273	80,638	3.93	1,786,442	92,547	5.18
Medium to long-term loans	4,393,251	85,406	1.94	4,078,453	59,776	1.47
Personal loans and advances	5,193,853	21,811	0.42	4,338,349	21,548	0.50
Residential mortgages	4,213,067	10,199	0.24	3,585,647	10,175	0.28
Credit card loans	563,613	5,039	0.89	442,001	4,343	0.98
Personal consumer loans	192,652	1,386	0.72	75,039	1,196	1.59
Personal business loans	36,376	1,620	4.45	46,395	2,106	4.54
Other loans	188,145	3,567	1.90	189,267	3,728	1.97
Discounted bills	122,495	-	-	495,140	-	-
Overseas operations and subsidiaries	1,143,569	4,436	0.39	1,058,648	4,819	0.46
Total	12,903,441	192,291	1.49	11,757,032	178,690	1.52

Distribution of loans and NPLs by industry

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

(In millions of RMB, except percentages)	As at 31 December 2017				As at 31 December 2016			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**
Corporate loans	6,443,524	49.94	166,044	2.58	5,864,895	49.89	152,323	2.60
Transportation, storage and postal services	1,304,691	10.11	13,806	1.06	1,207,636	10.27	5,970	0.49
Manufacturing	1,178,373	9.13	75,000	6.36	1,177,985	10.02	69,764	5.92
Leasing and commercial services	913,395	7.08	3,282	0.36	749,690	6.38	4,573	0.61
- Commercial services	819,916	6.35	2,998	0.37	658,347	5.60	4,456	0.68
Production and supply of electric power, heat, gas and water	822,782	6.38	4,210	0.51	689,258	5.86	985	0.14
Wholesale and retail trade	436,275	3.38	33,564	7.69	410,923	3.50	37,016	9.01
Real estate	414,867	3.22	9,236	2.23	342,531	2.91	8,652	2.53
Water, environment and public utilities management	378,620	2.93	778	0.21	314,032	2.67	502	0.16
Construction	252,989	1.96	6,549	2.59	236,382	2.01	7,402	3.13
Mining	222,694	1.73	11,625	5.22	216,421	1.84	11,040	5.10
- Exploitation of petroleum and natural gas	6,199	0.05	-	-	5,745	0.05	-	-
Education	67,471	0.52	412	0.61	72,631	0.62	203	0.28
Information transmission, software and information technology services	41,510	0.32	394	0.95	30,607	0.26	432	1.41
- Telecommunications, broadcast and television, and satellite transmission services	25,245	0.20	8	0.03	21,138	0.18	-	-
Others	409,857	3.18	7,188	1.75	416,799	3.55	5,784	1.39
Personal loans	5,193,853	40.25	21,811	0.42	4,338,349	36.90	21,548	0.50
Discounted bills	122,495	0.95	-	-	495,140	4.21	-	-
Overseas operations and subsidiaries	1,143,569	8.86	4,436	0.39	1,058,648	9.00	4,819	0.46
Total	12,903,441	100.00	192,291	1.49	11,757,032	100.00	178,690	1.52

In 2017, the Group optimised its credit policies as appropriate, reviewed its lending rules, refined customer selection criteria, maintained strict industry limits, and carried forward credit structural adjustments steadily. The NPL ratio in infrastructure sectors remained relatively low. The NPL ratio of manufacturing industry was basically stable. The amount and ratio of NPL in the wholesale and retail trade industry both decreased compared to 2016. The NPL ratio of personal loans also decreased from 2016.

4.2 BUSINESS REVIEW

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

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

(In millions of RMB, except percentages)	2017		2016	
	Amount	**% of total**	**Amount**	**% of total**
Corporate banking	82,724	27.59	98,329	33.31
Personal banking	137,736	45.95	129,269	43.79
Treasury business	54,617	18.22	66,008	22.36
Others	24,710	8.24	1,604	0.54
Profit before tax	299,787	100.00	295,210	100.00

4.2.1 Corporate Banking

Corporate deposits

In 2017, the Bank continued to consolidate its customer base, with improving deposit structure. At the end of 2017, domestic corporate deposits of the Bank amounted to RMB8,700,872 million, an increase of RMB692,412 million, or 8.65% over 2016. In this amount, demand deposits increased by 11.24%, while time deposits increased by 3.99%, which effectively lowered the Bank's interest costs.

Corporate loans

The steady increase of corporate loans, continuous optimisation of credit structure and stable asset quality enabled the Bank to provide strong support to the development of the real economy. At the end of 2017, domestic corporate loans and advances of the Bank amounted to RMB6,443,524 million, an increase of RMB578,629 million or 9.87% over 2016. The NPL ratio of corporate loans and advances was 2.58%, a decrease of 0.02 percentage points from 2016.

The loans to infrastructure sectors were RMB3,357,453 million, representing an increase of RMB461,297 million or 15.93% over 2016, and accounted for 52.11% of the outstanding balance of corporate loans and advances, with the NPL ratio staying at a low level of 0.65%. The Bank strictly implemented list-based management, and loans to overcapacity industries slightly increased to RMB125,845 million from last year. The outstanding balance of property development loans was RMB319,000 million, an increase of RMB19,802 million over 2016, mainly extended to high quality real estate developers and commercial housing projects for ordinary residential purpose. The Bank set stringent limits to the total volume of loans to government financing vehicles, and the outstanding balance of loans to regulated government financing vehicles decreased by RMB34,290 million to RMB170,825 million. Agriculture-related loans amounted to RMB1,765,087 million. The accumulated amount of "e-loan" series products offered through online channels based on supply chains amounted to RMB354,153 million since its launch in 2007, with over 20.9 thousand borrowers and 198 platforms.

Small enterprise business

Small enterprise business enjoyed a rapid and healthy development. At the end of 2017, according to the classification criteria for small and medium-sized enterprises as well as the CBRC's requirements, loans to small and micro enterprises were RMB1,610,582 million, an increase of RMB168,690 million or 11.70% over 2016; the number of small and micro enterprise borrowers was 605,014, an increase of 296,091 over 2016; the availability rate for loan applications of small and micro enterprises was 93.00%, up by 2.09 percentage points over 2016, fulfilling the regulatory requirements of "Three No Less Than." By the end of 2017, the Bank had accumulatively provided credit funds of nearly RMB5.9 trillion to over 1.3 million small and micro enterprises. While promoting the business development, the Bank focused on quality control through tightened monitoring and analysis of key products, special inspections and active resolution of NPLs. Thanks to these efforts, the Bank maintained overall stable asset quality in its loans to small and micro enterprises.

Institutional business

The Bank further strengthened its advantages in institutional business and fortified its deposit customer base in 2017. It successfully held the "CCB Cup", the third "Internet Plus" campus innovation and entrepreneurship competition in China, became the sole winner in the bidding for payment platform projects of Peking University and Tsinghua University, and secured 720 new "Yinxiaotong" (bank-university connect) university clients and "Yinyitong" (bank-hospital connect) hospital clients. It also led the industry in terms of pension insurance and annuity plan coverage among governmental and public institutions, while the cumulative number of cards issued by the Bank with both social security and financial service functions exceeded 100 million. By incorporating technological innovations into financial services and platform building, the Bank introduced a number of innovative offerings, including "Dangfeiyun" (cloud-based party membership fee payment platform), "Huifeiyun" (cloud-based membership fee payment platform), and "Electronic Gongdexiang" (donation box). The Bank actively contributed to the building of new intelligent government service platforms and successfully launched the "Full E-connections" business for entrusted loans.

Financial institutional business

In 2017, in response to changes in business environment, the Bank steadily downsized its financial institutional business. At the end of 2017, the Bank's domestic financial institutional assets were RMB458,501 million, a decrease of RMB573,795 million from 2016; its financial institutional liabilities (including deposits from insurance companies) were RMB1,198,008 million, a decrease of RMB253,984 million over 2016. The Bank successfully issued four batches of interbank asset transfer and re-investment products, and became the first bank to conduct such structured transfers of interbank asset in the domestic open market.

International business

In 2017, the Bank focused on product innovation in international business, took initiative to explore the potential of "Blockchain + Trade Finance" technology, and became the first to apply blockchain technology to domestic letters of credit, forfeiting and international factoring on a cross-bank and cross-border basis. The cumulative volume of the Bank's blockchain transactions amounted to RMB1.6 billion, involving 20 domestic and overseas institutions. Based on the "Cross-border e+" platform, the Bank launched the "Cross-Border Rapid Loans" service to provide totally online, fast process loans to small and micro import and export enterprises. Learning from the advanced international practices, the Bank launched an innovative "Bulk Commodity Non-recourse Financing" business.

Cross-border RMB business also performed well. The Bank's three RMB clearing branches in the UK, Switzerland and Chile showed steady development. Its RMB clearing branch in the UK maintained the largest RMB clearing volume outside Asia, with a cumulative amount of RMB20 trillion. In line with the Belt and Road Initiative, the Bank continued to improve its overseas correspondent bank and clearing service network, with a total of 1,371 correspondent banks at the head office level in 132 countries and regions by the end of 2017, covering basically all countries along the Belt and Road. By opening accounts denominated in 14 minor currencies such as Emirati Dirham of the United Arab Emirates (AED) for countries along the Belt and Road, the Bank facilitated the development of direct trading markets between RMB and minor currencies of the Belt and Road countries.

In 2017, the Bank's international settlement volume amounted to US$1.17 trillion, and the volume of all cross-border RMB settlement was RMB2.05 trillion, leading to income of RMB4,501 million from international settlement. The Bank's domestic customers of international payment services increased by 14% from the previous year to 91.9 thousand, including 12.6 thousand customers at its "Cross-border e+" platform, a major channel to develop customers by groups.

Asset custodial business

In 2017, the Bank actively expanded the asset custodial market, optimised business processes, enhanced business innovation, accelerated the building of its custodial business centres, and achieved rapid growth of its custodial business. The Bank was the first in the industry to offer private equity fund custodial services for wholly foreign-owned enterprises. The new generation custodial system was rolled out with full functions, greatly enhancing the Bank's management intensiveness and risk prevention and control capability. At the end of 2017, the assets under the Bank's custody amounted to RMB11.54 trillion, up by RMB2.29 trillion, or 24.72% over 2016. In this amount, insurance assets under the Bank's custody was RMB3.56 trillion, up by RMB0.98 trillion, or 38.24% over 2016.

Settlement and cash management business

Settlement and cash management business grew steadily in 2017. Corporate RMB settlement accounts increased steadily, the proxy witness account opening mechanism was initially set up, and the innovation of account management in commercial system reform gained recognition from the PBC. Innovations were also made in "Yu Dao Tong Da" and Jianguanyi series of cash management products, in which the SWIFT-AMH module was first adopted to meet the customers' cash management needs, including cross-border account enquiry, receipt and payment, and centralised fund management. Electronic commercial draft business developed rapidly, while online tax payment business continued to expand. At the end of 2017, the Bank had 7.94 million corporate RMB settlement accounts, an increase of 1.22 million over 2016, while its active cash management customers increased by 500 thousand to 1.63 million.

4.2.2 PERSONAL BANKING

Personal deposits

In 2017, faced with fierce competition from other financial institutions, the Bank maintained a steady growth in personal deposits by consolidating and expanding its customer base. At the end of 2017, domestic personal deposits of the Bank rose by RMB178,631 million, or 2.58% over 2016, to RMB7,105,813 million. In this amount, demand deposits increased by 6.14%, and time deposits decreased by 0.12%.

Personal loans

The Bank continued its innovation in personal loan products and further enhanced its leading position. At the end of 2017, domestic personal loans of the Bank increased by RMB855,504 million to RMB5,193,853 million over 2016. In accordance with the macro-adjustment requirements for real estate market, the Bank strictly implemented differentiated credit policies for residential mortgages, mainly supporting the borrowers' housing needs for their own residential purpose. At the end of 2017, the Bank took the lead in terms of the balance of residential mortgage loans, which increased by RMB627,420 million, or 17.50% over 2016, to RMB4,213,067 million. The Bank also used the internet and big data technologies to build its new edge in consumer credit, and it ranked first in terms of the increase in personal consumer loans. The balance of self-service personal loans through "Kuaidai" (Quick Loans) online channels was RMB156,339 million, an increase of RMB127,464 million over 2016. The balance of personal business loans were RMB36,376 million, and that of agriculture-related personal loans was RMB4,671 million.

Furthermore, in 2017, the Bank issued nine "Jianyuan" series securities backed by its personal residential mortgage loans, totalling RMB83,866 million, and one "Jianxin" series securities backed by non-performing residential assets with an amount of RMB1,400 million. Through asset securitisation, the Bank endeavours to invigorate its existing assets, optimise its credit structure, and better serve the real economy.

Credit card business

Adhering to the customer-centred philosophy, the Bank constantly accelerated product innovation and transformation, and steadily improved its service capability in 2017. The Bank optimised the structure for its credit card business, fully leveraged on the potentials of its current quality customers, quickened the pace of comprehensive management on young customers, and used its mobile channels, including mobile banking and Wechat, to acquire and activate its credit card users. It also introduced external credit data to optimise its credit strategies for the young customers, and launched multiple youth-oriented innovative products, including Tencent Game Card, JOY Long Card, Linefriends Fans Card and Ximalaya FM Card. The Bank bolstered the building of consumer finance platform to enhance its whole-process risk operation and management abilities and innovation capability. At the end of 2017, the cumulative number of credit cards issued by the Bank increased by 12.86 million over 2016 to 106.93 million. The amount spent through credit cards reached RMB2,618,912 million, a year-on-year increase of RMB219,044 million or 9.13%, and the loan balance was RMB563,613 million. The Bank led the market in terms of multiple core indicators, including the total number of customers, loan balance, the number of active merchants and asset quality.

Debit card business

Debit card business grew steadily in 2017. At the end of 2017, the cumulative numbers of debit cards and financial IC debit cards issued by the Bank were 898 million and 491 million respectively. The amount spent through debit cards in 2017 was RMB15.40 trillion, an increase of 43.39%. The Bank made great efforts to further the development of its "Long Pay" brand, including constant upgrading, incorporating new features such as Kuaidai, and supporting application in various ecosystems such as bike sharing, travel and community. By the end of 2017, the cumulative number of Long Pay users reached 46.85 million, and the cumulative number of transactions was 185 million.

Private banking

In 2017, the Bank's private banking focused on meeting high net worth customers' demand for professional wealth management, and achieved rapid growth. At the end of 2017, the number of private banking customers with financial assets above RMB10 million reached 67,670, up by 8,949, or 15.24% over 2016, and the total financial assets amounted to RMB940,200 million, up by RMB153,863 million, or 19.57% over 2016. With its strong private banking teams of wealth advisors and account managers, the Bank vigorously promoted its wealth advisory services, and built a strong CCB brand product for family trusts. It established a platform for open-ended products, and launched a number of products with market edge, such as consumer goods trust and fully-entrusted investment services. It continued to optimise products such as "Golden Housekeeper" to meet the diversified needs of personal, family and corporate customers.

Entrusted housing finance business

In 2017, in line with the national policy on strengthening the use of provident housing funds, the Bank innovated service models and optimised business processes to consolidate its leading position in the entrusted housing finance market. At the end of 2017, housing fund deposits were RMB727,641 million, while individual provident housing fund loans amounted to RMB2,048,992 million. The Bank steadily promoted its indemnificatory housing loans business, and provided personal indemnificatory housing loans of RMB10,084 million to 27.1 thousand low- and middle-income households in 2017.

4.2.3 TREASURY BUSINESS

Financial market business

In 2017, the Bank steadily pushed forward its financial market operations, and enhanced its market competitiveness and trading activeness remarkably. The strength of product innovation, customer marketing and market research continued to rise, and the profitability and risk management capabilities were further improved.

Money market business

In order to ensure sound liquidity, the Bank made solid efforts to accurately understand market changes, maintained proper RMB and foreign-currency positions, and further expanded its funding and fund use channels. With regard to RMB funds, the Bank carried out its operations in line with market rate movements, and maintained a proper balance between funding and the use of funds, in order to maximise returns of funds. With regard to foreign currency funds, the Bank tried to maximise return of funds by optimising its cash inflow structure, actively expanding the channels for foreign currency funding and lending, and taking advantage of market opportunities.

Debt securities investments

The Bank proactively responded to changes in internal and external business environments, and took initiative to optimise the portfolio structure and the types of debt securities in order to achieve a reasonable balance between risks and returns. With regard to investments in RMB debt securities, the Bank adhered to the principle of value investment, carefully managed the pace of investment with refined debt securities investment strategies, and reinforced its post-investment management. With regard to investments in foreign-currency debt securities, the Bank paid close attention to the interest rate trend in the market and proactively optimised the portfolio structure to enhance returns.

Customer-driven trading business

With increased efforts in market-making activities, product innovation and customer management, the Bank achieved sound and steady development of customer-driven trading business. The Bank actively promoted online buying and selling of foreign currencies versus Renminbi and Account Forex Trading. Also, it added quotations in 10 currencies to meet the customers' needs for exchange trading and interest rate derivatives trading in currencies of "The Belt and Road" countries. In 2017, customer-driven foreign exchange business amounted to US$454,946 million, with the foreign exchange market-making transaction volume reaching US$2.53 trillion. The Bank maintained the top position in the comprehensive ranking of interbank foreign exchange market maker for three consecutive years.

Precious metals and commodities

The Bank actively took advantage of market opportunities, carried out marketing and training, and consolidated its customer base in this area. The number of personal customers for precious metal and commodity trading exceeded 30 million, up by 6.77 million from the previous year. Drawing on its global network, the Bank launched its round-the-clock commodity trading; it increased the number of commodity hedging products to 28, covering major product categories such as precious metals, energy and minerals, and agricultural products. The income from precious metals and commodities businesses increased steadily, as the Bank continued to consolidate its market influence.

Assets management

In 2017, the Bank proactively adapted itself to new regulatory policies, accelerated the transformation of its asset management practices, and continuously optimised its product structure and asset structure. The proportion of product offerings for individual customers rose substantially, with a year-end balance of WMPs to individual customers of RMB1,366,555 million, accounting for 65.53% of the total WMPs; the proportion of standardised assets further increased to 31.82%, with a balance of RMB673,924 million. NAMeS, the Bank's new asset management system, went live to form an integrated end-to-end automated framework. The Bank launched its innovative "Qianyuan" poverty alleviation WMP series, and launched its robo-advisor services. In 2017, the Bank independently issued 12,679 batches of WMPs with a total amount of RMB7,947,669 million to effectively meet the investment needs of customers. At the end of 2017, the balance of WMPs was RMB2,085,256 million, including non-principal-guaranteed WMPs of RMB1,730,820 million and principal-guaranteed WMPs of RMB354,436 million.

Investment banking business

In 2017, the Bank made comprehensive efforts to push forward its investment banking businesses including debt underwriting, financial advisory, mergers and acquisitions (M&As), and securitisation. In 2017, non-financial corporate bonds underwritten by the Bank amounted to RMB400,095 million, making it the top underwriter in the market for the seventh consecutive year. The Bank continued to promote its "CCB Investment Banking®" brand, and provided customers with comprehensive financing products and advisory services through its "Financial Total Solutions (FITS®)", with 1,568 contracted customers. The Bank completed 120 M&A and restructuring transactions, with an increase of RMB184,530 million in volume over the previous year. In order to build regional M&A platforms, the Bank set up its M&A capital centre in Shanghai and M&A finance centre in Guangdong. In expanding its securitisation business, the Bank made comprehensive breakthroughs in project type, target markets, product innovation and other areas. The Bank, together with China Merchants Group, issued the first notes backed by long-term rental apartment assets, and attracted much attention in the market.

4.2.4 Overseas Commercial Banking Business

In 2017, the Group made positive progress in expanding its overseas presence. CCB Indonesia was inaugurated, while CCB Europe Warsaw Branch, CCB Malaysia and the Bank's Perth Branch in Australia were officially open for business one after another. By the end of 2017, the Group's overseas institutions covered 29 countries and regions, including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, the US, the UK, Vietnam, Australia, Russia, Dubai, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, the Netherlands, Spain, Italy, Switzerland, Brazil, Cayman Islands, Ireland, Chile, Indonesia, Malaysia and Poland. The Bank maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of the total share capital of CCB Indonesia. Net profit achieved by overseas institutions in 2017 was RMB7,196 million, a year-on-year increase of 69.46%.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with a registered capital of HK$6,511 million and RMB17,600 million, with 43 branches, one wealth management centre, one private banking centre, two personal credit centres and six small and medium-sized enterprises centres.

CCB Asia is the Group's service platform for retail banking and small and medium-sized enterprises in Hong Kong. Moreover, it has traditional advantages in wholesale financial services such as overseas syndicated loans and structured finance, and has achieved rapid growth in comprehensive financial services in international settlement, trade finance, financial market trading, large structured deposits and financial advisory service. At the end of 2017, total assets of CCB Asia amounted to RMB370,672 million, and shareholders' equity was RMB49,391 million. Net profit in 2017 was RMB2,835 million.

CCB London

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank established in the UK in 2009 and has a registered capital of US$200 million and RMB1.5 billion. CCB London is the Group's British pound clearing centre.

CCB London is dedicated to serving the Chinese institutions in the UK, British companies with investment in China, and enterprises involved in Sino-British bilateral trade. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, RMB and British pound clearing, financial market trading products, etc. At the end of 2017, total assets of CCB London amounted to RMB9,356 million, and shareholders' equity was RMB3,387 million. Net profit in 2017 was RMB240 million.

CCB Russia

China Construction Bank (Russia) Limited is a wholly-owned subsidiary of the Bank established in Russia in 2013, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking licence, a precious metal business licence and a bond market participant licence issued by the Central Bank of Russia.

CCB Russia is dedicated to serving Chinese "Going Global" enterprises, large Russian enterprises and multinational enterprises involved in Sino-Russia bilateral trade. CCB Russia is mainly engaged in syndicated loans, bilateral loans, trade finance, international settlement, financial market trading, financial institutional business, clearing, cash business, deposits, safe deposit box services, etc. At the end of 2017, total assets of CCB Russia amounted to RMB3,753 million, and shareholders' equity was RMB669 million. Net profit in 2017 was RMB64 million.

CCB Europe

China Construction Bank (Europe) S.A. is a wholly-owned subsidiary of the Bank, established in Luxembourg in 2013, with a registered capital of EUR200 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan and Warsaw. CCB Europe Warsaw Branch received its licence in December 2016 and commenced business in May 2017.

CCB Europe mainly provides services to large and medium-sized Chinese “Going Global” enterprises as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, and cross-border trading. At the end of 2017, total assets of CCB Europe were RMB11,006 million, and shareholders’ equity was RMB1,388 million. Net profit in 2017 was a negative value of RMB39 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited is a wholly-owned subsidiary of the Bank, established in New Zealand in 2014 with an original registered capital denominated in NZD equivalent to US$50 million. In 2016, the Bank increased the capital of CCB New Zealand by an equivalent of US$100 million to US$150 million in NZD.

It offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading to Chinese “Going Global” enterprises as well as local customers in New Zealand. At the end of 2017, total assets of CCB New Zealand amounted to RMB8,448 million, and shareholders’ equity was RMB950 million. Net profit in 2017 was RMB51 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is built from Banco Industrial e Comercial S.A. (BIC), which was a relatively large medium-sized bank established in 1938. BIC was listed on BOVESPA in 2007 and headquartered in Sao Paulo. The Bank completed the acquisition of BIC in August 2014, with its shareholding in BIC increased to 99.05% in December 2015. In 2015, BIC was delisted and renamed as China Construction Bank (Brasil) Banco Múltiplo S/A. In December 2017, the Bank held 100% equity shares of CCB Brasil.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. At the end of 2017, CCB Brasil had nine domestic branches and sub-branches in Brazil, one Cayman branch, five wholly-owned subsidiaries, and one joint venture. These subsidiaries provided personal loans, credit cards, equipment leasing and other services, while the joint venture focused on factoring and forfaiting. At the end of 2017, total assets of CCB Brasil were RMB38,608 million, and shareholders’ equity was RMB3,669 million. Net profit in 2017 was a negative value of RMB1,798 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad is a wholly-owned subsidiary of the Bank, established in Malaysia in 2016 with a registered capital of MYR822.6 million. It officially commenced business in 2017.

CCB Malaysia is mainly engaged in wholesale and retail banking, and provides various financial services, including global credit granting, trade finance, supply chain finance, clearing in MYR, RMB and multiple currencies, and cross-border trading, for key Chinese enterprises involved in “the Belt and Road”, bilateral trade enterprises, and large local infrastructure projects in Malaysia. At the end of 2017, total assets of CCB Malaysia were RMB4,323 million, and shareholders' equity was RMB1,317 million. Net profit in 2017 was a negative value of RMB7 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk was formerly PT Bank Windu Kentjana International Tbk, which was a fully licensed commercial bank listed on the Indonesia Stock Exchange with a registered capital of IDR1.66 trillion. Headquartered in Jakarta, it had 102 branches and sub-branches across Indonesia. The Bank completed the acquisition of 60% of the equity of PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017.

CCB Indonesia focuses on developing corporate lending, trade finance, infrastructure financing, loans to small and medium-sized enterprises and personal mortgages, to help promote the bilateral investments and trades between China and Indonesia, and serve Chinese "Going Global" enterprises, as well as high-quality local customer groups. At the end of 2017, total assets of CCB Indonesia amounted to RMB7,575 million, and shareholders' equity was RMB1,179 million. Net profit in 2017 was RMB36 million.

4.2.5 Integrated Operation Subsidiaries

The Group has multiple subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures, CCB International, CCB Pension, CCB Property & Casualty and CCB Investment in non-banking financial sector, as well as Sino-German Bausparkasse and 27 rural banks to provide specialised and differentiated banking services in specific industries and regions. In 2017, the overall business development of integrated operation subsidiaries was robust with steady business expansion and rapidly improving performance. At the end of 2017, total assets of the integrated operation subsidiaries were RMB441,931 million, a year-on-year increase of 19.14%. Net profit reached RMB6,499 million, an increase of 22.86%.

CCB Principal Asset Management

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

In 2017, CCB Principal Asset Management achieved record-high operating results in various areas. At the end of 2017, the total assets managed by CCB Principal Asset Management was RMB1.31 trillion. In this amount, mutual funds were RMB488,001 million, the fourth largest in the industry; the size of its separate account business was RMB360,910 million, the second largest in the industry; the total assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB463,425 million, the third largest in the industry. The total assets of CCB Principal Asset Management were RMB4,421 million, and shareholders' equity was RMB3,706 million. Net profit was RMB1,017 million.

CCB Financial Leasing

CCB Financial Leasing Corporation Limited is a wholly-owned subsidiary of the Bank with a registered capital of RMB8 billion. It 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 finance leasing in domestic bonded areas, and guarantees for external financing by its subsidiaries and special purpose entities.

In 2017, CCB Financial Leasing optimised the structure of its traditional leasing business, expanded its featured leasing businesses, and actively pursued business opportunities in emerging business areas. It increased its efforts in developing innovative products and services in three major lines, namely air plane leasing, green leasing and livelihood service, and in six areas, including integrated urban infrastructure and high-end equipment manufacturing. It enhanced its international presence by actively and steadily expanding overseas business, and maintained stable asset quality and consolidated its industry position by adopting active and effective risk prevention and control measures. At the end of 2017, total assets of CCB Financial Leasing were RMB138,013 million, and shareholders' equity was RMB13,149 million. Net profit was RMB1,222 million.

CCB Trust

CCB Trust Co., Limited has a registered capital of RMB1,527 million. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares respectively. It is mainly engaged in trust business, investment banking and proprietary business. Trust business mainly includes single fund trust, collective fund trust, property trust, equity trust and family trust. The trust assets are mainly used for loans and investments. Investment banking mainly includes financial advisory service, equity trust and bonds underwriting. Proprietary business is mainly the lending, equity investment and securities investment with the equity funds.

At the end of 2017, the trust assets under management amounted to RMB1,409,670 million. Total assets of CCB Trust were RMB19,110 million, and shareholders' equity was RMB11,540 million. Net profit was RMB1,852 million.

CCB Life

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

In 2017, premium income of CCB Life topped the bank-affiliated insurance companies, as it further expanded its business regions and steadily raised the investment profitability. At the end of 2017, total assets of CCB Life were RMB128,376 million, and shareholders' equity was RMB11,001 million. Net profit was RMB375 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was officially incorporated in October 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Traffic Investment Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares respectively. CCB Property & Casualty's scope of business mainly includes motor vehicle insurance, insurance for business and household property, construction and engineering (excluding insurance for specific risk), liability insurance, hull and cargo insurance, short-term health and accident injury insurance, and reinsurance of the above-mentioned offerings.

At the end of 2017, total assets of CCB Property & Casualty were RMB1,128 million, and shareholders' equity was RMB740 million. Net profit was a negative value of RMB228 million.

CCB International

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

In 2017, CCB International maintained stable development in various business lines by continuing to focus on new economic development opportunities, supporting the development of national strategies and providing innovative services to the real economy. It led the industry in terms of the projects it acted as securities sponsor and underwriter as well as M&A financial advisor. At the end of 2017, total assets of CCB International were RMB77,961 million, and shareholders' equity was RMB10,994 million. Net profit was RMB1,438 million.

CCB Futures

CCB Futures Co., Ltd. has a registered capital of RMB561 million, with 80% and 20% of its shares from CCB Trust and Shanghai Liangyou (Group) Co., Ltd. respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage and asset management. CCB Trading Company Limited, a wholly-owned risk management subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

In 2017, the size of CCB Futures' customer equity increased stably. At the end of 2017, total assets of CCB Futures were RMB6,740 million, and shareholders' equity was RMB656 million. Net profit was RMB21 million.

CCB Pension

CCB Pension Management Co., Ltd. has a registered capital of RMB2.3 billion, with 85% and 15% of its shares from the Bank and National Council for Social Security Fund respectively. Its business scope mainly includes investment and management of national social security funds, businesses related to the management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above asset management activities.

In 2017, CCB Pension continuously improved its investment management capability, and the assets under its management increased to RMB391,758 million. It also actively pursued innovations in products and channels, and its group pension insurance products for landless farmers were well received. At the end of 2017, total assets of CCB Pension were RMB2,484 million, and shareholders' equity was RMB2,214 million. Net profit was RMB2.37 million.

CCB Investment

CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank incorporated in July 2017 with a registered capital of RMB12 billion, is China's first institution approved by the CBRC to specialise in market-oriented debt-to-equity swaps. It is mainly engaged in debt-to-equity swaps and relevant supporting businesses, raising funds from qualified social investors for debt-to-equity swaps in pursuant with laws and regulations, issuance of financial debt securities exclusively used for debt-to-equity swaps, and other businesses approved by the CBRC.

CCB Investment adopted a market-oriented and law-based approach, and made active efforts to explore opportunities with innovations. By the end of 2017, it led the industry on a cumulative basis with a total of 48 framework agreements of market-oriented debt-to-equity swaps, a total contractual amount of RMB589,700 million, and actual investment of RMB100,800 million. At the end of 2017, total assets of CCB Investment were RMB12,220 million, and shareholders' equity was RMB12,020 million. Net profit was RMB20 million.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares respectively. As a specialised commercial bank committed to the housing financing sector, Sino-German Bausparkasse is engaged in taking housing savings deposits, providing housing savings loans, residential mortgages, and real estate 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 2017, Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products increased to RMB18,337 million. At the end of 2017, the total assets of Sino-German Bausparkasse were RMB28,797 million, and shareholders' equity was RMB2,903 million. Net profit was RMB45 million.

Rural banks

By the end of 2017, the Bank had sponsored the establishment of 27 rural banks, including Hunan Taojiang and others, and the registered capital of these rural banks totalled RMB2,819.50 million, to which the Bank contributed RMB1,378 million.

These rural banks are dedicated to offering efficient financial services in support of "agriculture, farmers and rural areas", as well as small and micro enterprises in county regions, and have achieved good operating results. At the end of 2017, total assets of the 27 rural banks were RMB18,197 million and shareholders' equity was RMB3,404 million. Loans were mainly extended to support "agricultural initiatives and small and micro enterprises", and the outstanding loans were RMB13,186 million. Net profit was RMB281 million.

4.2.6 Analysed by Geographical Segments

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

(In millions of RMB, except percentages)	2017		2016	
	Amount	% of total	Amount	% of total
Yangtze River Delta	53,279	17.77	39,885	13.51
Pearl River Delta	43,439	14.49	36,973	12.52
Bohai Rim	35,143	11.72	47,629	16.13
Central	48,105	16.05	46,280	15.68
Western	45,837	15.29	52,778	17.88
Northeastern	2,450	0.82	13,651	4.63
Head Office	59,357	19.80	51,243	17.36
Overseas	12,177	4.06	6,771	2.29
Profit before tax	299,787	100.00	295,210	100.00

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Yangtze River Delta	4,687,993	14.68	3,287,924	13.18
Pearl River Delta	3,479,166	10.89	2,248,437	9.02
Bohai Rim	4,916,680	15.39	2,341,560	9.39
Central	4,063,059	12.72	3,227,603	12.94
Western	3,294,459	10.32	2,745,765	11.01
Northeastern	1,100,318	3.45	966,670	3.88
Head Office	8,672,547	27.15	8,456,699	33.91
Overseas	1,726,043	5.40	1,666,409	6.67
Total assets[1]	31,940,265	100.00	24,941,067	100.00

1. Total assets exclude elimination and deferred tax assets.

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

(In millions of RMB, except percentages)	As at 31 December 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	2,288,830	17.74	31,460	1.37	2,117,133	18.02	41,539	1.96
Pearl River Delta	1,941,337	15.05	27,777	1.43	1,762,963	14.99	29,426	1.67
Bohai Rim	2,131,045	16.52	38,302	1.80	1,946,622	16.56	29,199	1.50
Central	2,176,159	16.86	32,154	1.48	1,982,785	16.86	26,654	1.34
Western	2,117,740	16.41	34,973	1.65	1,953,377	16.61	29,435	1.51
Northeastern	672,309	5.21	18,920	2.81	643,515	5.47	14,794	2.30
Head Office	574,506	4.45	5,867	1.02	452,941	3.85	4,296	0.95
Overseas	1,001,515	7.76	2,838	0.28	897,696	7.64	3,347	0.37
Gross loans and advances to customers	12,903,441	100.00	192,291	1.49	11,757,032	100.00	178,690	1.52

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

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of total	Amount	% of total
Yangtze River Delta	2,951,029	18.03	2,820,430	18.31
Pearl River Delta	2,551,496	15.59	2,352,719	15.28
Bohai Rim	2,896,463	17.70	2,743,537	17.81
Central	3,200,877	19.56	3,000,106	19.48
Western	3,137,692	19.18	2,957,827	19.20
Northeastern	1,044,470	6.38	1,071,195	6.95
Head Office	24,658	0.15	11,565	0.08
Overseas	557,069	3.41	445,536	2.89
Total deposits from customers	16,363,754	100.00	15,402,915	100.00

4.3 CAPITAL MANAGEMENT

The Group has implemented comprehensive capital management, which covers formulation of capital management policies, capital blueprint and planning, capital measurement, assessment on internal capital adequacy, capital allocation, capital incentive, restraint and transmission mechanism, capital raising, monitoring and reporting, and application of the advanced capital management approach in its daily operations. The overall principle of the Bank's capital management is to: first, keep an adequate capital level on an on-going basis, and keep a safety margin and buffer space while meeting regulatory requirements to ensure that there is enough capital to cover various risks; second, allocate capital reasonably and effectively by strengthening capital constraint and incentive mechanism, effectively support the implementation of the bank's strategic plans while fully exerting the constraint and guidance effect of capital on the business, and improve capital efficiency and return level continuously; third, consolidate the capital base, keep a relatively high capital quality, supplement capital first through internal accumulation, and then properly use various capital instruments to optimise capital structure; fourth, continuously deepen the application of advanced capital management approach in credit policy, credit approval and pricing management.

In 2017, the Group proactively carried forward transformation towards more intensive use of capital by focusing on capital transmission and constraint mechanism, and strengthening capital-based planning as well as incentive and restraint mechanism. It maintained good profitability, took initiatives to push forward improvement in business structure, and accelerated the development of the business that took up less capital while bringing higher returns, thereby improving its asset allocation efficiency. It persisted in refined management with in-depth analysis on capital use and risk-weighted asset items, and reduced the less efficient use of capital to improve capital efficiency, enhancing the role of capital as a guiding and restraining force in business development. Taking no account of the external capital replenishment, the Group achieved a self-driven growth in capital. It also actively supplemented external capital by successfully issuing RMB60 billion domestic preference shares, further consolidating its capital strength.

4.3.1 Capital Adequacy Ratio

Scope for calculating capital adequacy ratios

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

Capital adequacy ratio

As at 31 December 2017, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and relevant rules for the transition period, were 15.50%, 13.71% and 13.09%, respectively, all of which were in compliance with the regulatory requirements. Compared to the end of 2016, the total capital ratio, tier 1 ratio and common equity tier 1 ratio increased by 0.56, 0.56 and 0.11 percentage points respectively.

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

	As at 31 December 2017		As at 31 December 2016	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	**The Group**	**The Bank**
Capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Total capital after deduction:				
Common Equity Tier 1 capital	1,691,332	1,579,469	1,549,834	1,456,011
Tier 1 capital	1,771,120	1,652,142	1,569,575	1,475,184
Total capital	2,003,072	1,881,181	1,783,915	1,686,768
Capital adequacy ratios:				
Common Equity Tier 1 ratio	13.09%	12.87%	12.98%	12.89%
Tier 1 ratio	13.71%	13.47%	13.15%	13.06%
Total capital ratio	15.50%	15.33%	14.94%	14.93%
Capital adequacy ratios calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*				
Core capital adequacy ratio	12.38%	12.31%	12.55%	12.57%
Capital adequacy ratio	15.40%	15.11%	15.31%	15.16%

Composition of capital

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

(In millions of RMB)	As at 31 December 2017	As at 31 December 2016
Common Equity Tier 1 capital		
Qualifying common share capital	250,011	250,011
Capital reserve[1]	109,968	132,800
Surplus reserve	198,613	175,445
General reserve	259,600	211,134
Retained earnings	883,184	784,164
Non-controlling interest recognised in Common Equity Tier 1 capital	3,264	4,069
Others[2]	(4,256)	798
Deductions for Common Equity Tier 1 capital		
Goodwill[3]	2,556	2,752
Other intangible assets (excluding land use rights)[3]	2,274	2,083
Cash-flow hedge reserve	320	(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	79,636	19,659
Non-controlling interest recognised in Additional Tier 1 capital	152	82
Tier 2 capital		
Directly issued qualifying Tier 2 instruments including related premium	138,848	155,684
Provisions in Tier 2	92,838	58,281
Non-controlling interest recognised in Tier 2 capital	266	375
Common Equity Tier 1 capital after deduction[4]	1,691,332	1,549,834
Tier 1 capital after deduction[4]	1,771,120	1,569,575
Total capital after deduction[4]	2,003,072	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 deduction is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deduction is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deduction is calculated by netting off the corresponding deduction items from the total capital.

Risk-weighted assets

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

(In millions of RMB)	**As at 31 December 2017**	**As at 31 December 2016**
Credit risk-weighted assets	11,792,974	10,821,591
Covered by internal ratings-based approach	8,166,348	7,465,207
Uncovered by internal ratings-based approach	3,626,626	3,356,384
Market risk-weighted assets	94,832	103,494
Covered by internal models approach	50,734	58,277
Uncovered by internal models approach	44,098	45,217
Operational risk-weighted assets	1,032,174	1,012,689
Total risk-weighted assets	**12,919,980**	**11,937,774**

For more details about capital composition, capital measurement and management, please refer to *2017 Capital Adequacy Ratio Report of China Construction Bank Corporation* issued by the Bank.

4.3.2 Leverage Ratio

From the first quarter of 2015 on, the Group calculated its leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. Leverage ratio is calculated by dividing tier 1 capital after deduction by on- and off-balance sheet assets after adjustments. Leverage ratio of a commercial bank shall not be below 4%. As at 31 December 2017, calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Bank*, the Group's leverage ratio was 7.52%, meeting the regulatory requirements.

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

(In millions of RMB, except percentages)	**As at 31 December 2017**	**As at 30 September 2017**	**As at 30 June 2017**	**As at 31 March 2017**
Leverage Ratio	7.52%	7.12%	6.95%	7.01%
Tier 1 capital after reduction	1,771,120	1,683,765	1,620,211	1,629,829
On- and off-balance sheet assets after adjustments	23,555,968	23,643,720	23,312,727	23,251,597

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

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

(In millions of RMB)	**As at 31 December 2017**	**As at 31 December 2016**
Total on-balance sheet assets[1]	22,124,383	20,963,705
Consolidated adjustment[2]	(146,210)	(99,697)
Derivatives adjustment	71,599	25,535
Securities financing transactions adjustment	168	922
Off-balance sheet items adjustment[3]	1,515,080	1,439,703
Other adjustments[4]	(9,052)	(8,587)
On- and off-balance sheet assets after adjustments	**23,555,968**	**22,321,581**

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

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

(In millions of RMB, except percentages)	**As at 31 December 2017**	**As at 31 December 2016**
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	21,690,628	20,672,026
Less: Deduction from tier 1 capital	(9,052)	(8,587)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**21,681,576**	**20,663,439**
Replacement costs of various derivatives (excluding eligible margin)	91,739	61,402
Potential risk exposures of various derivatives	62,831	53,443
Nominal principals arising from sales of credit derivatives	10	50
Derivative assets	**154,580**	**114,895**
Accounting assets arising from securities financing transactions	204,564	102,622
Counter-party credit risk exposure arising from securities financing transactions	168	922
Securities financing transactions assets	**204,732**	**103,544**
Off-balance sheet assets	3,029,172	2,745,861
Less: Decrease in off-balance sheet assets due to credit conversion	(1,514,092)	(1,306,158)
Off-balance sheet assets after adjustments	**1,515,080**	**1,439,703**
Tier 1 capital after deduction	1,771,120	1,569,575
On- and off-balance sheet assets after adjustments	23,555,968	22,321,581
Leverage Ratio[2]	**7.52%**	**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 through dividing tier 1 capital after deduction by on- and off-balance sheet assets after adjustments.

4.4 PROSPECTS

In 2018, the global economy as a whole is expected to continue its recovery, while numerous challenges remain. The US economy is likely to see further rebound, the Eurozone economy and Japanese economy will continue to recover, and emerging economies and developing countries on the whole are now on the upswing. Spillover effects are expected, as the Federal Reserve and European Central Bank (ECB) move to reduce its balance sheet and raise interest rates, and the US launches its tax reform. With deepening implementation of the supply-side structural reform, administrative streamlining, and innovation-driven strategy, China's economy will draw on its strong resilience and great potentials to deliver higher-quality development.

As China's economy enters a new era, the banking industry will face new tests arising from the profound changes in the operating environment, where challenges and opportunities exist side by side. On the one hand, the monetary policy adjustments of developed economies may have impacts on the global economy and capital flows, making it harder for banks to maintain steady operations. As China adopts the two-pillar regulatory framework of monetary and macro-prudential policies, and financial regulations are further tightened with more stringent regulatory requirements and more severe penalties, the standards for compliance in banking operations will be set higher. Against the backdrop of the overall high leverage levels, significant debts of the enterprises, and industrial transformation and upgrade, the domestic banks face asset quality pressures. In addition, Internet-based financial companies pose a challenge to banks in their traditional core banking businesses, such as deposits, loans and wealth management business. On the other hand, the implementation of national strategies, including the Belt and Road Initiative, coordinated development of the Beijing-Tianjin-Hebei region, Yangtze River Economic Belt and Xiong'an New Area, will open up broad new territories for the banking industry. As the supply-side structural reform spurs China's internal economic growth, the high-tech industry, equipment manufacturing industry and modern service industry grow vibrantly, and the consumer sector experiences constant upgrading. All these will trigger huge demands for financial services. The application of the ever-changing fintech, including artificial intelligence, big data, cloud computing and blockchain technologies, enables the financial sector to better prevent financial risks, innovate business models, and meet the diversified demands of customers. Moreover, the rectified financial market order and refined regulatory rules and policies, together with enhanced abilities of preventing and mitigating major risks, provide a secure external environment to facilitate the healthy development of market players.

In 2018, the Group will implement new development concepts by focusing on supporting the real economy, and adhere to prudent operations in strict compliance with regulatory requirements. Efforts will be made in the following areas. Firstly, the Group will reinforce comprehensive risk management. The Group will closely follow up and strengthen its research on global macro policies and regulatory requirements to prevent risks arising from policy adjustments, and ensure that it operates in strict compliance with regulatory requirements. In particular, the Group will on the one hand, tightly control credit risk from the start and optimise its credit extension structure, on the other hand, focus on ending the risks by proactively reducing and exiting from high-risk projects, and improving the efficiency of non-performing asset disposals. Secondly, the Group will optimise its asset and liability structure and consolidate the basis of sustainable development. The Group will continue to give priority to retail banking, consolidate its advantages in corporate banking, strengthen its funding base, cultivate advantages in emerging businesses, improve the development quality of overseas institutions, and raise the contribution of subsidiaries to the value of the Group. Thirdly, the Group will offer financial solutions for key target tasks of the supply-side structural reform. It will push forward the innovation of house leasing services, and help boost rental housing market. It will offer quality inclusive financial services and fulfil its role as a leading bank in improving underdeveloped areas in China. It will make further contributions as a market leader in driving market-oriented and law-based debt-to-equity swaps. Also, it will vigorously support green development initiatives and facilitate the replacement of old growth drivers by new ones. Fourthly, the Group will pursue its fintech strategy. By gaining accurate understanding and insight on the development trend of new technologies, it will strive to secure a dominant position in the fintech-driven development. It will reinforce the application of the New Generation Core Banking System and promote iterative upgrade of the system. It will pursue the building of intelligent operating systems based on its intensive management practices of various production lines. Also, it will deepen the applications of big data technology to forge core data competitiveness at the group level. Fifthly, the Group will improve the collaboration mechanism and implement refined management. It will promote the integrated management and strengthen the cooperation among different lines and areas. It will also cultivate the culture of refined management and improve its refined management capabilities.

5 OTHER INFORMATION

5.1 DETAILS OF SECURITIES ISSUANCE AND LISTING

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

5.2 DETAILS OF ISSUANCE, LISTING AND PROFIT DISTRIBUTION OF PREFERENCE SHARES

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

On 21 December 2017, the Bank made a non-public issuance of 600,000,000 of domestic preference shares in the domestic market, each with a par value of RMB100 and issued at par. The dividend rate equals benchmark interest rate plus a fixed interest spread. The dividend rate would be adjusted every five years, and within each adjustment period, the dividend rate would remain unchanged. The dividend rate in the first dividend rate adjustment period of this non-public issuance of domestic preference shares was determined at 4.75% through pricing inquiry in the market. This non-public offering of domestic preference shares was listed on Shanghai Stock Exchange Integrated Services Platform for transfer on 15 January 2018, the stock abbreviation and the stock code are "建行優 1" and 360030, respectively. Gross proceeds raised from the non-public issuance of domestic preference shares amounted to RMB60 billion. After deduction of expenses relating to the issuance, net proceeds raised were RMB59,977 million, all of which were used to replenish additional tier 1 capital of the Bank.

Stock code of preference shares	Abbreviation of preference shares	Issuance date	Issuance price	Dividend rate (%)	Number of shares issued	Listing date	Number of shares traded with listing approval
4606	CCB 15USD PREF	2015/12/16	US$ 20/share	4.65	152,500,000	2015/12/17	152,500,000
360030	建行優1	2017/12/21	RMB100/share	4.75	600,000,000	2018/01/15	600,000,000

According to the resolution and authorisation of shareholders' general meeting, the meeting of the Board held on 26 October 2017 considered and approved the dividend distribution plan of offshore preference shares of the Bank. Dividends of preference shares would be paid in cash once a year by the Bank to preference shareholders. Dividends not fully distributed to preference shareholders would not be accumulated to next year. After distribution at the agreed dividend rate, preference shareholders will not participate in the distribution of any remaining profit with ordinary shareholders. According to the terms of issuance of offshore preference shares, the Bank distributed dividends of US$141,825,000 (after tax) to the holders of the offshore preference shares. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the income tax shall be withheld by the Bank at a rate of 10%. According to provisions of the terms and conditions of the offshore preference shares, the Bank paid such income tax.

Please refer to the relevant announcement published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for the dividend distribution of offshore preference shares. Such dividends were paid in cash on 18 December 2017.

During the reporting period, there was no dividend distribution for domestic preference shares.

Recent distributions of dividends for preference shares of the Bank were as follows:

	2017			2016		
		Dividend distribution			Dividend distribution	
Type of preference shares	Dividend rate	In millions of USD (after tax)	In millions of RMB (including tax)	Dividend rate	In millions of USD (after tax)	In millions of RMB (including tax)
Offshore preference shares	4.65%	142	1,045	4.65%	142	1,067
Domestic preference shares	4.75%	-	-	NA	NA	NA

5.3 PURCHASE, SALE AND REDEMPTION OF SHARES

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

5.4 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. In strict compliance with the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues. The Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank revised its 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, and elected new executive directors, non-executive directors, independent non-executive directors, shareholder representative supervisors and senior management. The Bank also issued tier 2 capital instruments and appointed external auditors for 2017.

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

5.5 COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors complied with the provisions of this code in the year ended 31 December 2017.

5.6 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

5.7 PROFIT AND DIVIDENDS

In accordance with the resolutions passed at the 2016 annual general meeting held on 15 June 2017, the Bank paid an annual cash dividend for 2016 of RMB0.278 per share (including tax), totalling approximately RMB69,503 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 29 June 2017.

The Board recommends a cash dividend for 2017 of RMB0.291 per share (including tax), subject to approval of the 2017 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 16 July 2018. The expected payment date of the H-shares annual cash dividend for 2017 is on 6 August 2018. The expected payment date of the A-shares annual cash dividend for 2017 is on 17 July 2018.

The Bank's register of members will be closed from 11 July 2018 to 16 July 2018 (both days inclusive), during which period no transfer of H-shares will be effected. In order to receive the final dividend, holders of H-shares of the Bank, who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 10 July 2018. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

5.8 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2017 annual general meeting will be held on 29 June 2018. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 30 May 2018 to 29 June 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2017 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 29 May 2018. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

5.9 ANNUAL REPORT AND ANNOUNCEMENT

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

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Wang Zuji

Vice chairman, executive director and president

27 March 2018

As at the date of this announcement, the executive directors of the Bank are Mr. Tian Guoli, 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.