

The background of the image is a wide-angle aerial shot of the ocean. The water is a deep blue, with lighter blue ripples and white foam near the horizon. Above the ocean, the sky is a clear, pale blue with scattered white, puffy clouds.

China Construction Bank Corporation  
Annual Report 2017

# Exploring the Blue Ocean



中国建设银行  
China Construction Bank

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## Vision

Build a world class banking group with top value creation capability.

## Mission

Provide better service to our customers, create higher value to our shareholders, build up a broader career platform for our associates, and assume full responsibilities as a corporate citizen.

## Core Values

Integrity, Impartiality, Prudence, and Creation



For further information, please visit  
[www.ccb.com](http://www.ccb.com)

# Corporate introduction

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale joint stock commercial bank in China. Its predecessor China Construction Bank was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2017, the Bank's market capitalisation reached US\$232,898 million, ranking fifth among all listed banks in the world. In terms of tier 1 capital, the Group ranked second in the World's Top 1000 Banks by the UK magazine *The Banker* in 2017.

With 14,920 banking outlets and 352,621 staff members, the Bank provides services to hundreds of millions of personal and corporate customers, and maintains close cooperation with leading enterprises in strategic industries in the Chinese economy and numerous high-end customers. The Bank has commercial banking branches and subsidiaries in 29 countries and regions, and its subsidiaries cover various industries, including asset management, financial leasing, trust, life insurance, property & casualty insurance, investment banking, futures and pension.

Adhering to the “customer-centric, market-oriented” business philosophy, the Bank is committed to developing itself into a bank with top value creation capability. The Bank strives to achieve the balance between short-term and long-term benefits, and between business goals and social responsibilities, so as to maximise the value for customers, shareholders, society and its associates.



中国建设银行  
China Construction Bank

Inspiring new lifestyle

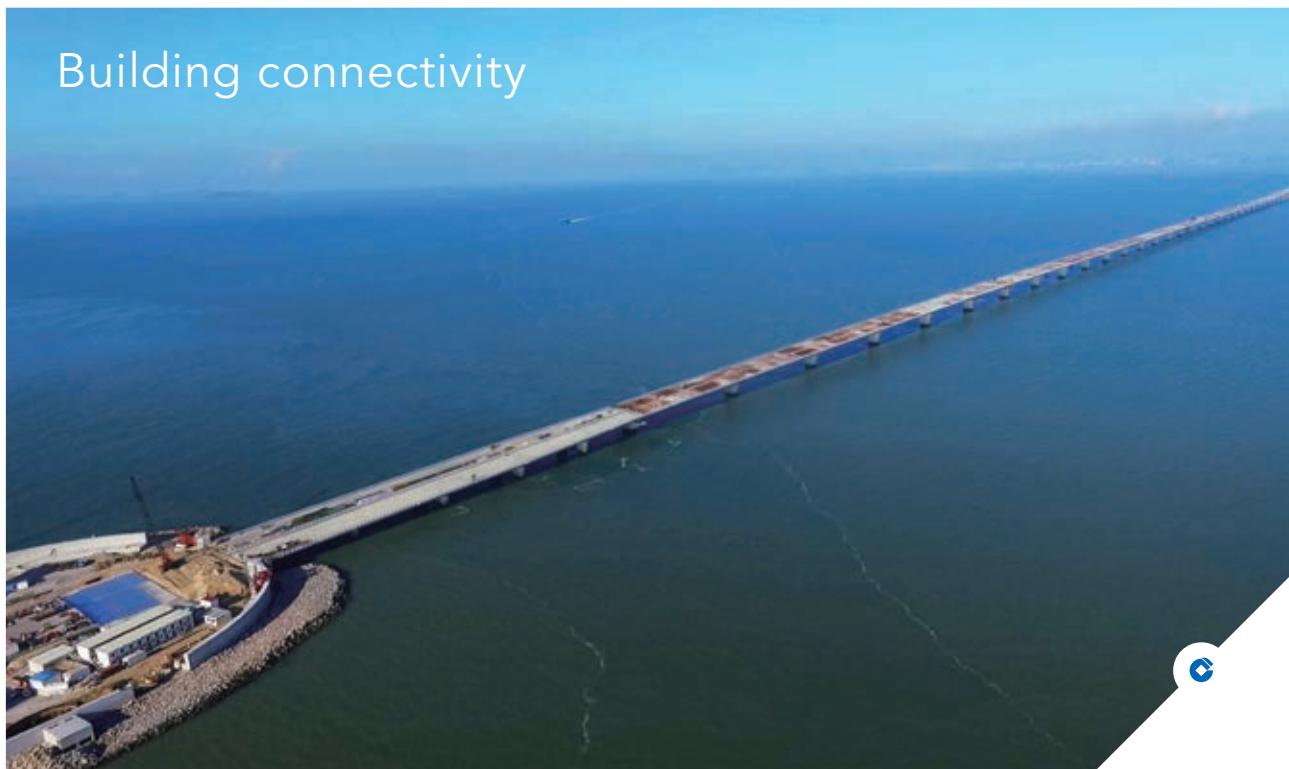


Fostering innovative culture





Building connectivity



Going global





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

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

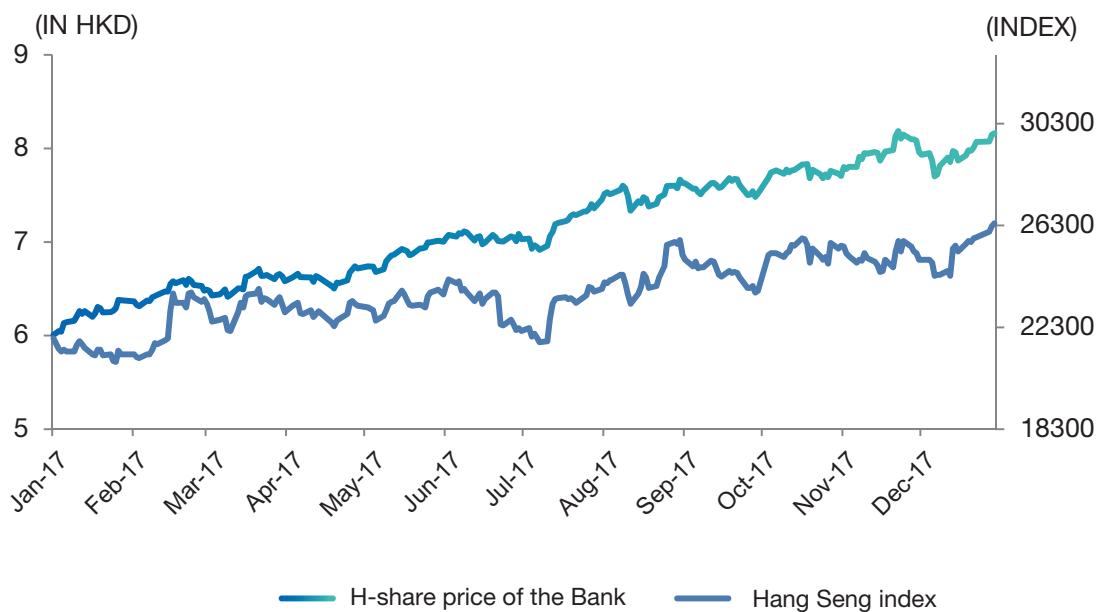
1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.
2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.
3. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*. 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.

## STOCK PERFORMANCE

COMPARISON CHART BETWEEN THE BANK'S A-SHARE PRICE AND SHANGHAI COMPOSITE INDEX



COMPARISON CHART BETWEEN THE BANK'S H-SHARE PRICE AND HANG SENG INDEX



## RANKINGS AND AWARDS

### The Banker

UK magazine *The Banker*

Ranked 2<sup>nd</sup> in the “Top 1000 World Banks” in 2017

### FORTUNE

US magazine *FORTUNE*

Ranked 28<sup>th</sup> in the “Fortune Global 500” in 2017

### ASIAMONEY

Hong Kong magazine *ASIAMONEY*

Best Bank in China 2017

### Interbrand

INTERBRAND

Ranked 3<sup>rd</sup> in Best China Brands in 2017 (the best ranking in financial industry)

### THE ASIAN BANKER<sup>®</sup>

Singapore magazine  
*THE ASIAN BANKER*

Best Digital Bank in China 2017  
Best Large-Scale Retail Bank 2017

### GLOBAL FINANCE

US magazine *GLOBAL FINANCE*

Best Bank Transformation 2017

### 21世纪经济报道 21st CENTURY BUSINESS HERALD

*21ST CENTURY BUSINESS HERALD*

Asian Risk Management Awards for Excellence 2017



*THE CHINESE BANKER* magazine

Best Financial Innovation Award 2017



中国银行业协会  
CHINA BANKING ASSOCIATION

**CHINA BANKING ASSOCIATION**

Best Social Responsibility Financial Institution Award of the Year





# Inspiring new lifestyle

## CCB House Leasing Project

CCB actively pioneered in the development of the house leasing market in 2017 and became the first in the market to provide comprehensive financial solutions for the house leasing business in a bid to advocate the new housing approach of "make your house a home through long-term rental". Our brand proposition "If you want to lease a house, come to CCB" has gained nationwide recognition.



# CORPORATE INFORMATION

Legal name and abbreviation in Chinese 中國建設銀行股份有限公司 (abbreviated as “中國建設銀行”)

Legal name and abbreviation in English CHINA CONSTRUCTION BANK CORPORATION (abbreviated as “CCB”)

Legal representative Tian Guoli

Authorised representatives Wang Zuji  
Ma Chan Chi

Secretary to the Board Huang Zhiling

Representative of securities affairs Xu Manxia

Contact address No. 25, Financial Street, Xicheng District, Beijing

Contact telephone 86-10-66215533

Facsimile 86-10-66218888

Email address ir@ccb.com

Company secretary Ma Chan Chi

Qualified accountant Yuen Yiu Leung

Registered address, office address and postcode No. 25, Financial Street, Xicheng District, Beijing 100033

Internet website wwwccb.com

Principal place of business in Hong Kong 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong

Newspapers for information disclosure China Securities Journal and Shanghai Securities News

Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP [www.sse.com.cn](http://www.sse.com.cn)

“HKEXnews” website of Hong Kong Exchanges and Clearing Limited for publishing the annual report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this annual report are kept	Board of Directors Office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939  H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939  Offshore preference share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB 15USDPREF Stock code: 4606  Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030
Certified public accountants	PricewaterhouseCoopers Zhong Tian LLP Address: 11/F, PricewaterhouseCoopers Centre, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai Signing accountants: Ye Shaokuan, Li Dan PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong
Legal advisor as to PRC laws	Haiwen & Partners Address: 20/F, Fortune Financial Centre, 5 Dongsanhuan Central Road, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 34/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

# CHAIRMAN'S STATEMENT



**Tian Guoli**  
Chairman

Dear shareholders,

I was happy to be back to CCB in 2017 from which I have been away for quite some time, and to work again with my fellow colleagues to seize the opportunities arising from China's economic transformation and upgrading, build up CCB's core competitive edge, and maintain stable and balanced development of various businesses to ensure sound and solid asset quality as well as strong and sustainable profitability. I am proud to share CCB's annual results with our shareholders and friends. The Group's total assets reached RMB22.12 trillion, a year-on-year increase of 5.54%. The Group achieved a net profit of RMB243.62 billion, with a year-on-year growth of 4.83%. The Group's return on average assets and return on average equity were 1.13% and 14.80% respectively, while the total capital ratio was 15.50%. On account of the good operating results, the Board of the Bank proposed a final cash dividend of RMB0.291 per share (including tax), subject to approval by shareholders at the 2017 annual general meeting.

In 2017, we actively pioneered in the development of the house leasing market to create and establish a new business model and a new growth driver. On the strength of our traditional advantage in housing finance, CCB was the first in the market to provide comprehensive financial solutions for the house leasing business to seize the historical opportunity brought by China's efforts to boost house leasing market. Our house leasing platform covered basically all major cities in China, and our slogan – "If you want to lease a house, come to CCB" attracted nationwide attention. By integrating the house leasing business with the construction of smart cities, we have made financial services an integral part of city operation and residents' everyday life, which would enable us to gain access to all possible business opportunities thereof, laying a solid foundation for our business expansion with continuous enhancement of customer acquisition capabilities and improvement of product and services.

A new model was built to support the real economy with enhanced quality and efficiency. By leveraging our strength in infrastructure, we have been actively involved in the coordinated development of the Beijing-Tianjin-Hebei region, the development of Yangtze River Economic Belt and "the Belt and Road" Initiative. At the end of 2017, the infrastructure loans amounted to RMB3.36 trillion, a year-on-year increase of 15.93%. Inclusive finance model has been innovated through digitalisation, diversified online channels and intellectual automation. Prime customers were identified by using information and data from various sources, which ensured both operational efficiency and asset quality and enabled us to achieve remarkable results in the development of inclusive finance. We also explored practical and commercially sustainable new approaches to provide financial services to "agriculture, farmers and rural areas". By adopting a light asset business model through cross sector collaboration and network coverage, we supported the revitalisation of rural areas with quality financial services.

The strategy to set retail business as our priority has led to the continuously increased contribution from this sector and larger market shares in key retail services. As consumption has become a key driver for China's economic transformation, vast opportunities have been created for the rapid development of the retail business of commercial banks. Adhering to our customer-oriented philosophy, we accelerated the development of our retail business by fully leveraging our distribution network with internet thinking and systematic approaches. We continued to strengthen our traditional advantage in residential mortgages, gained a new edge in consumer finance which was our high priority, and further consolidated the foundation for consumer credit.

The development of Fintech innovation was accelerated to bring a driving force to our operational management and business innovation. Modern technology has fundamentally changed the traditional way of banking. CCB adopted the world's advanced technology and practice, and implemented the "New Generation" core banking system leading among peers. The lead was then rapidly translated into business edges with real applications, enhancing our capabilities in multiple fields including specialised marketing service, flexible and efficient product innovation process and comprehensive risk prevention and control. Innovative products such as "Long Pay" and "Quick Loan" are the highlights of our internet thinking and big data application, which raised our market influence. We also explored ways to use technology in an open and collaborative manner to provide all-round, multi-layer and comprehensive services to our customers, covering not only funds and solutions, but also network. We took initiative to go further in fintech research, aiming at leading in the market in terms of the full integration of internet services, big data, artificial intelligence and the financial services.

We attached great importance to risk management and achieved positive results in tackling risks. By thorough analysis of the macro environment, we carefully studied the changing pattern of risks, and paid close attention to managing risks in relation to leverage ratio, certain industries and market liquidity. New technologies of internet and big data were used to enhance our capabilities of accurate and early risk warning and control, and the early identification and early warning led to early prevention and early disposal. We have continued to strengthen the compliance and anti-money laundering system and technology, and have systematically enhanced our capabilities in compliance management. In 2017, our asset quality remained stable and continued to show improvement. We witnessed decreases in non-performing loan ratio, overdue loan ratio, proportion of special mention loans in total loans, new non-performing loan ratio, and credit loss ratio. Meanwhile, we strengthened the management of risk classification, made provisions in a prudent manner, and enhanced the risk compensation capability, further consolidating the improving asset quality.

CCB has been actively fulfilling its corporate social responsibilities, and strived to be a leader in building an eco-friendly society in the new era. Initiatives were launched to enhance our staff members' international vision and ecological awareness, and push forward low-carbon operation and green credit development. We achieved solid progress in targeted poverty alleviation to support the construction of the poverty-stricken areas. We are also proud to share some of our long-term social welfare programmes, including "Healthy Mother Express", CCB sponsorship programme for high school students, CCB Hope Primary Schools, and CCB sponsorship programme of impoverished mothers of heroes and exemplary workers. In 2017, we made charitable donations of RMB77.86 million to various areas including poverty alleviation, education, medical care, environmental protection and disaster relief.

Continuous improvements were made in corporate governance. We have incorporated the building of the Communist Party of China into the amended Articles of Association of the Bank to further strengthen the corporate governance rules. In 2017, Mr. Wang Hongzhang resigned by reason of age from his positions as chairman of the Board, executive director of the Bank as well as the chairman and member of the strategy development committee; Mr. Wim Kok, Mr. Zhang Long and Mr. Dong Shi left the Board; Sir Malcolm Christopher McCarthy, Ms. Feng Bing, Mr. Zhu Hailin, Mr. Wu Min and Mr. Zhang Qi joined the Board. On behalf of the Board, I would like to take this opportunity to extend our sincere gratitude to the resigned directors for their contributions to the Group, and also our warm welcome to the new members.

The world is currently experiencing an economic upswing, but the deep-seated problems are yet to be resolved. We need to keep a close eye on the changes in the monetary policy and tax reform of major economies that might have spillover effects. China's economy is entering a high quality development phase, and maintaining a sound momentum.

In this new era with new opportunities and challenges, we will adhere to the philosophy of steady development, focus on the direction and demand of modern economic system development, and strengthen our abilities in serving the country's construction, preventing financial risks and participating in international competition. We will strive to achieve quality development through refined management, prudent risk control, intensive capital management, sound profitability and advanced technology with focus on banking, and deliver CCB's new legends in the new era.



Tian Guoli

*Chairman*

27 March 2018

# PRESIDENT'S REPORT

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**Wang Zui**  
Vice chairman, executive director  
and president

Dear shareholders,

Everything starts anew as a new year begins. In 2017, faced with complicated and challenging operating environment, the Group implemented the new development concept, adhered to prudent operations in strict compliance with regulatory requirements, supported the development of the real economy with united and diligent efforts, and as a result, achieved favourable business results.

## MAINTAINING PRUDENT AND COORDINATED DEVELOPMENT TO ENSURE STEADY AND IMPROVED OPERATING PERFORMANCE

The Group achieved balanced growth of assets and liabilities. It adhered to intensive development with a focus on structural upgrade, improved the quality and efficiency of development, and maintained a reasonable asset growth rate. It strengthened the measures of maintaining and expanding deposits, and intensified efforts to attract more low-cost funds, resulting in enhanced stability of core liabilities and proper tradeoff between price and volume. At the end of 2017, the Group's total assets were RMB22.12 trillion, up by 5.54% year on year, in which gross loans and advances to customers reached RMB12.90 trillion, an increase of RMB1,146,409 million or 9.75% over 2016. The Group's total liabilities were RMB20.33 trillion, up by 4.93% year on year, in which total deposits from customers reached RMB16.36 trillion, up by RMB960,839 million or 6.24% over 2016. It adhered to solid and prudent liquidity management strategy,

made careful arrangements for funding and use of funds in a centralised manner, acted in the market as a stabilising force, and maintained stable liquidity throughout the year.

Profit growth maintained sound momentum. Adhering to the principle of value creation, the Group established mechanisms to allocate its financial resources more effectively, and raised its pricing ability with the costs at control. The net profit of the Group was RMB243,615 million, an increase of 4.83% over the previous year, up by 3.30 percentage points. Net interest income increased by 8.30% and net interest margin rose quarter by quarter. Net fee and commission income accounted for 19.83% of the operating income. Overseas commercial bank subsidiaries and integrated operation subsidiaries made greater contributions to the Group's profit, with net profit growth of 69.46% and 22.86% respectively.

The core indicators remained stable and balanced. The Group's return on average assets was 1.13%, return on average equity was 14.80%, net interest margin was 2.21%, cost-to-income ratio was 27.15%, and total capital ratio was 15.50%. These core indicators demonstrate coordinated development and are among the best in peers.

## FORGING A NEW MODEL FOR SERVING THE REAL ECONOMY TO SUPPORT THE SUPPLY-SIDE STRUCTURAL REFORM

The Group spared no efforts in serving the real economy. As a main force in providing service to the real economy, the Bank maintained its role as a leading bank in areas including infrastructure credit and housing finance, and fully supported the implementation of major strategies including "the Belt and Road", the Yangtze River Economic Belt, and the coordinated development of the Beijing-Tianjin-Hebei region. Loans to infrastructure sectors totalled RMB3.36 trillion, an increase of RMB461,297 million or 15.93% over 2016, accounting for 52.11% of total corporate loans and advances, further consolidating its leading position. The Group took lead in launching its house leasing solution, and created an integrated rental housing service platform. It created "CCB Jianrong Jiayuan" brand for the long-term lease community, in order to deliver the new housing concept and boost rental housing market. There are over 300 administrative areas at prefecture level and above cooperating with the Group currently.

The Group assisted in the "capacity reduction, de-stocking, deleveraging, cost reduction, improving underdeveloped areas" initiatives. The Group persisted in adopting differentiated credit policies for different sectors, and

promoted the growth of new economies and the upgrades of traditional industries. Loans to strategic emerging industries and high-tech industries grew rapidly. The green loans exceeded RMB1 trillion, while loans granted to the excess-capacity industry were controlled effectively. Drawing on its lead in the market-oriented debt-to-equity swaps, the Group ranked first among peers with a total debt-to-equity swap contractual amount of RMB589,700 million and actual investment amount of RMB100,800 million, facilitating enterprises in deleveraging. The Group promoted "Quick Loans for Small and Micro Enterprises", "Yunongtong" and other innovative approaches to shore up economic weaknesses. Loans to small and micro enterprises and agriculture-related loans reached RMB1.61 trillion and RMB1.77 trillion respectively, demonstrating the new breakthroughs made in inclusive finance.

### **PROMOTING PRODUCT AND SERVICE INNOVATIONS, AND CONTINUOUSLY OPTIMISING BUSINESS STRUCTURE**

The Group increased efforts in strengthening its innovation capabilities. It closely followed the implementation of the national innovation-driven development strategy, accelerated the shift from scale-driven to innovation-driven approach, and built a comprehensive and diversified product and service system. The depth and width of its service continued to expand, which transformed from providing loans to providing comprehensive financing service, and then to providing "comprehensive financing and advisory services." In 2017, the Group completed the over 1,500 innovations, and over 2,400 innovative product duplications. Leveraging its targeted marketing platforms, the Group created more than 92,000 marketing tasks, and served 360 million customers through marketing, enhancing the ability of the Group to provide smart services.

The Group pursued development strategies with priority on retail banking. The proportion of profit before tax from personal banking was 45.95%, up by 2.16 percentage points from the previous year. At the end of 2017, the residential mortgages reached RMB4.21 trillion, an increase of RMB627,420 million or 17.50% over 2016, ranking first among peers. Against the background of consumption upgrading, the increase of its personal consumer loans ranked first in the industry, and 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 cumulative number of credit cards issued exceeded 100 million, with the total amount spent through credit cards reaching RMB2.62 trillion and the loan balance of RMB563,613 million. Core indicators, such as the total number of customers, loan balance, the number of active merchants and asset quality, took the lead among peers.

The Group cultivated its competitive advantage in emerging businesses. The trading and market-making ability in the financial market improved while customer-driven trading business revenue reached RMB13,984 million, up by 16.14% year on year. It underwrote 495 batches of non-financial corporate bonds, with a total volume of RMB400,095 million, making it the top underwriter in the market for the seventh consecutive year. It continued to expand the brand influence of its investment banking, with the number of contracted customers of Financial Total Solutions (FITS(r)) totalling 1,568. The settlement and cash management business continued to grow steadily, with 7.94 million corporate RMB settlement accounts and 1.63 million active cash management customers. Assets under custody exceeded RMB11 trillion, and the increase of assets under custody and income from public fund custodial services maintained the leading position among peers.

### **IMPLEMENTING FINTECH STRATEGY TO FURTHER STRENGTHEN THE FOUNDATION FOR SUSTAINABLE DEVELOPMENT**

The Group deepened the application of the new generation core banking system, and strived to unleash the value creation ability of big data. It achieved enterprise-level management of business needs, component-based research and development of business functions, and consistent management of system quality. With an agile and efficient research and development system, it built an industry-leading enterprise-level data management system and data application system, which significantly enhanced its core competitiveness. It built a big data platform and implemented more than 430 big data application projects, continuously unleashing the value creation ability of big data application elements. It promoted refined management of customer service, human resources, capital and liquidity with systematic, consistent and quantitative measures, and further cultivated the refined management culture.

The Group accelerated the expansion of its financial ecosystem, and consolidated customer and account bases. The number of corporate and institutional customers reached 4.78 million, the number of personal customers with financial assets in the Bank was 375 million, and the number of private banking customers increased by 15.24%. The Group increased its efforts to promote online bank, and further implemented the "mobile first" strategy. The number of online banking users was 271 million, and the number of mobile bank users reached 266 million. The number of cooperative merchants largely increased as coordinated efforts were made to develop new merchants. The number of Long Pay users reached 46.85 million. It optimised the layout of outlets, and completed the transformation of 99% outlets into smart ones, and the number of STMs in operation reached 47,000, covering all outlets.

### **CONTINUOUSLY IMPROVING THE COMPREHENSIVE RISK MANAGEMENT SYSTEM AS ASSET QUALITY IMPROVED STEADILY**

The Group continued to improve the comprehensive risk management system, and took the initiative to manage all kinds of risks. The Group improved the centralised and unified management of its liquidity, strengthened the coordinated use of funds, and ensured the soundness of liquidity while keeping regulatory indicators such as liquidity coverage ratio at a reasonable level. The Group strengthened the management and control of its market risks and trading risks, and effectively prevented cross risk contagion. It made concrete efforts in the measurement, monitoring and management of the interest rate risk of its banking book, and adopted multiple measures to control operational risk. It further strengthened the consolidated reputational risk management, and reinforced the limit management as part of its efforts to improve its country risk management rules and policies. It also intensified compliance and anti-money laundering management by building a solid foundation for internal control management and improving the system and mechanism of compliance management.

The Group strengthened efforts on credit risk prevention and mitigation and enhanced the operation and value management of non-performing assets. It improved the credit approval management on a consolidated basis, with a focus on studies of and control over key business lines and emerging sectors. It reinforced risk management and control in key areas, and integrated the credit risk monitoring of the

Group's on- and off-balance sheet businesses, domestic and overseas operations, businesses of the parent company and subsidiaries, as well as loans and similar businesses. It continuously enhanced risk measurement capabilities, and built a enterprise-level platform for comprehensive risk monitoring and early-warning. It improved the structure and economic benefits of non-performing assets operation, and achieved an all-round enhancement in quantity, quality and efficiency of non-performing assets disposal. At the end of 2017, the NPLs of the Group were RMB192,291 million and the NPL ratio was 1.49%, a decrease of 0.03 percentage point from the previous year. Both of the balance and the proportion of overdue loans decreased for the first time since 2010, and the negative difference between the overdue loans and non-performing loans continued to expand from the previous year. The ratio of allowances to NPLs was 171.08%.

### **OUTLOOK**

With resolution and hard efforts, we are confident in overcoming all the challenges ahead, no matter how daunting they now seem. In 2018, the Group will further implement the new development concept, facilitate the revival of the real economy, adhere to prudent and compliant operations, optimise asset and liability structure, strengthen comprehensive risk management, implement fintech strategy, and reinforce capabilities in integrated management and smart operations, so as to consolidate the foundation of sustainable development, and march forward on a path of high-quality development to deliver one dream after another.

Finally, on behalf of the management, I would like to take this opportunity to extend my sincere gratitude to the Board and the board of supervisors for their tremendous support, as well as our customers for their trust and our staff members for their dedicated work.



**Wang Ziji**

*Vice chairman, executive director and president  
27 March 2018*



**Guo You**  
Chairman of the board of supervisors

Dear shareholders,

In 2017, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its supervision duties. It further improved the effectiveness of supervision with continuous efforts to refine its work methods, made active contribution to the sound operation of corporate governance and the steady development of the Bank, and played an effective role in terms of their duties and functions.

### PARTICULARS OF MAJOR WORK

Convening meetings of the board of supervisors pursuant to laws and regulations. During the year, eight meetings of the board of supervisors were convened, in which 19 resolutions were reviewed and considered pursuant to laws and regulations, including periodic reports of the Bank, assessment report on internal control, revisions to the rules of procedures for the board of supervisors, and assessment reports of the management performance for the year. The board of supervisors conducted special discussions on the contents concerning the board of supervisors in the amendments to the Articles of Association of the Bank, and organised researches on 11 topics including credit risk control, cross-sector financial business development and risk control, management of guarantee institutions, anti-money laundering. The board of supervisors also heard reports on CBRC's requirements on market disorder rectification work

and the implementation of issues notified by regulators. The performance and due diligence supervision committee held four meetings, and the finance and internal control supervision committee held six meetings.

*Earnestly carrying out performance supervision.* Members of the board of supervisors attended important meetings such as meetings of the Board and the special committees under the Board, the Group's work conferences and the presidents' executive meetings as non-voting attendees. The board of supervisors duly reviewed the meeting materials, learned the operating situation, and paid special attention on the compliance with laws and regulations regarding the decision-making procedures and the voting results of the Board. Based on business supervision, the board of supervisors learned further about the implementation of resolutions of the general meeting of shareholders and the Board as well as the daily performance of senior management. The board of supervisors carried out the annual performance assessment work, proposed the assessment reports on the annual performance of the Board and its members, and the senior management and its members, presented the annual self-assessment of the performance of board of supervisors and its members after careful consideration, and reported the performance assessment to the shareholders' general meeting and regulators pursuant to relevant provisions.

*Continuously strengthening financial supervision.* The board of supervisors conscientiously performed its duty of supervision on financial reporting by focusing on the contents and procedures of financial reports as well as important business issues in the current reporting period, and put forward supervisory opinions and suggestions. The board of supervisors heard a special report on financial inspections across the Bank for the year 2016 of the Bank, paid close attention to the IFRS 9 implementation and the related progress, analysed the implementation of the regulatory requirements on information disclosure, and continued to supervise the progress of consolidated management and the advanced approach of capital management. The board of supervisors organised the implementation of supervision over financial decisions, and paid special attention to the arrangement and implementation of business plan as well as continual influence of the business tax to value added tax reform. It also conducted regular supervision over issues including related party transactions, use of proceeds, acquisition and disposal of material assets, pursuant to the Articles of Association and regulatory requirements.

*Carefully conducting the internal control supervision.* For internal control the board of supervisors paid constant attention to the improvement of organisational structure, formulation of rules and policies, optimisation of processes and systems, rectification of audit issues and the implementation of internal control and compliance work at all levels of the Bank. The board of supervisors attached great importance to the progress of self-inspections as part of the series of targeted rectification missions by the CBRC, heard special reports on rectification in key areas such as financial institutional business and assets management business, and promoted rectification of the issues from the aspect of system and mechanism. The board of supervisors actively adapted to the changes of internal and external regulatory situation and strengthened the supervision on anti-money laundering. It paid close attention to internal control management of new products, and performed research and analysis on embedding risk control and compliance in the process of product innovation. It also duly reviewed the annual assessment report on internal control, and gave independent opinions.

*Thoroughly enhancing risk management supervision.* The board of supervisors continued to enhance supervision over credit risk, communicated on the quality of credit assets with the management on a quarterly basis, and heard reports on credit risk control and integration of risk early-warning systems of the Bank. It organised discussions on the risk control over government debts, cross-sector financial business, real estate, etc., in order to strengthen its supervision over main risk areas of the Bank. The board of supervisors continuously conducted supervision over collateral management and management of guarantee institutions, and actively promoted intensive collateral management and the building of the management system of specialised guarantee institutions. The board of supervisors regularly monitored the implementation of the risk appetite and higher standard regulatory indicators of large banking institutions. With focus on key issues in risk management, it conducted special research and discussion on liquidity risk management, stress testing and overseas institutions risk management, and proposed supervisory opinions and requirements.

*Stressing on continuous self-improvement.* The board of supervisors carefully chose meeting agendas, with focus on key issues in risk management and internal control. By deepening research and discussion on the agenda items, it continuously raised the quality and efficiency of the meetings of the board of supervisors and special committees. The supervisors paid much attention to the thorough communication with the management. They communicated with various parties regarding important supervision matters, learned fully about actual situations, and proposed pertinent and constructive opinions. The supervisors further explored the transmission and implementation mechanism of supervisory opinions, strengthened problem rectification, and highly enhanced supervision effectiveness. They also conducted special studies on four areas including government related credit business, guarantee institutions and related credit business, real estate credit business and the application of big data technology. All supervisors actively participated in the work of the board of supervisors and the activities of the Bank, and constantly explored new methods and approaches for supervisory work in order to duly perform their supervisory duties.



**Guo You**

Chairman of the board of supervisors

27 March 2018





# Fostering innovative culture

## Accelerating Fintech Innovation

The Group has implemented the industry-leading "New Generation" core banking system which was rapidly translated into business edges with real applications. By applying internet thinking and big data technologies, we launched innovative products such as "Long Pay" and "Quick Loan", which have helped increase our market influence persistently. We also explored ways to use technology in an open and collaborative manner to offer our customers all-round, multi-layer and comprehensive services, providing not only funds and solutions, but also networks.

# FINANCIAL REVIEW

In 2017, the global economy witnessed a generally synchronized 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.

## 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)
<b>Operating income</b>			
Operating expenses	594,031	559,860	6.10
Impairment losses	(167,043)	(171,515)	(2.61)
Share of profit of associates and joint ventures	(127,362)	(93,204)	36.65
<b>Profit before tax</b>	<b>161</b>	69	133.33
Income tax expense	299,787	295,210	1.55
	(56,172)	(62,821)	(10.58)
<b>Net profit</b>			
	<b>243,615</b>	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 (%)
<b>Assets</b>						
Gross loans and advances to customers	<b>12,332,949</b>	<b>515,427</b>	<b>4.18</b>	11,198,284	477,204	4.26
Debt securities investments	<b>4,567,181</b>	<b>170,713</b>	<b>3.74</b>	4,281,294	156,204	3.65
Deposits with central banks	<b>2,847,380</b>	<b>43,027</b>	<b>1.51</b>	2,615,994	39,512	1.51
Deposits and placements with banks and non-bank financial institutions	<b>578,376</b>	<b>15,279</b>	<b>2.64</b>	709,735	19,615	2.76
Financial assets held under resale agreements	<b>191,028</b>	<b>5,708</b>	<b>2.99</b>	157,860	4,102	2.60
Total interest-earning assets	<b>20,516,914</b>	<b>750,154</b>	<b>3.66</b>	18,963,167	696,637	3.67
Total allowances for impairment losses	<b>(304,369)</b>			(274,175)		
Non-interest-earning assets	<b>1,895,179</b>			998,631		
<b>Total assets</b>	<b>22,107,724</b>	<b>750,154</b>		19,687,623	696,637	
<b>Liabilities</b>						
Deposits from customers	<b>16,037,819</b>	<b>213,313</b>	<b>1.33</b>	14,666,217	212,474	1.45
Deposits and placements from banks and non-bank financial institutions	<b>1,875,668</b>	<b>46,621</b>	<b>2.49</b>	1,942,354	40,593	2.09
Debt securities issued	<b>539,251</b>	<b>19,887</b>	<b>3.69</b>	411,584	16,615	4.04
Borrowings from central banks	<b>484,099</b>	<b>14,486</b>	<b>2.99</b>	205,300	5,671	2.76
Financial assets sold under repurchase agreements	<b>101,842</b>	<b>3,391</b>	<b>3.33</b>	128,026	3,485	2.72
Total interest-bearing liabilities	<b>19,038,679</b>	<b>297,698</b>	<b>1.56</b>	17,353,481	278,838	1.61
Non-interest-bearing liabilities	<b>1,383,210</b>			848,040		
<b>Total liabilities</b>	<b>20,421,889</b>	<b>297,698</b>		18,201,521	278,838	
<b>Net interest income</b>		<b>452,456</b>			<b>417,799</b>	
<b>Net interest spread</b>			<b>2.10</b>			2.06
<b>Net interest margin</b>			<b>2.21</b>			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 <sup>1</sup>	Interest rate factor <sup>1</sup>	Change in interest income/expense
<b>Assets</b>			
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
<b>Change in interest income</b>	<b>58,898</b>	<b>(5,381)</b>	<b>53,517</b>
<b>Liabilities</b>			
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
<b>Change in interest expense</b>	<b>29,998</b>	<b>(11,138)</b>	<b>18,860</b>
<b>Change in net interest income</b>	<b>28,900</b>	<b>5,757</b>	<b>34,657</b>

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 (%)
<b>Corporate loans and advances</b>	<b>6,291,705</b>	<b>267,676</b>	<b>4.25</b>	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
<b>Personal loans and advances<sup>1</sup></b>	<b>4,537,703</b>	<b>202,473</b>	<b>4.46</b>	3,893,844	169,141	4.34
<b>Discounted bills</b>	<b>214,118</b>	<b>6,894</b>	<b>3.22</b>	504,864	15,637	3.10
<b>Overseas operations and subsidiaries</b>	<b>1,289,423</b>	<b>38,384</b>	<b>2.98</b>	963,971	28,050	2.91
<b>Gross loans and advances to customers</b>	<b>12,332,949</b>	<b>515,427</b>	<b>4.18</b>	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 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.

(In millions of RMB, except percentages)	2017			2016		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>	<b>8,430,224</b>	<b>104,137</b>	<b>1.24</b>	7,517,512	100,649	1.34
Demand deposits	<b>5,406,626</b>	<b>35,532</b>	<b>0.66</b>	4,653,401	31,428	0.68
Time deposits	<b>3,023,598</b>	<b>68,605</b>	<b>2.27</b>	2,864,111	69,221	2.42
<b>Personal deposits</b>	<b>7,078,489</b>	<b>100,088</b>	<b>1.41</b>	6,712,026	105,283	1.57
Demand deposits	<b>3,063,410</b>	<b>9,298</b>	<b>0.30</b>	2,739,082	8,279	0.30
Time deposits	<b>4,015,079</b>	<b>90,790</b>	<b>2.26</b>	3,972,944	97,004	2.44
<b>Overseas operations and subsidiaries</b>	<b>529,106</b>	<b>9,088</b>	<b>1.72</b>	436,679	6,542	1.50
<b>Total deposits from customers</b>	<b>16,037,819</b>	<b>213,313</b>	<b>1.33</b>	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 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 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 deposit 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	<b>131,322</b>	127,863	2.71
Fee and commission expense	<b>(13,524)</b>	(9,354)	44.58
Net fee and commission income	<b>117,798</b>	118,509	(0.60)
Other net non-interest income	<b>23,777</b>	23,552	0.96
Total net non-interest income	<b>141,575</b>	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 (%)
<b>Fee and commission income</b>			
Bank card fees	<b>42,242</b>	37,649	12.20
Wealth management products service fees	<b>20,040</b>	20,537	(2.42)
Agency service fees	<b>16,256</b>	20,025	(18.82)
Settlement and clearing fees	<b>13,211</b>	12,612	4.75
Commission on trust and fiduciary activities	<b>11,857</b>	11,174	6.11
Consultancy and advisory fees	<b>9,906</b>	11,368	(12.86)
Electronic banking service fees	<b>9,341</b>	7,584	23.17
Guarantee fees	<b>3,330</b>	2,938	13.34
Credit commitment fees	<b>1,525</b>	1,830	(16.67)
Others	<b>3,614</b>	2,146	68.41
<b>Fee and commission expense</b>	<b>(13,524)</b>	(9,354)	44.58
<b>Net fee and commission income</b>	<b>117,798</b>	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.

#### *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
<b>Other net non-interest income</b>	<b>23,777</b>	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
<b>Operating expenses</b>	<b>167,043</b>	171,515
<b>Cost-to-income ratio (%)</b>	<b>27.15</b>	27.51

In 2017, the Group strengthened cost management and optimised expense structure. Cost-to-income ratio decreased by 0.36 percentage point 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;

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.

### Impairment losses

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

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

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

- 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.
- 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 RMB113,064 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 point to 23.42%, that of cash and deposits with central banks decreased by 0.08 percentage point 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 point 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
<b>Corporate loans and advances</b>	<b>6,443,524</b>	<b>49.94</b>	5,864,895	49.89	5,777,513	55.11
Short-term loans	<b>2,050,273</b>	<b>15.89</b>	1,786,442	15.20	1,811,557	17.28
Medium to long-term loans	<b>4,393,251</b>	<b>34.05</b>	4,078,453	34.69	3,965,956	37.83
<b>Personal loans and advances</b>	<b>5,193,853</b>	<b>40.25</b>	4,338,349	36.90	3,466,810	33.06
Residential mortgages	<b>4,213,067</b>	<b>32.65</b>	3,585,647	30.50	2,773,895	26.45
Credit card loans	<b>563,613</b>	<b>4.37</b>	442,001	3.76	390,274	3.72
Personal consumer loans	<b>192,652</b>	<b>1.49</b>	75,039	0.64	55,427	0.53
Personal business loans	<b>36,376</b>	<b>0.28</b>	46,395	0.39	63,153	0.60
Other loans <sup>1</sup>	<b>188,145</b>	<b>1.46</b>	189,267	1.61	184,061	1.76
<b>Discounted bills</b>	<b>122,495</b>	<b>0.95</b>	495,140	4.21	433,153	4.13
<b>Overseas operations and subsidiaries</b>	<b>1,143,569</b>	<b>8.86</b>	1,058,648	9.00	807,664	7.70
<b>Gross loans and advances to customers</b>	<b>12,903,441</b>	<b>100.00</b>	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.

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

Allowances for impairment losses on loans and advances to customers

	(In millions of RMB)	2017			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances 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
<b>As at 31 December</b>		<b>201,346</b>	<b>13,802</b>	<b>113,820</b>	<b>328,968</b>

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 point from 2016.

Please refer to Note “Loans and advances to customers” in the “Financial Statements” for detailed methods for making allowances for impaired loans.

#### Investments

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

	(In millions of RMB, except percentages)	As at 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
<b>Total investments</b>		<b>5,181,648</b>	<b>100.00</b>	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
<b>Total investments</b>		<b>5,181,648</b>	<b>100.00</b>	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
<b>Total debt securities investments</b>	<b>4,714,014</b>	<b>100.00</b>	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
<b>Total debt securities investments</b>	<b>4,714,014</b>	<b>100.00</b>	4,445,214	100.00

### Financial debt securities

As at 31 December 2017, the Group held financial debt securities totalling RMB985,639 million. In this amount, RMB814,909 million was issued by policy banks and RMB170,730 million was issued by bank and non-bank financial institutions, accounting for 82.68% and 17.32% respectively in the total amount.

The following table sets forth the top ten financial debt securities<sup>1</sup> held by the Group by par value at the end of the reporting period.

(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses
Issued by policy banks in 2014	13,880	5.44	8 April 2019	-
Issued by policy banks in 2014	11,540	5.67	8 April 2024	-
Issued by policy banks in 2014	11,340	5.79	14 January 2021	-
Issued by policy banks in 2014	10,630	5.61	8 April 2021	-
Issued by policy banks in 2010	10,000	4.21	13 January 2021	-
Issued by policy banks in 2011	10,000	4.39	28 March 2018	-
		one-year time deposit interest rate		
Issued by policy banks in 2010	8,280	+0.59%	25 February 2020	-
Issued by policy banks in 2011	8,280	4.62	22 February 2021	-
Issued by policy banks in 2013	7,860	4.97	24 October 2018	-
Issued by policy banks in 2013	7,580	4.43	10 January 2023	-

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

***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. Please refer to Note "Interest Receivable" in the "Financial Statements" for details.

***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. Please refer to Note "Other Assets" in the "Financial Statements" for details.

**Liabilities**

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

(In millions of RMB, except percentages)	As at 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	<b>16,363,754</b>	<b>80.50</b>	15,402,915	79.50	13,668,533	80.86
Deposits and placements from banks and non-bank financial institutions	<b>1,720,634</b>	<b>8.46</b>	1,935,541	9.99	1,761,107	10.42
Debt securities issued	<b>596,526</b>	<b>2.93</b>	451,554	2.33	415,544	2.46
Borrowings from central banks	<b>547,287</b>	<b>2.69</b>	439,339	2.27	42,048	0.25
Financial assets sold under repurchase agreements	<b>74,279</b>	<b>0.37</b>	190,580	0.98	268,012	1.58
Other liabilities <sup>1</sup>	<b>1,026,076</b>	<b>5.05</b>	954,122	4.93	749,162	4.43
<b>Total liabilities</b>	<b>20,328,556</b>	<b>100.00</b>	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 point over 2016; debt securities issued accounted for 2.93%, up by 0.60 percentage point 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 point from 2016.

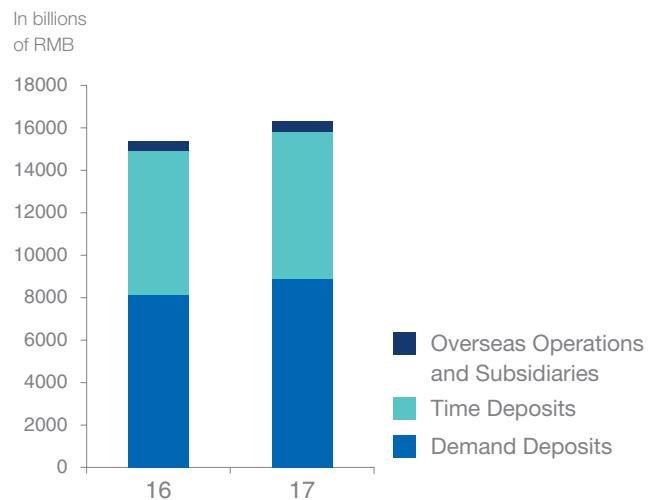
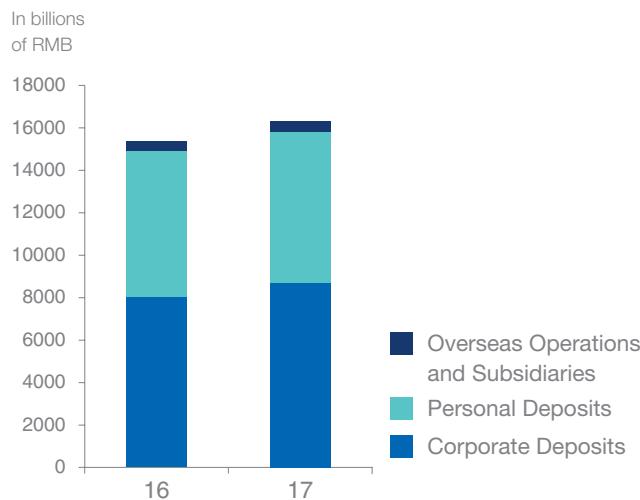
***Deposits from customers***

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
<b>Corporate deposits</b>	<b>8,700,872</b>	<b>53.17</b>	8,008,460	51.99	6,891,295	50.42
Demand deposits	<b>5,723,939</b>	<b>34.98</b>	5,145,626	33.41	4,213,395	30.83
Time deposits	<b>2,976,933</b>	<b>18.19</b>	2,862,834	18.58	2,677,900	19.59
<b>Personal deposits</b>	<b>7,105,813</b>	<b>43.43</b>	6,927,182	44.98	6,367,364	46.58
Demand deposits	<b>3,169,395</b>	<b>19.37</b>	2,986,109	19.39	2,584,774	18.91
Time deposits	<b>3,936,418</b>	<b>24.06</b>	3,941,073	25.59	3,782,590	27.67
<b>Overseas operations and subsidiaries</b>	<b>557,069</b>	<b>3.40</b>	467,273	3.03	409,874	3.00
<b>Total deposits from customers</b>	<b>16,363,754</b>	<b>100.00</b>	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*.

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

#### **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	<b>250,011</b>	250,011
Other equity instruments – preference shares	<b>79,636</b>	19,659
Capital reserve	<b>135,225</b>	133,960
Investment revaluation reserve	<b>(26,004)</b>	(976)
Surplus reserve	<b>198,613</b>	175,445
General reserve	<b>259,680</b>	211,193
Retained earnings	<b>886,921</b>	786,860
Exchange reserve	<b>(4,322)</b>	348
<b>Total equity attributable to equity shareholders of the Bank</b>	<b>1,779,760</b>	1,576,500
Non-controlling interests	<b>16,067</b>	13,154
<b>Total equity</b>	<b>1,795,827</b>	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 point 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. Please refer to Note "Derivatives and Hedge Accounting" in the "Financial Statements" of this annual report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, and outstanding litigation

and disputes. Among these, credit commitments were the largest component, with a balance of RMB3,029,172 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. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" in this annual report for details on commitments and contingent liabilities.

## 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
<b>Gross loans and advances to customers</b>	<b>12,903,441</b>	<b>100.00</b>	11,757,032	100.00
<b>NPLs</b>	<b>192,291</b>		178,690	
<b>NPL ratio</b>		<b>1.49</b>		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 point over 2016. The special mention loans accounted for 2.83% of the gross loans, a decrease of 0.04 percentage point 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 (%)
<b>Corporate loans and advances</b>	<b>6,443,524</b>	<b>166,044</b>	<b>2.58</b>	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
<b>Personal loans and advances</b>	<b>5,193,853</b>	<b>21,811</b>	<b>0.42</b>	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
<b>Discounted bills</b>	<b>122,495</b>	—	—	495,140	—	—
<b>Overseas operations and subsidiaries</b>	<b>1,143,569</b>	<b>4,436</b>	<b>0.39</b>	1,058,648	4,819	0.46
<b>Total</b>	<b>12,903,441</b>	<b>192,291</b>	<b>1.49</b>	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 (%)
<b>Corporate loans</b>	<b>6,443,524</b>	<b>49.94</b>	<b>166,044</b>	<b>2.58</b>	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
<b>Personal loans</b>	<b>5,193,853</b>	<b>40.25</b>	<b>21,811</b>	<b>0.42</b>	4,338,349	36.90	21,548	0.50
<b>Discounted bills</b>	<b>122,495</b>	<b>0.95</b>	<b>–</b>	<b>–</b>	495,140	4.21	–	–
<b>Overseas operations and subsidiaries</b>	<b>1,143,569</b>	<b>8.86</b>	<b>4,436</b>	<b>0.39</b>	1,058,648	9.00	4,819	0.46
<b>Total</b>	<b>12,903,441</b>	<b>100.00</b>	<b>192,291</b>	<b>1.49</b>	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.

### Rescheduled loans and advances to customers

The following table sets forth the Group's rescheduled 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	
	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Rescheduled loans and advances to customers	4,001	0.03	5,020	0.04

As at 31 December 2017, the balance of rescheduled loans and advances to customers decreased by RMB1,019 million to RMB4,001 million over 2016, and its proportion in gross loans and advances dropped by 0.01 percentage point.

### Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

(in millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Overdue for no more than 3 months	53,390	0.42	56,174	0.48
Overdue for 3 to 6 months	20,547	0.16	28,326	0.24
Overdue for 6 months to 1 year	30,334	0.24	37,776	0.32
Overdue for 1 to 3 years	54,543	0.42	51,357	0.43
Overdue for over 3 years	7,058	0.05	4,466	0.04
<b>Total overdue loans and advances to customers</b>	<b>165,872</b>	<b>1.29</b>	<b>178,099</b>	<b>1.51</b>

As at 31 December 2017, overdue loans and advances to customers decreased by RMB12,227 million to RMB165,872 million over 2016.

## ANALYSIS ON CASH FLOW STATEMENTS

### Cash from operating activities

Net cash received from operating activities was RMB79,090 million, a decrease of RMB803,442 million, mainly driven by the decrease of deposits from customers and from banks and non-bank financial institutions from 2016.

### Cash used in investing activities

Net cash used in investing activities was RMB97,456 million, a decrease of RMB513,025 million over 2016, mainly driven by the increase of cash from sale and redemption of investments over 2016.

### Cash from financing activities

Net cash from financing activities was RMB8,792 million, an increase of RMB84,160 million, mainly driven by the increase of proceeds from the issuance of preference shares and bonds over 2016.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements of the Group requires management to make judgements, estimates and assumptions that may affect the application of accounting

policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an on-going basis. Effects of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The major areas affected by the estimates and judgements include: impairment losses on loans and advances to customers, available-for-sale debt securities and held-to-maturity investments, impairment of available-for-sale equity instruments, fair value of financial instruments, reclassification of held-to-maturity investments, income taxes, employee retirement benefit obligations and scope of consolidation. For the accounting estimates and judgement relevant to the matters aforesaid, please refer to Note "Significant Accounting Policies and Accounting Estimates" in the "Financial Statements" of this annual report.

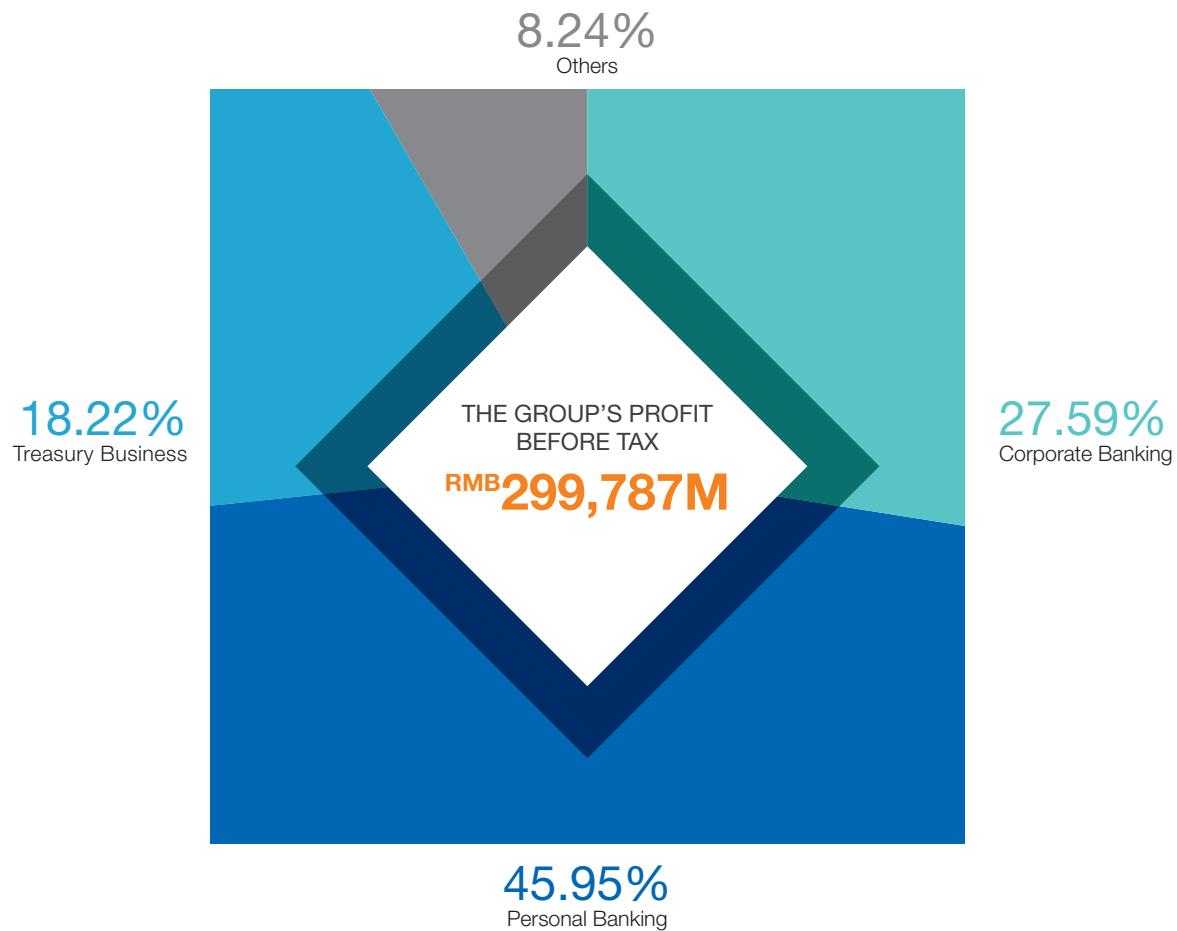
Compared with the financial statements in 2016, the main change in the consolidation scope of the financial statements in 2017 is the inclusion of CCB Financial Asset Investment Co., Ltd.

## DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in the net profit for the year ended 31 December 2017 or total equity as at 31 December 2017 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

# 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
<b>Profit before tax</b>	<b>299,787</b>	<b>100.00</b>	295,210	100.00





# Creating convenient life

## Serving the Rural Economy

In the rural areas of counties that have not yet been covered by banking outlets, the Group built the "Yunongtong" service model to connect the "last mile" between the Bank and its customers.

## 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 point 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. The Bank maintained overall stable asset quality in its loans to small and micro enterprises.

### Feature article: Commitment to Inclusive Finance to Support Small and Micro Enterprises

In 2017, the Bank proactively fulfilled its social responsibility, with providing financial services to small and micro enterprises, innovator and entrepreneur groups and agriculture-related sectors as one of its key strategies to serve the real economy. It accelerated the pace of inclusive finance business, and actively supported the development of small and micro enterprises.

The Bank took the lead among domestic major banks to promote its inclusive finance business line. The social responsibilities and related party transactions committee under the Board is responsible for overseeing and guiding the management to push forward inclusive finance business. An inclusive finance development committee and an inclusive finance department were set up at the head office, while 37 inclusive finance divisions were established at the tier-one branches, and the Bank opened 153 inclusive finance outlets at the county level. The Bank also established mechanisms to promote coordinated operations, management and risk control for inclusive finance so as to safeguard the healthy development of the business.

Based on the “New Generation” core system and big data technology, the Bank integrated information resources to develop precise profiles for small and micro enterprises, and incorporated analyses of their performance capabilities, credit position and transaction information in calculating their borrowing limits and approving loans, which transformed the data assets into smart financing services. The Bank was also the first to launch “Quick Loans for Small and Micro Enterprises”, which offered an end-to-end online self-service from loan application, review and approval, signing contracts to disbursement. By the end of 2017, the Bank had provided a total of RMB171.8 billion loans to 210,000 borrowers through “Quick Loans for Small and Micro Enterprises”. Drawing on its dynamic product innovation mechanism, the Bank developed a full catalogue of credit products that covered not only trump products, such as “Quick Loans for Small and Micro Enterprises” and big data credit, but also more than 30 basic products and nearly 400 special products for different regions.

The Bank leveraged its operating network advantages, and endeavoured to build its banking outlets into comprehensive financial service platforms with one-stop offerings to small and micro enterprises, including customer marketing, product recommendation and business handling. For county regions not yet covered by its banking network, the Bank offered “Yunongtong” services to extend its reach of service. By incorporating its mobile finance with local cooperatives stores, telecommunication companies or hospitals, the Bank bridged the “last mile” between the Bank and its customers with these “village banks” built in administrative villages, providing all fundamental financial services, including money withdrawal, agency bill payment, and other payment and settlement services.

In 2018, the Bank will adhere to the customer-centred principle, make effective use of fintech, explore the potential of inclusive finance, and help small and micro enterprises to address their financing difficulties and reduce their financing costs, making greater contributions to the real economy.

#### **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.

## 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. 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. 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-trusted 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 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.

## 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.

### **Feature Article: Launching Bond Connect to Promote RMB Internationalisation**

Under the joint arrangement by the PBC and the Hong Kong Monetary Authority (HKMA), mutual bond market access between Hong Kong and Mainland China (hereinafter referred to as "Bond Connect") was officially launched on 3 July 2017. "Bond Connect" is an arrangement that enables Mainland and overseas investors to trade bonds tradable in the Mainland and Hong Kong bond markets through connected Mainland and Hong Kong bond infrastructure institutions. Initially, northbound trading became available first, enabling overseas investors to invest in Mainland's interbank bond markets through the mutual access arrangement.

As one of the first "Bond Connect" quotation providers, the Bank held multiple road shows in Hong Kong, Singapore, Dubai, etc. to introduce China's bond markets and the Bank's business advantages to overseas customers, and provided daily quotes and latest market news to overseas customers through its trading platform. CCB Asia, as a member of HKMA's Central Moneymarkets Unit (CMU) and a "Bond Connect" clearing bank in Hong Kong, provides overseas customers with services such as account opening, custody and settlement. Since the commencement of "Bond Connect", the Bank has become a strong player with its competitive quotes and all-round high-quality services. It successfully conducted "Bond Connect" transactions with all types of overseas institutions, including commercial banks, securities companies, fund companies and assets management companies, covering various products including government bonds, policy financial bonds, interbank negotiable certificates of deposits (NCDs) and medium-term notes, and delivered good performance in meeting the investment needs of overseas customers with a business volume of more than RMB14 billion.

In the future, the Bank will further take advantage of its leading position and market influence as a market maker in the interbank bond markets, by maximising synergies between the Head Office and its branches as well as joint efforts between domestic and overseas operations, provide better services to overseas institutions through "Bond Connect", and help promote RMB's internationalisation.

## 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

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<sup>®</sup>" brand, and provided customers with comprehensive financing products and advisory services through its "Financial Total Solutions (FITS<sup>®</sup>)", 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.

## 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 São 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.

## 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.

## 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	<b>53,279</b>	<b>17.77</b>	39,885	13.51
Pearl River Delta	<b>43,439</b>	<b>14.49</b>	36,973	12.52
Bohai Rim	<b>35,143</b>	<b>11.72</b>	47,629	16.13
Central	<b>48,105</b>	<b>16.05</b>	46,280	15.68
Western	<b>45,837</b>	<b>15.29</b>	52,778	17.88
Northeastern	<b>2,450</b>	<b>0.82</b>	13,651	4.63
Head Office	<b>59,357</b>	<b>19.80</b>	51,243	17.36
Overseas	<b>12,177</b>	<b>4.06</b>	6,771	2.29
<b>Profit before tax</b>	<b>299,787</b>	<b>100.00</b>	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	<b>4,687,993</b>	<b>14.68</b>	3,287,924	13.18
Pearl River Delta	<b>3,479,166</b>	<b>10.89</b>	2,248,437	9.02
Bohai Rim	<b>4,916,680</b>	<b>15.39</b>	2,341,560	9.39
Central	<b>4,063,059</b>	<b>12.72</b>	3,227,603	12.94
Western	<b>3,294,459</b>	<b>10.32</b>	2,745,765	11.01
Northeastern	<b>1,100,318</b>	<b>3.45</b>	966,670	3.88
Head Office	<b>8,672,547</b>	<b>27.15</b>	8,456,699	33.91
Overseas	<b>1,726,043</b>	<b>5.40</b>	1,666,409	6.67
<b>Total assets<sup>1</sup></b>	<b>31,940,265</b>	<b>100.00</b>	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	<b>2,288,830</b>	<b>17.74</b>	<b>31,460</b>	<b>1.37</b>	2,117,133	18.02	41,539	1.96
Pearl River Delta	<b>1,941,337</b>	<b>15.05</b>	<b>27,777</b>	<b>1.43</b>	1,762,963	14.99	29,426	1.67
Bohai Rim	<b>2,131,045</b>	<b>16.52</b>	<b>38,302</b>	<b>1.80</b>	1,946,622	16.56	29,199	1.50
Central	<b>2,176,159</b>	<b>16.86</b>	<b>32,154</b>	<b>1.48</b>	1,982,785	16.86	26,654	1.34
Western	<b>2,117,740</b>	<b>16.41</b>	<b>34,973</b>	<b>1.65</b>	1,953,377	16.61	29,435	1.51
Northeastern	<b>672,309</b>	<b>5.21</b>	<b>18,920</b>	<b>2.81</b>	643,515	5.47	14,794	2.30
Head Office	<b>574,506</b>	<b>4.45</b>	<b>5,867</b>	<b>1.02</b>	452,941	3.85	4,296	0.95
Overseas	<b>1,001,515</b>	<b>7.76</b>	<b>2,838</b>	<b>0.28</b>	897,696	7.64	3,347	0.37
<b>Gross loans and advances to customers</b>	<b>12,903,441</b>	<b>100.00</b>	<b>192,291</b>	<b>1.49</b>	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
<b>Total deposits from customers</b>	<b>16,363,754</b>	<b>100.00</b>	<b>15,402,915</b>	<b>100.00</b>

## BUILDING OF BRANCH NETWORK AND CHANNELS

The Group has an extensive distribution network, and provides its customers with convenient and high quality banking services through branches and sub-branches, self-service facilities, specialised service entities across the world as well as electronic banking service platforms. At the end of 2017, the Bank had a total of 14,920 operating outlets, in which the number of domestic institutions was 14,890, including the Head Office, 37 tier-one branches, 341 tier-two branches, 13,297 sub-branches, 1,213 outlets under the sub-branches and a specialised credit card centre at the Head Office, and the number of overseas institutions was 30. The Bank had 44 subsidiaries with a total of 500 entities, including 316 domestic ones and 184 overseas ones.

### Physical Channels

In 2017, as part of its increasing efforts in network building in key areas, the Bank strengthened its network presence with 94 new establishments in economic hotspots, including "the Belt and Road" regions, Beijing-Tianjin-Hebei region, Yangtze River Economic Belt and "Made in China 2025" pilot cities (or clusters). In response to the national inclusive financial strategy, the Bank set up new outlets preferentially in county regions, and expanded its reach into 50 new county regions with no prior outlet presence. By the end of 2017, the Bank has cumulatively established 306 specialised private banking entities staffed with 1,840 professionals, set up 288 small business operating centres, and built over 1,500 personal loan centres. The Bank has 97,007 ATMs and 29,047 self-service banks in operation, among which, the number of off-premise self-service banks is 14,776 and on a par with that of outlets. The number of account transactions handled by ATMs was 3,846 million and 7.66 times that of over-the-counter transactions.

*Promoting differentiation in outlets building.* The Bank successfully established and opened 88 integrated flagship outlets to heighten its brand image as a high-end service provider, established a total of 1,031 light weight outlets for rapid penetration into new business areas and niche markets, and promoted the transformation of 14,790 integrated outlets into smart outlets to improve customer experience. In line with outlet differentiation, the Bank promoted the transformation from counter service personnel to marketing service personnel. The Bank also formed 21,456 integrated marketing teams for collaborated marketing and transformed the outlet functions from being transaction-oriented to marketing- and service-oriented.

*Driving innovation for STM channels.* The Bank continued to lead the industry in its variety of service and product offerings with more new features, including gold deposit accumulation, credit card instalment repayment, large-denomination certificates of deposit and opening of category II accounts, and promoted the application of face recognition technology in STMs and cash withdrawals, as the numbers of corporate and personal banking users continued to increase. It implemented iterative development and upgrade in 12 smart banks, and launched the building of pilot outlets featuring more advanced smart banking in the first batch of five selected branches. The Bank's smart robots were applied to four major scenarios, including reception, business inquiry, usher service, and marketing and demonstration.

*Leapfrog development of cost-efficient operating platforms.* The Bank promoted the centralisation of foreign exchange remittance business, drove the comprehensive transformation of RMB and foreign currencies at front offices of outlets, and established an open and resource-sharing “Cloud-based Production” platform for more cost-efficient allocation of operating resources. The Bank achieved centralised processing at the head office level of 136 types of businesses in four areas including counter services, online channels, middle offices, and subsidiaries and overseas operations, an increase of 61 business types as compared with last year. The average daily business volume reached 0.7 million, with a peak volume of 1.3 million.

### Electronic Channels

In 2017, adhering to the “mobile first” strategy and focusing on building its Internet-based financial eco-system, the Bank accelerated the innovation and application of financial technologies to provide customers with comprehensive Internet-based financial services more intelligently, conveniently and efficiently.

#### \* Mobile Finance

The new version of mobile banking placed top priority on “being smart” to provide customised push services, personalised investment and financing advisory service as well as efficient and convenient user experience, with a number of indicators leading the industry. The Bank built a promotion platform named “Huishenghuo” (Preferential Life) to provide special offerings of all kinds and build a community for customers to enjoy enriched lives. The Bank continued to optimise the WeChat Bank functions and added three sets of services, namely, “micro finance”, “Yueshenghuo” (Joyful Life), and “credit card” to merge seamlessly with the other mobile banking functions.

At the end of 2017, the number of mobile banking users increased to 266.38 million, up by 19.34% over 2016; the number of SMS financial service users reached 381 million, an increase of 12.87% over 2016; the number of WeChat banking users who followed the Bank’s WeChat official account was 72.12 million, an increase of 35.39% over 2016. In 2017, the transaction volume of mobile banking amounted to RMB57.32 trillion, up by 87.59% year on year; the number of transactions amounted to 50.802 billion, up by 144.68% year on year.

#### \* Online banking

The Bank increased its efforts in building a comprehensive online bank to integrate transactions, marketing and services. A custom-made private banking version was launched on the personal online banking platform, with new service functions, such as smart transfer, e-account service zone, and smart security reinforcement for investments and wealth management, and continued optimisation of existing functions, including Quick Loans, credit card, and comprehensive membership points, etc. The Bank’s corporate online banking was fully upgraded to largely improve customer experience and service ability. The number of corporate online banking users led the industry while the transaction volume and the number of active users increased steadily. At the end of 2017, the number of personal online banking users increased by 14.35% to 270.73 million over the end of 2016; the number of corporate online banking users reached 6.03 million, an increase of 24.04% over the end of 2016. In 2017, the number of personal online banking transactions was 9,022 million with a transaction volume of RMB36.35 trillion. The number of corporate online banking transactions was 2,371 million with a transaction volume of RMB272.4 trillion.

#### \* Eccb.com

To meet the industrial development needs of poverty-stricken areas, the Bank, relying on the Internet transaction platform of eccb.com, facilitated poverty alleviation transactions for a total of RMB5.1 billion, covering 545 poverty-stricken counties in 27 provinces and cities in 2017. Functions of the corporate mall and retail mall were increasingly diversified. The transaction volume totalled RMB186,764 million in 2017.

#### \* Cloud-based customer service

The Bank successfully pushed forward the intensified customer service management. Adhering to the “intelligence first, mobility first and self-service first” strategy, the Bank created a comprehensive, multifunctional, around-the-clock and smart cloud-based customer service system that covered all service channels. Relying on cutting-edge financial technologies, the Bank launched “CCB Customer Services”, a WeChat official account that contained a specialised platform “CCB Anchor”. Throughout the year, the Bank received 594 million fixed-line telephone calls. For online text services, the number of inquiries received was 1,266 million, 99.26% of which were responded automatically by the AI robot. For manual services of all channels, the proportion of inquiries dealt by customer service representatives raised up to over 80%.

## INFORMATION TECHNOLOGY AND PRODUCT INNOVATION

### Information Technology

In 2017, the Bank employed financial technologies to strengthen safe operations and management, facilitate the development and research of the “New Generation Core Banking System”, and drive its business innovation and development.

*An industry leader in maintaining safe and secure operations.* All information systems operated stably as the Bank remained an industry leader in terms of peak transactions, transaction amount, number of transactions, number of customers, and the proportion of fast payments in its key systems. It also led the industry in terms of system processing capacity, successful transaction ratio, average response time, batch processing efficiency and other technical indicators. The Bank proactively monitored, identified and assisted third-party organisations to shut out 9,700 phishing websites; identified and intercepted 23,000 fraud incidents using location-based, behaviour-based big data analytical techniques. The Bank became the first to launch “Mobile Shield” to meet the growing financial security demands of customers.

The Bank completed the construction of “New Generation Core Banking System” and achieved the enterprise-level management and component-based development on business needs, which formed an agile and efficient development system and significantly enhanced its core competitiveness. Based on the “New Generation Core Banking System”, a series of house leasing platforms were quickly launched, which demonstrated the cloud-based technical capabilities of the Bank. The core banking system was successfully deployed overseas, enabling the Bank to apply integrated management both at home and abroad and further enhancing the service capabilities of overseas institutions. Innovations in products and services were made in a timely manner to support NFC mobile payments via Cloud Quick Pass, standard UnionPay QR code and bracelets, further improving the level of its intelligent services.

### Product Innovation

In 2017, by virtue of solid efforts in product innovation, the Bank completed the innovation of more than 1,500 items and product duplication of over 2,400 items.

In order to satisfy customers’ demand for mobile payment, the Bank launched password-protected mobile payment and WeChat tax payment by drawing on financial technologies. The Bank launched new services including “Quick Loan for Small and Micro Enterprises – Quick Credit Loan” and opening of corporate accounts by scanning QR codes, to improve service efficiency and customer experience based on the internet platform. By launching smart financial service engines, the Bank explored the potentials of machine learning to facilitate its smart comprehensive wealth management. It also took advantage of the newly completed “New Generation Core Banking System” to facilitate innovation in products such as auto-renewal of contract for change of credit card and super radar.

In response to the national strategy of “the Belt and Road” Initiative, the Bank also launched “the Belt and Road” Initiative bonds and enabled the trading of many directly exchanged minor currencies, such as AED. In order to support poverty alleviation, the Bank adopted a number of innovative precise poverty alleviation tools, including special poverty alleviation loans, poverty alleviation wealth management products, and poverty alleviation bonds. The Bank promoted inclusive finance by launching “Qianyuan-Huimin”, a series of exclusive wealth management products for the rural markets, Huinong Huankuanyi, a utility to help repayment by rural borrowings, and exclusive wealth management products for the elderly customers.

**Feature article: Making Smart Use of Data to Achieve Smart Transformation**

In recent years, based on the “New Generation Core Banking System”, the Bank has built a world-leading data management and application system, and has developed and formed three major core capabilities and mechanisms, including data resources management and control, data value mining and data outcome sharing, enabling it to lead the industry in overall enterprise-level data capability and provide solid support for the strategic transformation of the Bank.

The Bank built its own robust enterprise-level data management system to lay a solid foundation for the efficient employment of its data assets. The end-to-end data management, control and accountability system and a cumulative total of 80,000 data specifications helped ensure its data consistency from the source. The Bank also built its unified mechanism for importing and sharing external data resources, built data warehouses to import external data as required for its business scenarios and merge them with the in-built 125 system data, enabled enterprise-level data interconnection, interoperability and sharing, and laid the foundation for a big data bank.

The Bank built its enterprise-level data application system to quickly improve the digital level of its operation and management across the Bank. By establishing the end-to-end and multi-level synergic working mechanism across business lines, data and technologies, the Bank built its classification-based and centralised management and quick response capabilities to address its data needs, enabling the Bank to advance to the stage of centralised, independent, and specialised data utilisations. The Bank completed and launched eight major enterprise-level data application projects, including new generation data warehouse, enterprise-level data application platform, employee performance measurement system and WeChat enterprise ID, to support its employees’ independent data utilisations and stimulate their big data thinking.

The Bank proactively implemented its big data strategy to build its leading big data application ability in the domestic industry. As the first in China to formulate an implementation plan for its big data application strategy (2016-2020), the Bank built a complete set of big data working mechanisms and a complete system of rules and procedures. The Bank set up specialised entities to dedicate to data mining and analytics, and took concrete actions to build its big data working platforms. Over the past two years, the Bank has implemented more than 430 big data application projects, and formed effective mechanisms for the quick deployment and promotion of big data solutions to help effectively convert project solutions into solid business value and better support the development of quick loans for small and micro enterprises, inclusive finance and other businesses.

The Bank established the long-term mechanisms for cultivating data analytic talents. By implementing the “Green Tree Programme” specialised data talent development programme, the Bank organised multi-level targeted training, nurtured a host of data analytic experts, to build a talent team for the promotion of a digitalised bank.





# Driving sustainability

## **CCB strongly supports Green Credit Project Construction of Qianzhong Water Conservancy**

The Group vigorously promotes the implementation of the green credit strategy. The picture shows the Pingzhai Reservoir in the first phase of the construction of Qianzhong Water Conservancy Project, which received strong support from CCB Guizhou Branch.



## HUMAN RESOURCES

At the end of 2017, the Bank had 352,621 staff members, a decrease of 2.72% over 2016 (not including 4,792 workers dispatched by labour leasing companies, a decrease of 5.91% over 2016). The number of staff members with academic qualifications of bachelor's degree or above was 232,498, accounting for 65.93% of the total, and the number of local employees in overseas entities was 715. In addition, the Bank assumed the expenses of 66,099 retired employees.

The compositions of the Bank's employees by age, academic qualification and responsibilities are as follows:

Category	Classification	Number of employees	% of total
Age	Below 30	84,879	24.07
	31 to 40	83,658	23.73
	41 to 50	135,581	38.45
	51 to 59	48,319	13.70
	Over 60	184	0.05
Academic qualification	Doctor's degree	480	0.13
	Master's degree	28,064	7.96
	Bachelor's degree	203,954	57.84
	Associate degree	95,192	27.00
	Post-secondary	12,745	3.61
	High school and below	12,186	3.46
Responsibilities	Operating outlets and integrated tellers	182,647	51.80
	Corporate banking	35,662	10.11
	Personal banking	40,239	11.41
	Financial market business	606	0.17
	Finance and accounting	7,616	2.16
	Management	12,005	3.40
	Risk management, internal audit, legal and compliance	20,210	5.73
	Information technology	28,936	8.21
	Others	24,700	7.01
Total		352,621	100.00

By Age



By Academic Qualification



By Responsibilities



Below 30	24.07%
31 to 40	23.73%
41 to 50	38.45%
51 to 59	13.70%
Over 60	0.05%

Doctor's degree	0.13%
Master's degree	7.96%
Bachelor's degree	57.84%
Associate degree	27.00%
Post-secondary	3.61%
High school and below	3.46%

Operating outlets and integrated tellers	51.80%
Corporate banking	10.11%
Personal banking	11.41%
Financial market business	0.17%
Finance and accounting	2.16%
Management	3.40%
Risk management, internal audit, legal and compliance	5.73%
Information technology	8.21%
Others	7.01%

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and staff members:

	As at 31 December 2017			
	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	2,383	15.97	52,565	14.91
Pearl River Delta	1,927	12.92	44,237	12.54
Bohai Rim	2,440	16.35	58,356	16.55
Central	3,586	24.03	79,223	22.47
Western	3,052	20.46	66,548	18.87
Northeastern	1,499	10.05	35,888	10.18
Head Office	3	0.02	14,899	4.23
Overseas	30	0.20	905	0.25
<b>Total</b>	<b>14,920</b>	<b>100.00</b>	<b>352,621</b>	<b>100.00</b>

### Staff remuneration policies

The Bank is committed to maintaining order and harmony in remuneration allocation, maximising the incentive and restraint role of performance-based remunerations, and improving the level of performance and remuneration management.

Pursuant to relevant government policies regarding remuneration reform of state-owned enterprise leaders, annual remunerations for the Bank's leaders administered by the Party Central Committee include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. If a material error arises during a leader's tenure and causes a significant loss for the Bank, part or the entirety of the paid-out performance-based annual salary and tenure incentive income may be reclaimed. The Bank's major allocation policies and other significant matters relating to remuneration management need to be reviewed by the nomination and remuneration committee under the Board. Material proposals relating to remuneration allocation are required to be voted and approved by the shareholders' general meeting, or be reported to the competent authorities of the state for approval and filing.

In order to encourage value creation, the Bank adheres to favouring sub-branch level, front-line and direct value creation posts in remuneration increase, in order to stimulate the enthusiasm of frontline employees to create greater value and improve the Bank's profitability. For employees who face disciplinary sanctions or other penalties due to violation of rules or breach of duties, their remunerations are deducted in accordance with relevant rules and measures. The Bank continues to strengthen performance assessment as an incentive to match remuneration to performance.

### Staff training programme

Pursuant to the requirements of education programmes to promote Party awareness and Party building and focusing on key areas in its reform and development, the Bank actively organised personnel training programmes, including the "213 Talents Project", training of chief leaders at all levels, new managerial personnel training, account managers and corporate loan officers training, strengthened trainings of risk prevention and control, financial technology, big data application and other key subjects and combined on-site training with on-line training, in a collective effort to enhance the political awareness, professional competency and innovative capability of its staff. In 2017, the Bank organised 27,708 on-site training sessions with a total enrolment of 1,490 thousand, while on-line training enabled 348 thousand people to complete a total of 6,530 thousand courses.

### Profiles of institutions and staff in subsidiaries

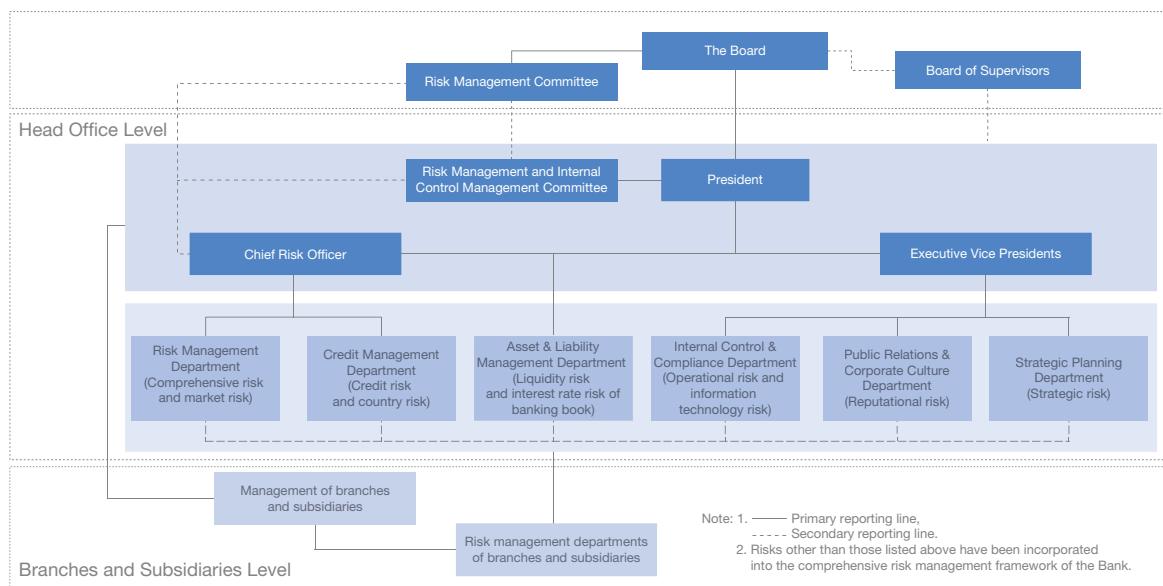
The subsidiaries of the Bank had 17,794 employees (not including 427 workers dispatched by labour leasing companies). In this amount, the domestic and overseas employees numbered 12,363 and 5,431 respectively. In addition, the subsidiaries assumed the expenses of 46 retired employees.

# RISK MANAGEMENT

In 2017, by putting in place responsibilities, management, supervision, personnel and performance evaluation, the Board, board of supervisors, senior management and all staff members worked together to continuously improve the comprehensive risk management system encompassing all entities, staff members, businesses, processes and all risk types. The Group's asset quality remained solid and kept improving while all types of risks continued to be stable, as the Group's comprehensive risk management capability further strengthened.

## RISK MANAGEMENT STRUCTURE

The risk management organisational structure of the Bank comprises the Board and its special committees, the senior management and its special committees, and the relevant risk management departments, etc. The basic structure is as follows:



The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The risk management committee under the Board is responsible for making risk management strategies, monitoring their implementation, and evaluating the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly, sets the appetite as the core component in the risk management structure, and incorporates it into and communicates it through relevant capital management policies, risk management policies and business policies, to ensure that the business operations of the Bank adhere to the risk appetite. The board of supervisors oversees the building of the comprehensive risk management system, as well as the performance of the Board and the senior management in delivering their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategies adopted by the Board and organising the comprehensive risk management activities across the Group.

The senior management appoints Chief Risk Officer who assists the President with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive

risk management, and its subordinate department, market risk management department, is the leading management department responsible for market risk management. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset and liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal control & compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is the leading management department responsible for reputational risk management. Strategic planning department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank places high priority on the risk management of subsidiaries, monitors their adherence to the risk appetite and conducts overall risk assessment of subsidiaries on a regular basis. The subsidiaries comply with the risk management requirements of the parent bank through their corporate governance mechanisms, establishing and improving the comprehensive risk management system.

## CREDIT RISK MANAGEMENT

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Bank.

In 2017, in face of the complex and ever-changing operating environment and challenging risks, the Group strengthened efforts on credit risk prevention and mitigation, enhanced credit fundamental management, and optimised the risk management accountability system. As a result, the asset quality remained solid and continued to improve steadily.

*Promoting structural adjustment of the credit portfolio.* The Group actively promoted economic transformation and upgrade by aligning its efforts with the key national strategies. The Group focused on supporting the development of the housing rental businesses, consumer financial services, inclusive financial services, advanced manufacturing industries and modern service industries, and continued to consolidate its traditional advantages in the infrastructure sector. The Group vigorously promoted its green credit strategy, and raised lending criteria for high risk customer groups in addition to its efforts in strengthening risk control by industries.

*Reinforcing risk management and control in key areas.* The Group strengthened risk identification and prevention in pre-lending due diligence, and improved loan approval efficiency and quality. It refined the post-lending decision-making mechanisms, reinforced post-lending inspection and supervision, promoted the intensive management of collaterals, strengthened IT systems and big data applications, and integrated the credit risk monitoring of the Group's on- and off-balance sheet businesses, domestic and overseas operations, businesses of the parent company and subsidiaries, as well as loans and similar businesses.

*Strengthening risk control over credit granting.* The Group improved the specialisation of credit approval, and focused on studies of and control over key business lines and emerging sectors, so as to further optimise the credit structure. The Group made dynamic adjustments to the authorisation mechanism for credit approval, refined the rules and processes for evaluation, rating, comprehensive credit line and credit approval, so as to enhance the refined

and differentiated management in its credit approval. With optimisation of performance assessment and supervision system as well as intensified supervision and inspections, the Group reinforced the consolidated credit management, and enhanced control of credit approval risk in key areas.

*Enhancing risk measurement capabilities.* The Group fully integrated its existing early-warning systems to build a group-level platform for comprehensive risk monitoring and early-warning. It optimised and rolled out rating and risk limit models for large and medium-sized enterprises, and launched new scorecard model for individual customers, further enhancing its ability of risk prioritisation and customer selection. The Group also rolled out the risk rating and limit models as well as the default identification function for overseas customers, which laid a foundation for data accumulation, rating monitoring and model optimisation of overseas customers. The Group also conducted stress testing on the macroeconomic risks and the real estate sector, among other areas, to enhance the capability of systemic risk prevention and control.

*Strengthening the operation and value management of non-performing assets.* The Group adjusted the structure and clarified the strategies for non-performing assets operation, and carried forward innovation in NPLs disposal channels. It set the ultimate goal of maximising the recovery value with classified and categorised operational targets. The Group improved the closing rates and recovery rate of batch transfers in the process of pushing forward refined management, leading to a remarkable rise in the cash recovery from written-off assets.

### Concentration of credit risks

In line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, maintaining a proper pace in credit extension, revitalising existing credit assets and launching innovative products.

At the end of 2017, the Group's gross loans to the largest single borrower accounted for 4.27% of the total capital after deduction, while those to the top ten customers accounted for 13.90% of the total capital after deduction.

**Concentration of loans**

Concentration indicator	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Proportion of loans to the largest single customer (%)	<b>4.27</b>	4.03	5.67
Proportion of loans to top ten customers (%)	<b>13.90</b>	13.37	14.46

The Group's top ten single borrowers as at the date indicated are as follows:

(In millions of RMB, except percentages)	Industry	As at 31 December 2017	
		Amount	% of total loans
Customer A	Transportation, storage and postal services	<b>85,591</b>	<b>0.66</b>
Customer B	Transportation, storage and postal services	<b>32,084</b>	<b>0.25</b>
Customer C	Finance	<b>28,000</b>	<b>0.22</b>
Customer D	Transportation, storage and postal services	<b>22,665</b>	<b>0.18</b>
Customer E	Transportation, storage and postal services	<b>22,103</b>	<b>0.17</b>
Customer F	Transportation, storage and postal services	<b>18,604</b>	<b>0.14</b>
Customer G	Transportation, storage and postal services	<b>18,149</b>	<b>0.14</b>
Customer H	Transportation, storage and postal services	<b>18,105</b>	<b>0.14</b>
Customer I	Transportation, storage and postal services	<b>17,620</b>	<b>0.14</b>
Customer J	Transportation, storage and postal services	<b>15,492</b>	<b>0.12</b>
<b>Total</b>		<b>278,413</b>	<b>2.16</b>

**LIQUIDITY RISK MANAGEMENT**

Liquidity risk is the type of risk that occurs when the Bank cannot obtain sufficient funding in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet the other funding needs in regular business development. Major factors and events that affect liquidity risk include massive outflow of wholesale or retail deposits, increase in wholesale or retail financing cost, default of debtors, difficulty in assets liquidation, and decrease in financing capability.

**Governance structure of liquidity management**

The decision-making system consists of the Board and its special committees, and the senior management. The asset and liability management department at the head office takes the lead in the Bank's daily management of liquidity risk, and constitutes the executive system together with the financial market department, channel and operation management department, data management department, public relations & corporate culture department, board of directors office, leading business management departments, and relevant departments at branches and sub-branches. The board of supervisors and the internal audit department comprise the supervisory system. Parties involved in the above-mentioned systems work within their respective remits and responsibilities to discharge the duties of decision-making, execution and supervision in liquidity risk management.

**Liquidity risk management strategy and policies**

The Group's objective for liquidity risk management is to ensure its security in payment and settlement. The head office formulates liquidity risk management policies in accordance with regulatory requirements, external macro environment and the Bank's business development needs, which include limit management, intra-day liquidity risk management, stress testing and contingency plans, and manages the Bank's liquidity risk in a centralised manner. The subsidiaries assume primary responsibility of liquidity management of their own.

In 2017, China's economy maintained steady growth. The central bank adopted more flexible monetary market operations, and the two-pillar macro-adjustments through monetary policies and macro-prudential policies raised the bar for liquidity management. The Group adhered to its prudent approach in liquidity risk management, and adopted various measures to effectively manage the source and use of funds and ensure security in payment and settlement across the Bank, including intensive market monitoring, effective position management through the "New Generation" Core Banking System, enhanced methods of liquidity stress testing, centralised use of RMB and foreign currency funds, and liquidity contingency drills in the subsidiaries.

### Stress testing of liquidity risk

The Group conducts quarterly stress testing on its liquidity risk, in order to gauge its risk tolerance ability in extreme scenarios with low probability and other adverse scenarios, and continuously improve the methods of stress testing in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk would increase, but still be under control.

### Indicators and brief analysis of liquidity risk management

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

The following table sets forth the liquidity ratios, and loan-to-deposit ratio of the Group as at the dates indicated:

(%)		Regulatory standard	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Liquidity ratio <sup>1</sup>	RMB	≥25	<b>43.53</b>	44.21	44.17
	Foreign currency	≥25	<b>74.52</b>	40.81	59.84
Loan-to-deposit ratio <sup>2</sup>	RMB		<b>70.73</b>	68.17	69.80

- Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBRC.
- In accordance with the CBRC's requirements, since 2016, loan-to-deposit ratio should be calculated on a domestic legal entity basis instead of the legal entity basis previously.

The following table sets forth the liquidity coverage ratio of the Group for the fourth quarter of 2017:

No.	(In millions of RMB, except percentages)	Value before translation	Value after translation
<b>Qualified and high-quality liquid assets</b>			
1	Qualified and high-quality liquid assets		3,881,374.26
<b>Cash outflow</b>			
2	Deposits from retail and deposits from small enterprise customers, including:	7,544,548.52	657,049.29
3	Stable deposits	1,946,820.02	97,276.44
4	Deposits with a low degree of stability	5,597,728.50	559,772.85
5	Unsecured (unpledged) wholesale financing, including:	9,061,665.95	3,085,240.67
6	Business relations deposits (excluding agent bank business)	5,980,485.65	1,485,219.49
7	Non-business relations deposits (all counterparties)	2,979,932.64	1,498,773.52
8	Unsecured (unpledged) debts	101,247.66	101,247.66
9	Secured (pledged) financing		–
10	Other items, including:	1,941,977.76	257,658.58
11	Cash outflows related to the requirement of derivatives and other collateral (pledges)	69,792.22	69,792.22
12	Cash outflows related to financing loss of mortgage (pledges) debt instruments	5,299.09	5,299.09
13	Credit facilities and liquidity facilities	1,866,844.44	182,567.27
14	Other contractual financing obligations	42.02	–
15	Contingent financing obligations	2,190,716.73	311,862.03
16	<b>Total amount of expected cash outflows</b>		4,311,810.57
<b>Cash inflow</b>			
17	Mortgage (pledged) lending (including reverse repurchase and borrowed securities)	184,483.85	183,468.38
18	Cash inflow from normal full settlement	1,346,608.43	872,643.35
19	Other cash inflows	71,107.03	70,775.90
20	<b>Total amount of expected cash inflows</b>	1,602,199.31	1,126,887.63
<b>Value after adjustment</b>			
21	<b>Qualified and high-quality liquid assets</b>		3,881,374.26
22	<b>Net cash outflows</b>		3,184,922.94
23	<b>Liquidity coverage ratio (%)<sup>1</sup></b>		121.99

- The average monthly liquidity coverage ratio in this quarter was calculated in compliance with the current applicable regulatory requirements, definitions and accounting standards.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional)*, the liquidity coverage ratio equals to the qualified high-quality liquid assets divided by net cash outflows in the future 30 days, and should reach 100% before the end of 2018 and 90% before the end of 2017. The qualified high-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and

deposit reserve in the central bank that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group in the fourth quarter of 2017 was 121.99%, which met the regulatory requirements. The liquidity coverage ratio in the fourth quarter increased by 4.55 percentage points over the previous quarter, mainly due to the increase of high-quality liquid assets and the increase of cash inflows from payments in normal performance of obligations.

The analysis of the remaining maturities of the Group's assets and liabilities as at the balance sheet date is set out below:

(In millions of RMB)	As at 31 December 2017							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
<b>Assets</b>								
Cash and deposits with central banks	2,705,300	282,956	-	-	-	-	-	2,988,256
Deposits and placements with banks and non-bank financial institutions	-	85,221	194,429	80,625	128,814	11,149	-	500,238
Financial assets held under resale agreements	-	-	203,910	4,450	-	-	-	208,360
Loans and advances to customers	72,933	631,065	445,807	581,601	2,641,172	2,881,396	5,320,499	12,574,473
Investments	120,308	-	205,372	183,029	522,409	2,454,149	1,703,448	5,188,715
Other assets	244,725	76,990	42,548	85,403	127,317	48,817	38,541	664,341
<b>Total assets</b>	<b>3,143,266</b>	<b>1,076,232</b>	<b>1,092,066</b>	<b>935,108</b>	<b>3,419,712</b>	<b>5,395,511</b>	<b>7,062,488</b>	<b>22,124,383</b>
<b>Liabilities</b>								
Borrowings from central banks	-	-	97,125	107,684	341,708	770	-	547,287
Deposits and placements from banks and non-bank financial institutions	-	764,478	347,584	287,101	250,648	65,779	5,044	1,720,634
Financial liabilities at fair value through profit or loss	-	19,854	136,833	97,323	153,550	6,588	-	414,148
Financial assets sold under repurchase agreements	-	-	66,125	1,344	1,892	4,632	286	74,279
Deposits from customers	-	9,783,474	1,117,271	1,101,977	2,636,627	1,699,395	25,010	16,363,754
Debt securities issued	-	-	60,085	150,352	95,633	235,506	54,950	596,526
Other liabilities	4,022	135,125	74,668	78,171	255,819	49,822	14,301	611,928
<b>Total liabilities</b>	<b>4,022</b>	<b>10,702,931</b>	<b>1,899,691</b>	<b>1,823,952</b>	<b>3,735,877</b>	<b>2,062,492</b>	<b>99,591</b>	<b>20,328,556</b>
<b>Net gaps in 2017</b>	<b>3,139,244</b>	<b>(9,626,699)</b>	<b>(807,625)</b>	<b>(888,844)</b>	<b>(316,165)</b>	<b>3,333,019</b>	<b>6,962,897</b>	<b>1,795,827</b>
Net gaps in 2016	3,206,844	(8,539,761)	(743,969)	(373,094)	(325,610)	2,534,117	5,831,127	1,589,654

The Group regularly monitors the maturity gaps between its assets and liabilities in different classes in order to assess its liquidity risk during different periods. As at 31 December 2017, the accumulated maturity gap of the Group was RMB1,795,827 million, an increase of RMB206,173 million over 2016. The negative gap for repayment on demand

totalled RMB9,626,699 million, mainly due to the Group's large demand deposit balance from its expansive customer base; however, considering the low turnover rate of the Group's demand deposits and steady growth in deposit, the Group expects to enjoy a stable source of funding and maintain a stable liquidity position in the future.

## MARKET RISK MANAGEMENT

Market risk is the risk of loss in respect of the Bank's on- and off-balance sheet activities, arising from adverse movements in market rates, including interest rates, foreign exchange rates, commodity prices and stock prices. Interest rate risk and foreign exchange rate risk are the main market risks faced by the Bank.

In 2017, the Group strengthened the management and control over its market risks and trading risks by focusing on six aspects, including trading products, trading businesses, trading processes, trading systems, counterparties and traders, and effectively prevented cross risk contagion.

*Consolidating the foundation of trading risk management.* The Group established a global risk information analysis mechanism, improved the market risk monitoring and early-warning mechanisms, reinforced limit management, and strengthened risk management and control over credit bonds, derivatives, precious metal business, overseas institutions and subsidiaries. The whole process management measures over financial market trading activities were upgraded, and the market risk measurement system enabled automatic monitoring of key risk areas such as product exposures and quotations.

*Establishing and refining the long-term risk management mechanism of directly managed business.* The Group expanded the counterparty name list management method to financial institutional business and assets management business, and promoted the incorporation of risk management of directly managed business into processes. It adhered to substantive pass-through management, and standardised risk classification criteria and procedures for directly managed businesses. Aiming to prevent risk emergencies, the Group intensified effective management during the product's life and established contingency response management mechanism in case of material risk events. It was among the first to introduce general reserve special account management requirements and full provisions for impairment losses on assets management business, which effectively mitigated the related risks.

### Value at Risk analysis

The Bank divides its on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs VaR analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaR of RMB and foreign currency trading portfolio on a daily basis (at a confidence level of 99% and with a holding period of one-day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective years is as follows:

(In millions of RMB)	2017				2016			
	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	<b>112</b>	<b>167</b>	<b>252</b>	<b>105</b>	106	157	265	91
– Interest rate risk	<b>59</b>	<b>84</b>	<b>148</b>	<b>50</b>	61	52	144	20
– Foreign exchange risk	<b>90</b>	<b>117</b>	<b>226</b>	<b>70</b>	97	156	253	64
– Commodity risk	<b>1</b>	<b>8</b>	<b>21</b>	–	6	13	60	–

### Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. The repricing risk and basis risk arising from mismatches in the term structure and pricing bases of assets and liabilities are the primary sources of interest rate risk for the Bank, while the yield curve risk and option risk carry relatively less impact.

To achieve effective management of its interest rate risk, the Group established its interest rate risk management framework, formulated corresponding management rules and policies in line with internal and external management requirements, and defined the roles, responsibilities and

reporting lines of the Board, the senior management and related departments in interest rate risk management. The overall objective of the Bank's interest rate risk management is to minimise the decrease of net interest income due to interest rate changes, while keeping interest rate risk within a tolerable range in accordance with its risk appetite and risk management capability.

The Group employed multiple methods to measure and analyse the interest rate risk of its banking book, including sensitivity gap analysis, net interest income sensitivity analysis and stress testing. Management suggestions were proposed through regular analysis reports, and relevant measures were taken in light of internal and external management requirements, to maintain the overall interest rate risk level within the set boundaries.

In 2017, the Bank closely followed the changes in external interest rates environment, and reinforced continuous monitoring and risk prediction. The net interest income increased and the net interest margin was kept at a stable level, as the Bank timely adjusted the product portfolio and term structure of assets and liabilities and constantly strengthened its market-oriented pricing capability. By means of setting up a three-level limit management system, it optimised the management mechanism to better implement the Group's interest rate risk management and strengthened the interest risk management of overseas branches and

subsidiaries. It promoted the system building for interest rate risk of banking account with continued efforts, further refined the measurement of interest rate risk in term of dynamic simulation and customer behaviour modelling, and thus fulfilled the latest regulatory requirements of the Basel Committee and CBRC on the interest rate risk management of banking account. During the reporting period, the interest rate risk of banking account of the Bank remained stable on the whole, and relative limits were kept within the targeted level.

#### *Interest rate sensitivity gap analysis*

The analysis of the Group's interest rate sensitivity gaps as at the balance sheet date by the next expected repricing dates or maturity dates (whichever are earlier) is set out below:

(In millions of RMB)	31 December 2017					
	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
<b>Assets</b>						
Cash and deposits with central banks	122,593	2,865,663	-	-	-	2,988,256
Deposits and placements with banks and non-bank financial institutions	-	364,272	128,267	7,699	-	500,238
Financial assets held under resale agreements	-	208,360	-	-	-	208,360
Loans and advances to customers	-	7,514,939	4,660,444	336,579	62,511	12,574,473
Investments	120,309	460,631	522,564	2,362,479	1,722,732	5,188,715
Other assets	664,341	-	-	-	-	664,341
<b>Total assets</b>	<b>907,243</b>	<b>11,413,865</b>	<b>5,311,275</b>	<b>2,706,757</b>	<b>1,785,243</b>	<b>22,124,383</b>
<b>Liabilities</b>						
Borrowings from central banks	-	204,808	341,709	770	-	547,287
Deposits and placements from banks and non-bank financial institutions	-	1,462,200	202,473	51,471	4,490	1,720,634
Financial liabilities at fair value through profit or loss	19,854	234,157	153,549	6,588	-	414,148
Financial assets sold under repurchase agreements	-	67,469	1,892	4,632	286	74,279
Deposits from customers	121,264	11,569,194	2,987,851	1,674,005	11,440	16,363,754
Debt securities issued	-	251,877	79,399	210,334	54,916	596,526
Other liabilities	611,928	-	-	-	-	611,928
<b>Total liabilities</b>	<b>753,046</b>	<b>13,789,705</b>	<b>3,766,873</b>	<b>1,947,800</b>	<b>71,132</b>	<b>20,328,556</b>
<b>Interest rate sensitivity gap analysis in 2017</b>	<b>154,197</b>	<b>(2,375,840)</b>	<b>1,544,402</b>	<b>758,957</b>	<b>1,714,111</b>	<b>1,795,827</b>
<b>Accumulated interest rate sensitivity gap in 2017</b>		<b>(2,375,840)</b>	<b>(831,438)</b>	<b>(72,481)</b>	<b>1,641,630</b>	
Interest rate sensitivity gap analysis in 2016	424,016	(1,839,375)	818,884	565,725	1,620,404	1,589,654
Accumulated interest rate sensitivity gap in 2016		(1,839,375)	(1,020,491)	(454,766)	1,165,638	

As at 31 December 2017, the repricing gap of the Group's assets and liabilities with maturities of less than one year was a negative value of RMB831,438 million, a slight decrease of RMB189,053 million over 2016, mainly due to the increase of proportion of loans in assets and the decrease of demand deposits from banks and non-bank financial institutions. The Group's positive gap for assets and liabilities with maturities of more than one year was RMB2,473,068 million, an increase of RMB286,939 million over 2016, due mainly to increase in long-term debt investments.

The net interest income sensitivity analysis of the Group as at the balance sheet date is set out below:

(In millions of RMB)	Change in net interest income			
	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points (demand deposit rates being constant)	Fall by 100 basis points (demand deposit rates being constant)
<b>As at 31 December 2017</b>	<b>(46,727)</b>	<b>46,727</b>	<b>50,694</b>	<b>(50,694)</b>
As at 31 December 2016	(48,500)	48,500	43,566	(43,566)

### Foreign exchange rate risk management

Foreign exchange rate risk is the risk of impact of adverse movements in foreign exchange rates on a Bank's financial position. The Group is exposed to foreign exchange rate risk primarily because of the currency mismatches between assets and liabilities held by the Group that are denominated in currencies other than RMB and the position held by the Group as a market maker in the financial markets. The Group mitigates its exchange rate risk by matching its assets and liabilities, setting limits and hedging.

In 2017, the Group optimised the methods for measuring currency options, and enabled the automatic measurement of the data for gold futures. It conducted stress testing on foreign exchange risk under the Financial Sector Assessment Programme (FSAP), which showed that the overall risk was under control. Reports on foreign exchange rate risk were submitted to the senior management and risk management committee on a quarterly basis. The Group closely monitored the RMB exchange rate market changes. The RMB appreciation only exerted a limited impact on the Group due to its small exposure.

### Currency concentrations

The Group's currency concentrations as at the balance sheet date are set out below:

(In millions of RMB)	31 December 2017				31 December 2016			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	<b>1,285,315</b>	<b>415,267</b>	<b>383,769</b>	<b>2,084,351</b>	1,306,232	327,955	264,686	1,898,873
Spot liabilities	<b>(1,151,780)</b>	<b>(453,711)</b>	<b>(326,808)</b>	<b>(1,932,299)</b>	(1,087,356)	(351,161)	(227,688)	(1,666,205)
Forward purchases	<b>2,737,947</b>	<b>178,350</b>	<b>247,059</b>	<b>3,163,356</b>	2,621,532	98,488	230,706	2,950,726
Forward sales	<b>(2,794,336)</b>	<b>(105,881)</b>	<b>(280,868)</b>	<b>(3,181,085)</b>	(2,824,058)	(39,253)	(261,184)	(3,124,495)
Net options position	<b>(72,996)</b>	—	—	<b>(72,996)</b>	(4,012)	—	—	(4,012)
<b>Net long options</b>	<b>4,150</b>	<b>34,025</b>	<b>23,152</b>	<b>61,327</b>	12,338	36,029	6,520	54,887

As at 31 December 2017, the net exposure of the Group's foreign exchange rate risk was RMB61,327 million, an increase of RMB6,440 million over 2016, mainly due to the increase of profits from foreign currencies.

## OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss due to inadequate or flawed internal processes, personnel, systems, or external events.

In 2017, the Group further stressed operational risk management in its business lines to improve its internal management standard and meet external regulatory requirements, and continued to press ahead the adoption of the standardised approach.

The Group conducted special analysis on loss events arising from operational risks by focusing on regulatory penalties and legal cases, and adopted various measures to control risks. It re-examined and adjusted incompatible positions (roles) across the Bank, which reinforced supervision and checks and balances between different positions. The Group selected key areas to conduct operational risk self-assessment, actively identified possible operational risk, and improved internal controls accordingly. It increased and optimised system functions to enhance the IT level of operational risk management, timely followed regulatory changes and analysed the new standardised approach and its implications. The Group launched emergency planning and drills for key businesses in the “New Generation” core banking system and improved its capability in response to business disruptions.

### Anti-money Laundering

In 2017, the Group focused on improving its relative system and mechanism for anti-money laundering (AML), counter-terrorist financing and anti-tax evasion, and steadily strengthened its AML compliance management, which led to notable improvement in its fundamental management standard.

The Group accelerated its paces in centralising its AML operations and building its professional teams, which preliminarily enabled the monitoring and analysis of suspicious transactions to be centrally managed at the tier-one level branches and the entering of data at the head office level. The Group also employed big data analysis and constant monitoring to proactively detect money laundering traces. It strengthened compliance management of financial sanctions, improved sanction compliance policies and procedures, and established effective management of customers and business activities in key areas. In compliance with the requirements of the Common Reporting Standard (CRS), the Group completed the due diligence processes and system upgrades for new accounts and existing accounts for high-net-worth individuals.

## REPUTATIONAL RISK MANAGEMENT

Reputational risk is the risk of potential or actual negative impact on or damage to the Bank’s overall image, reputation and brand value, when certain aspects of the Bank’s operational, managerial or other behaviours or events attract media attention or coverage.

In 2017, the Group continued to improve its reputational risk management system and mechanisms, further strengthened the consolidated reputational risk management, and enhanced its overall competence in managing reputational risks across the Group.

The Group placed high priority on enhancing its professional competence in managing its reputational risk. It improved its reputational risk assessment system, and built a preliminary reputational risk model for capital stress testing. With increased efforts in reputational risk analysis, early warning, reporting and contingency planning, it developed channels for promoting “the Voice” of CCB innovatively, and improved its publicity response competence and public engagement capabilities. Through intensified trainings on reputational risk management and media literacy and skills, the Group further raised the reputational risk awareness among staff. During the reporting period, the Group steadily improved its reputational risk management capabilities, and effectively safeguarded its good corporate image and reputation.

## COUNTRY RISK MANAGEMENT

Country risk is the risk of insolvency or repudiation by borrowers or debtors in a country or a region to meet their repayment obligations to the Bank, or the risk of losses to the commercial presence of the Bank or other losses to the Bank in a country or a region, due to economic, political, social changes or events in this country or region. Country risk mainly includes seven categories, i.e. transfer risk, sovereign risk, contagion risk, currency risk, macroeconomic risk, political risk and indirect country risk.

Under the leadership of the Board and senior management, the Bank strictly followed the regulatory requirements, and managed country risk in a unified and coordinated manner with clearly defined roles and responsibilities for all involved parties. In 2017, the Bank strengthened the limit management as part of its efforts to improve its country risk management rules and policies. It reinforced the monitoring, early warning and emergency response mechanisms, closely monitored country risk exposures with on-going monitoring and reporting, and enhanced its competence in mitigating country risk. It optimised country risk assessment framework, expanded the scope of risk assessment report, and conducted internal rating of country risk, which provided solid support for the implementation of major national strategies such as “the Belt and Road”.

## CONSOLIDATED MANAGEMENT

Consolidated management is the Bank's on-going comprehensive management and control over the corporate governance, capital and finance of the Group and the subsidiaries, which enables the Bank to effectively identify, measure, monitor and control the overall risk profile of the Group.

In 2017, the Bank proactively implemented the latest requirements of the CBRC for consolidated management, enhanced the Group's consolidated management system, and improved the planning and coordination, in order to prevent cross-border and cross-industry risks at the group level and strengthen its consolidated management standard.

*Improving corporate governance and consolidated management system.* The Bank implemented the Board's requirement to strengthen consolidated management, and increased the frequency of reporting to the Board by half-year reports and quarterly communications. It formulated guidelines to deepen consolidated management to optimise the Group's management mechanism. It organised the subsidiaries to develop the annual work plans for their board of directors, and made it clear that their board of directors should be accountable for the major decisions.

*Strengthening the Group's comprehensive risk management.* The Group further improved its comprehensive risk management systems and policies, made overall assessment of the comprehensive risk management activities, and regularly monitored and analysed the risk positions of its subsidiaries. It also formulated the annual market risk policies and limit scheme and industry-specific limit schemes covering subsidiaries, to further enhance limits monitoring and control across the Group.

*Accelerating IT system building for consolidated management.* The Bank optimised its IT systems for consolidated management, and strengthened the data quality management for regulatory reporting. It continued to improve the general ledger system of the Group, which was expanded to cover more accounting information of consolidated entities. In addition, it optimised the IT systems for internal transactions, and raised the accuracy of automated data capturing for internal transactions. It rolled out the "New Generation" system to its overseas operations, and quickened its paces in building and launching its overseas data and reporting systems.

## INTERNAL AUDIT

In order to promote the establishment of a sound and effective risk management mechanisms, internal control system and corporate governance procedures, the Bank's internal audit department evaluates the effectiveness of the internal control systems and risk management mechanisms, the effects of corporate governance procedures, the efficiency of business operations, and the economic responsibilities of relevant personnel, and puts forward suggestions for improvement based on its internal audit. The internal audit department works in a relatively independent manner, and it is managed vertically. It is responsible to and reports to the Board and the audit committee, and also reports to the board of supervisors and senior management. In addition to the internal audit department at the head office, there are 37 audit offices at tier-one branches responsible for managing and conducting audit project.

In 2017, in line with changes in the economic and financial situation and focusing on risk prevention and control in key businesses, the internal audit department organised 36 categories of systematic audit projects, including audits on the management of major businesses at 19 domestic tier-one branches and overseas institutions, dynamic audit investigation on the fundamental management of credit businesses, audits on secured loan business, financial institutional business, financial market business at certain branches, capital adequacy ratio management, and audit in relation to global systemically important bank. Meanwhile, it enhanced supervision and follow-up of rectifications, performed in-depth analysis on the underlying causes of identified issues, so as to drive the improvements in management mechanisms, business processes and internal management, and effectively promote the stable and healthy development of the Bank's operation and management.





# Building connectivity

**CCB participates in the construction of the key project of the "Belt and Road" - Hong Kong-Zhuhai-Macao Bridge**

The Group closely follows China's "Belt and Road" initiative by supporting the construction of key national projects. The picture shows the Hong Kong-Zhuhai-Macao Bridge, a project which CCB participated in. Upon completion, it will become the longest cross-sea bridge in the world.



# 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.

## 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 point 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.

(In millions of RMB, except percentages)	As at 31 December 2017		As at 31 December 2016	
	The Group	The Bank	The Group	The Bank
<b>Capital adequacy ratios calculated in accordance with the Capital Rules for Commercial Banks (Provisional)</b>				
Total capital after deduction:				
Common Equity Tier 1 capital	<b>1,691,332</b>	<b>1,579,469</b>	1,549,834	1,456,011
Tier 1 capital	<b>1,771,120</b>	<b>1,652,142</b>	1,569,575	1,475,184
Total capital	<b>2,003,072</b>	<b>1,881,181</b>	1,783,915	1,686,768
Capital adequacy ratios:				
Common Equity Tier 1 ratio	<b>13.09%</b>	<b>12.87%</b>	12.98%	12.89%
Tier 1 ratio	<b>13.71%</b>	<b>13.47%</b>	13.15%	13.06%
Total capital ratio	<b>15.50%</b>	<b>15.33%</b>	14.94%	14.93%
<b>Capital adequacy ratios calculated in accordance with the Measures for the Management of Capital Adequacy Ratios of Commercial Banks</b>				
Core capital adequacy ratio	<b>12.38%</b>	<b>12.31%</b>	12.55%	12.57%
Capital adequacy ratio	<b>15.40%</b>	<b>15.11%</b>	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
<b>Common Equity Tier 1 capital</b>			
Qualifying common share capital	<b>250,011</b>		250,011
Capital reserve <sup>1</sup>	<b>109,968</b>		132,800
Surplus reserve	<b>198,613</b>		175,445
General reserve	<b>259,600</b>		211,134
Retained earnings	<b>883,184</b>		784,164
Non-controlling interest recognised in Common Equity Tier 1 capital	<b>3,264</b>		4,069
Others <sup>2</sup>	<b>(4,256)</b>		798
<b>Deductions for Common Equity Tier 1 capital</b>			
Goodwill <sup>3</sup>	<b>2,556</b>		2,752
Other intangible assets (excluding land use rights) <sup>3</sup>	<b>2,274</b>		2,083
Cash-flow hedge reserve	<b>320</b>		(150)
Investments in common equity of financial institutions being controlled but outside the scope of consolidation	<b>3,902</b>		3,902
<b>Additional Tier 1 capital</b>			
Other directly issued qualifying additional Tier 1 instruments including related premium	<b>79,636</b>		19,659
Non-controlling interest recognised in Additional Tier 1 capital	<b>152</b>		82
<b>Tier 2 capital</b>			
Directly issued qualifying Tier 2 instruments including related premium	<b>138,848</b>		155,684
Provisions in Tier 2	<b>92,838</b>		58,281
Non-controlling interest recognised in Tier 2 capital	<b>266</b>		375
<b>Common Equity Tier 1 capital after deduction<sup>4</sup></b>			
<b>Tier 1 capital after deduction<sup>4</sup></b>	<b>1,691,332</b>		1,549,834
<b>Total capital after deduction<sup>4</sup></b>	<b>1,771,120</b>		1,569,575
	<b>2,003,072</b>		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
<b>Credit risk-weighted assets</b>		
Covered by internal ratings-based approach	<b>11,792,974</b>	10,821,591
Uncovered by internal ratings-based approach	<b>8,166,348</b>	7,465,207
	<b>3,626,626</b>	3,356,384
<b>Market risk-weighted assets</b>	<b>94,832</b>	103,494
Covered by internal models approach	<b>50,734</b>	58,277
Uncovered by internal models approach	<b>44,098</b>	45,217
<b>Operational risk-weighted assets</b>	<b>1,032,174</b>	1,012,689
<b>Total risk-weighted assets</b>	<b>12,919,980</b>	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.

### LEVERAGE RATIO

From the first quarter of 2015 onwards, 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
<b>Leverage Ratio</b>	<b>7.52%</b>	7.12%	6.95%	7.01%
Tier 1 capital after reduction	<b>1,771,120</b>	1,683,765	1,620,211	1,629,829
On- and off-balance sheet assets after adjustments	<b>23,555,968</b>	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 <sup>1</sup>	<b>22,124,383</b>	20,963,705
Consolidated adjustment <sup>2</sup>	(146,210)	(99,697)
Derivatives adjustment	<b>71,599</b>	25,535
Securities financing transactions adjustment	<b>168</b>	922
Off-balance sheet items adjustment <sup>3</sup>	<b>1,515,080</b>	1,439,703
Other adjustments <sup>4</sup>	(9,052)	(8,587)
<b>On- and off-balance sheet assets after adjustments</b>	<b>23,555,968</b>	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
<b>On-balance sheet assets (excluding derivatives and securities financing transactions)<sup>1</sup></b>	<b>21,690,628</b>	20,672,026
Less: Deduction from tier 1 capital	(9,052)	(8,587)
<b>On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)</b>	<b>21,681,576</b>	20,663,439
Replacement costs of various derivatives (excluding eligible margin)	<b>91,739</b>	61,402
Potential risk exposures of various derivatives	<b>62,831</b>	53,443
Nominal principals arising from sales of credit derivatives	<b>10</b>	50
<b>Derivative assets</b>	<b>154,580</b>	114,895
Accounting assets arising from securities financing transactions	<b>204,564</b>	102,622
Counter-party credit risk exposure arising from securities financing transactions	<b>168</b>	922
<b>Securities financing transactions assets</b>	<b>204,732</b>	103,544
Off-balance sheet assets	<b>3,029,172</b>	2,745,861
Less: Decrease in off-balance sheet assets due to credit conversion	(1,514,092)	(1,306,158)
<b>Off-balance sheet assets after adjustments</b>	<b>1,515,080</b>	1,439,703
Tier 1 capital after deduction	<b>1,771,120</b>	1,569,575
On- and off-balance sheet assets after adjustments	<b>23,555,968</b>	22,321,581
<b>Leverage Ratio<sup>2</sup></b>	<b>7.52%</b>	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.





# Going global

**CCB participates in the construction of the key project of the "Belt and Road" - Hong Kong-Zhuhai-Macao Bridge**

The Group closely follows China's "Belt and Road" initiative by supporting the construction of key national projects. The picture shows the Hong Kong-Zhuhai-Macao Bridge, a project which CCB participated in. Upon completion, it will become the longest cross-sea bridge in the world.



# 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.

# CORPORATE SOCIAL RESPONSIBILITIES

In 2017, the Bank constantly promoted the implementation of the corporate social responsibility strategy dedicated to serving the general public, promoting people's livelihood, facilitating low carbon and environmental protection and achieving sustainable development, and made solid progress in protecting consumer rights and interests, targeted poverty alleviation, environmental protection and charity.

## PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Bank attaches great importance to the protection of consumer rights and interests, and makes concrete efforts to deliver it as a compulsory social responsibility. In 2017, the Bank carried out intensive and well-organised work in this area, which not only delivered mutual benefits to both the Bank and its customers, but made solid contributions to maintaining financial stability and promoting social harmony.

The Bank further strengthened the overall planning and guidance of the Board of Directors, the board of supervisors and the senior management with regard to the protection of consumer rights and interests, and improved the operating mechanism and management system for this mission. The Bank continued to carry out various activities to promote and popularise financial knowledge to different consumer groups, and it won the Bank wide social recognition and high commendations from the CBRC. The Bank refined the service environment and customer experience, by improving

the building of dedicated sales areas of WMPs, as well as videotaping and audio recording which were incorporated into the whole business and trading processes, to protect the legitimate rights and interests of consumers. The Bank streamlined customer complaint management mechanism, increased complaint analysis, and continuously improved products and processes, as part of its efforts to heighten customer satisfaction. In 2017, the overall satisfaction of retail customers of the Bank was 78.7%, 2.9 percentage points higher than the industry average.

## FINANCIAL POVERTY ALLEVIATION

In accordance with established five-year plan, annual plan, and solutions for financial poverty alleviation, the Bank carried out solid work in targeted and designated poverty alleviation, and intensified efforts of financial poverty alleviation in areas of deep poverty.

At the end of 2017, the loan balance of the Bank's financial targeted poverty alleviation projects was RMB149,264 million, an increase of RMB54,440 million or 57.41% year-on-year. In 2017, the Bank donated RMB49.81 million to poverty alleviation in designated areas to support various projects, including road hardening and construction, dilapidated housing renewal and school construction, drainage projects and village tidying.

### Targeted poverty alleviation plans

- Basic principle

Based on the five development concepts of innovation, coordination, being green, opening up and sharing, the Bank adhered to the fundamental strategy of targeted poverty alleviation and eradication. The Bank concentrated on precisely satisfying the diversified poverty alleviation financial needs, improving working mechanism, strengthening policy support, clarifying supporting focus, carrying out product innovation, extensively pooling resources, and providing comprehensive services, so as to fight for the tough battle of the Bank's financial targeted poverty alleviation.

- General target and major task

The Bank aims to provide more credit funds for financial targeted poverty alleviation, benefit more registered impoverished people with financial targeted service, extend service coverage of inclusive finance by building convenient and efficient multi-layer settlement channels in rural areas, expand application of convenient settlement products to county regions with no prior outlet presence, make use of mobile phone banking, online banking and e.ccb.com e-commerce platform for poverty alleviation and eradication, and significantly enhance the penetration rate of new e-payment in registered households in poverty-stricken areas.

### Targeted poverty alleviation measures and performance

- Establishing and improving working mechanism. A leading team on financial poverty alleviation work led by the Chairman was established in the head office, with 22 heads of relevant departments as team members, to jointly promote the implementation of the work. The Bank successively held its work conference on poverty alleviation and the financial targeted poverty alleviation conference for mobilisation and planning of relevant work.
- Adopting creative assistance method by pairing the head office with branches. The Bank was the first in the industry to build the bridge for cooperation between the head office and branches in poverty-stricken areas, by pairing the 22 member departments of the leading team on financial poverty alleviation with the 29 first-level branches in poverty-stricken areas, so as to guide and assist the paired branches in formulating financial poverty alleviation plans.
- Increasing allocation of preferential resources. In terms of credit resources support, while making the plan for the economic capital allocation of 2017, the head office included poverty alleviation loans as part of the allocation of economic capital for strategic and special uses. In terms of service price support, the Bank set more favourable pricing policies for deposits and loans and promoted the reduction or exemption of intermediary business charges of local branches in poverty-stricken areas. In terms of financial resources support, in 2017, the head office specifically arranged more than RMB20 million for management of poverty alleviation projects and procurement of fixed assets.
- Strengthening credit input and precisely catering for the financial needs. The Bank continued to increase its credit support to poverty-stricken areas and started industrial assistance according to local conditions.
- Actively innovating financial products and services and enriching poverty alleviation measures. The Bank strengthened product innovation, supported special industries and major projects in poverty-stricken areas and benefited the working and living conditions of population in the poverty-stricken areas. At the end of 2017, nearly 90,000 “Yunongtong” inclusive financial service ports were established across the country covering 31 provinces and autonomous regions, and provided integrated financial services for surrounding rural households.
- Extensively aggregating resources to provide integrated financial services. The Bank fully maximised the operating advantages and collaboration effect of the Group and provided integrated services such as credit, wealth management, bonds, funds, trusts and leasing for key poverty alleviation projects.

### Achievements in targeted poverty alleviation

Indicator	Amount and description
I. General information	
Fund	At the end of 2017, the balance of the Bank's targeted poverty alleviation loans was RMB149,264.83 million; in 2017, the Bank's poverty alleviation donation in designated area was RMB49.81 million.
Number of people lifted out of poverty from registered households	The Bank provided credit support to enterprises and individuals in poverty-stricken areas, enabling 319.8 thousand people from registered households to gain job opportunities and income raise.
II. Investments by items	
1. Poverty alleviation by promoting industry development	<p>✓ Poverty alleviation by promoting agriculture, forestry, animal husbandry and fishery As the end of 2017, the Bank's loans to agriculture, forestry, animal husbandry and fishery were RMB1,860.06 million.</p> <p>✓ Poverty alleviation through e-commerce Drawing on its e.ccb.com e-commerce platform, the Bank adopted several assistance measures, including setting up a poverty alleviation zone, opening green channel, launching free online promotion and offline trade matchmaking, and organising training and guidance for merchants. It innovated poverty alleviation patterns in accordance with local conditions, helped brand-building and channel exploration in poverty-stricken areas, and enabled people in these areas to increase income and overcome poverty. By the end of 2017, relying on e.ccb.com, the Bank had facilitated poverty alleviation transactions for a total of RMB5,118 million, covering 545 poverty-stricken counties.</p> <p>✓ Others By adjusting measures to local conditions and relying on the credit of the leading enterprises in the industrial chain, the Bank has provided great support to the development of modern agriculture, ecological farming, leisure agriculture, rural tourism and other featured industries and offered supply chain financial service to the leading enterprises' upstream and downstream dealers and farming households so as to help impoverished people to get employed, increase income and cast off poverty.</p>
1.1 Types of industry-based poverty alleviation projects	

Indicator	Amount and description
1.2 Industry-based investments	As at the end of 2017, the Bank issued industry-based poverty alleviation loans of RMB47,848.53 million.
2. Poverty alleviation through education	
2.1 Student loans and related donations	As of the end of 2017, the Bank issued student loans of RMB3.45 million to registered impoverished students. Since the Bank launched "Build for the Future - CCB Sponsorship Programme for Impoverished High School Students" in 2007, it had issued RMB138 million of grants for this programme. Since the Bank launched "Tibet in Our Hearts - CCB and Jianyin Investment Scholarship (Bursary) Foundation" to subsidise impoverished high school students and college students in Tibet in 2007, the Bank had granted scholarships (bursaries) of RMB2.30 million.
2.2 Number of students benefited	As at the end of 2017, the Bank provided 89,500 student loans to help high school students in need, including 1,100 loans to financially distressed students in the Tibetan region.
2.3 Loans for improving educational resources	As at the end of 2017, the Bank issued RMB1,731.39 million of education loans to schools in impoverished areas.
3. Poverty alleviation initiatives to promote healthcare	From 2011 to 2017, the Bank made consecutive donations for "Healthy Mother Express" vehicles in poverty-stricken villages and counties in 21 provinces and autonomous regions, including Xinjiang, Tibet, Gansu, Qinghai, Shaanxi, Ningxia, Inner Mongolia, Sichuan, Chongqing, Yunnan, Guangxi, Guizhou, Hubei, Hunan, Jiangxi, Anhui, Shandong, Hebei, Liaoning, Jilin and Guangdong, to provide free health check, treatment to women and healthcare services to pregnant and maternal patients. The Bank had donated RMB45 million for the purchase of 303 "Healthy Mother Express" vehicles.
4. Poverty alleviation initiatives to promote ecological protection	As at the end of 2017, the Bank had a balance of RMB1,093.30 million loans for restoring ecological environment in impoverished areas.
5. Poverty alleviation initiatives to promote social causes	In 2017, the head office sent a total of 15 managers to Ankang, Shaanxi, to take temporary positions in poverty alleviation. It implemented 69 assistance projects, and organised 39 different types of trainings, helping the local counties successfully complete the annual poverty alleviation tasks by means of relocation, education, ambition building, labor export, industrial development, health care and infrastructure construction.

#### Follow-up targeted poverty reduction plan

In 2018, the Bank will take various measures to further promote the development of poverty alleviation, assist poverty-stricken counties in successfully accomplishing the annual poverty alleviation task through measures such as relocation, education, ambition building, labor export, industrial development, health care and infrastructure construction. Firstly, the Group will further improve the financial poverty alleviation mechanism, increase the promulgation of poverty alleviation policies, timely publicise and popularise advanced experience and typical cases. Secondly, the Group will continue to promote product and service innovation, encourage branches to carry out product innovation in accordance with local conditions, and support the development of characteristic industries and the real economy, and stimulate economic and social development in poverty-stricken areas. Thirdly, the group will promote broader business collaboration and poverty alleviation in key regions, implement the concept of poverty alleviation in a broader sense, and guide diversified funds to poverty-stricken areas for poverty alleviation. Fourthly, the Group will advocate experience in financial poverty alleviation practices, carry out assessment and appraisal of outstanding and advanced work, increase internal and external publicity, and create a sound environment for financial poverty alleviation.

## ENVIRONMENTAL PROTECTION

The Bank includes "Green Banking" as a goal in its medium- and long-term business planning. It has vigorously improved the green credit policies and system, developed green credit businesses, strengthened environmental and social risk management, and enriched green credit products and services. At the end of 2017, the balance of green loans was RMB1,002,521 million, up by 12.74%.

The Bank has combined its e-finance business development with environmental protection and serving people's livelihood, and increased efforts in network and channel building to engage its customers in energy saving and emission reduction. Through Yueshenghuo (Joyful Life), the Bank's cloud-based service and payment platform, users can make online self-service payments on a 24/7 basis via multiple

channels, such as mobile banking, online banking and WeChat banking. This not only saves time and money for the users, but contributes to environmental protection.

The Bank is concerned about global climate change and committed to low carbon practices. In its daily operations and management, the Bank advocates the use of video conferences in place of on-site meetings, and maintains an adequate indoor temperature in office areas to reduce energy consumption and carbon emissions. It has installed energy-saving and water-saving equipment in the workplace, and promotes paperless office solutions and double-sided printing. It also encourages the minimal use of office supplies, batteries and IT products, and calls for its people to travel green and live a low-carbon life.

## CHARITY

Since its listing in 2005, the Bank has implemented more than 100 important public welfare programmes, mainly in education, medical and healthcare, poverty alleviation, disaster rescue and environmental protection, with a cumulative donation of RMB900 million. In 2017, the Bank made charitable donations of RMB77.86 million, including RMB49.81 million for designated poverty alleviation projects in underprivileged villages. The Bank also made great efforts in implementing long-term public welfare programmes. Details about major public welfare programmes are as follows:

Project name	Cooperative institution	Donation	Duration	As at 31 December 2017
Supporting CCB Hope Primary Schools	China Youth Development Foundation	RMB10.96 million	1996 - now	Provided support in building 45 Hope Primary Schools with libraries, computer rooms and sports grounds; provided trainings for nearly 600 teachers and organised summer camps in Beijing for 52 students and teachers.
Building the Future - CCB Sponsorship Programme for High School Students	China Education Development Foundation	RMB138 million	2007 - now	Supported 89,500 high school students with RMB138 million in education loans and scholarships.
Financial support to BN Vocational School (BNVS) Sanya	China Youth Development Foundation and (BNVS) Beijing	RMB12 million	2011 - now	Annual donation of RMB2 million to the school.
Tibet in Our Hearts - CCB and Jianyin Investment Scholarship (Bursary) Foundation	China Foundation for Poverty Alleviation	RMB3.5 million	2007 - now	Accumulatively granted scholarships (bursaries) of RMB2.3 million to 1,100 students from impoverished families in Tibet.
CCB Sponsorship Programme of "Healthy Mother Express"	China Women's Development Foundation	RMB45 million	2011 - now	Purchased 303 vehicles under the programme in poor counties and towns in 21 provinces and autonomous regions, including Xinjiang, Tibet, Gansu and Qinghai.
CCB Sponsorship Programme of Impoverished Mothers of Heroes and Exemplary Workers	China Women's Development Foundation	RMB50 million	2007 - now	Accumulatively supported 18,000 mothers (wives) of heroes and exemplary workers with RMB50.60 million.
Donation of Bonus Points to Make Dream Come True - Hope Project for Happy Music Rooms	China Youth Development Foundation	RMB2.90 million	2012 - now	Helped build 104 well-equipped music rooms for middle and primary schools in poverty-stricken areas in 31 provinces, autonomous regions and municipalities.
Donation of Bonus Points to Make Dream Come True - Rural Music and Art Teachers Training Programme	China Literature and Art Foundation	RMB400,000	2013 - now	Provided training for over 200 participants.
Donation of Bonus Points to Make Dream Come True - Caring for the Children of Migrant Workers	China Young Volunteers and Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China	RMB700,000	2016 - now	Provided supporting funds for the Central Committee of the Communist Youth League of China to promote "Home of Youth" project across the country, and supported projects including Class at 4:30 and Village School with Dream.

Please refer to the *Corporate Social Responsibility Report 2017* of the Bank for more details.

# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

## CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2017		Increase/(Decrease) during the reporting period					31 December 2017		
	Number of shares	Percentage (%)	Issuance of additional shares		Shares converted from capital reserve		Others	Sub-total	Number of shares	Percentage (%)
			Bonus issue							
<b>I. Shares subject to selling restrictions</b>	-	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to selling restrictions</b>										
1. RMB ordinary shares	9,593,657,606	3.84	-	-	-	-	-	-	9,593,657,606	3.84
2. Overseas listed foreign investment shares	93,199,798,499	37.28	-	-	-	-	-	-	93,199,798,499	37.28
3. Others <sup>1</sup>	147,217,521,381	58.88	-	-	-	-	-	-	147,217,521,381	58.88
<b>III. Total number of shares</b>	<b>250,010,977,486</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,010,977,486</b>	<b>100.00</b>

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid and Yangtze Power.

## DETAILS OF SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank had not issued any ordinary shares or convertible bonds. For details of the issuance of preference shares of the Bank, please refer to "Details of Preference Shares". For details of the issuance of other debt securities, please refer to Note "Debt Securities Issued" in the "Financial Statements".

## NUMBER OF ORDINARY SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

At the end of the reporting period, the Bank had a total of 329,810 ordinary shareholders, of whom 45,638 were holders of H-shares and 284,172 were holders of A-shares. As at 28 February 2018, the Bank had a total of 344,007 ordinary shareholders, of whom 43,696 were holders of H-shares and 300,311 were holders of A-shares.

Unit: share

Total number of ordinary shareholders		329,810 (Total number of registered holders of A-shares and H-shares as at 31 December 2017)				
Particulars of shareholding of the top ten shareholders		Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Changes in shareholding during the reporting period
Name of shareholder	Nature of shareholder					
Huijin <sup>1</sup>	State	57.03 0.08	142,590,494,651 (H-shares) 195,941,976 (A-shares)	None	None	-
HKSCC Nominees Limited <sup>1,2</sup>	Foreign legal person	36.71	91,780,584,796 (H-shares)	None	Unknown	+29,446,884
China Securities Finance Corporation Limited	State-owned legal person	1.07	2,666,087,431 (A-shares)	None	None	+98,807,092
Baowu Steel Group <sup>2</sup>	State-owned legal person	0.80	2,000,000,000 (H-shares)	None	None	-
State Grid <sup>2,3</sup>	State-owned legal person	0.64	1,611,413,730 (H-shares)	None	None	-
Yangtze Power <sup>2</sup>	State-owned legal person	0.41	1,015,613,000 (H-shares)	None	None	-
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None	-
Central Huijin Asset Management Co., Ltd. <sup>1</sup>	State-owned legal person	0.20	496,639,800 (A-shares)	None	None	-
Hong Kong Securities Clearing Company Ltd. <sup>1</sup>	Foreign legal person	0.10	244,802,920 (A-shares)	None	None	-47,103,204
China Life Insurance Company Limited – Dividend – Individual dividend – 005L-FH002 SH	Others	0.06	156,370,388 (A shares)	None	None	+156,370,388

1. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from this, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
2. As at 31 December 2017, State Grid and Yangtze Power held 1,611,413,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited; Baowu Steel Group held 2,000,000,000 H-shares of the Bank, in which 600,000,000 H-shares were held under the name of HKSCC Nominees Limited. Save for the aforesaid H-shares of the Bank held by State Grid and Yangtze Power, as well as 600,000,000 H-shares held by Baowu Steel Group, 91,780,584,796 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which also included the H-shares held by Temasek Holdings (Private) Limited.
3. As at 31 December 2017, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 54,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 230,000,000 shares and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.

## SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.11% of the shares of the Bank at the end of the reporting period, and indirectly held 0.20% of the shares of the Bank through its subsidiary, Central Huijin Asset Management Co., Ltd. Huijin is a wholly state-owned company established in accordance with the PRC Company Law on 16 December 2003 with the approval of the State Council. Both its registered capital and paid-in capital is RMB828,209 million.

Its legal representative is Mr. Ding Xuedong. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities, nor does it interfere with daily operations of the key state-owned financial institutions in which it holds controlling shares.

As at 31 December 2017, the information on the enterprises whose shares were directly held by Huijin is as follows:

No.	Name of the Institution	Shareholding of Huijin (%)
1	China Development Bank	34.68
2	Industrial and Commercial Bank of China Limited <sup>1,2</sup>	34.71
3	Agricultural Bank of China Limited <sup>1,2</sup>	40.03
4	Bank of China Limited <sup>1,2</sup>	64.02
5	China Construction Bank Corporation <sup>1,2,3</sup>	57.11
6	China Everbright Group Ltd.	55.67
7	China Everbright Bank Company Limited <sup>1,2</sup>	19.53
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation <sup>2</sup>	71.56
10	New China Life Insurance Company Limited <sup>1,2</sup>	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holdings Co., Ltd. <sup>4</sup>	78.57
13	Shenwan Hongyuan Group Co., Ltd. <sup>1,5</sup>	25.03
14	China International Capital Corporation Limited <sup>2,6</sup>	58.58
15	China Securities Co., Ltd. <sup>2</sup>	32.93
16	Jiantou Zhongxin Assets Management Co., Ltd.	70.00
17	Guotai Junan Investment Management Co., Ltd.	14.54

1. A-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2017.
2. H-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2017.
3. Huijin's direct shareholding of the Bank did not include the A-shares held by Central Huijin Asset Management Co., Ltd., Huijin's wholly-owned subsidiary.
4. In February 2018, China Galaxy Financial Holdings Co., Ltd. completed the change in industrial and commercial registration procedures for its merger with China Galaxy Investment Management Co., Ltd, after which Huijin's direct shareholding in China Galaxy Financial Holdings Co., Ltd. was changed to 69.07%.
5. On 12 December 2017, CSRC approved Shenwan Hongyuan Group Co., Ltd. to issue no more than 2.5 billion non-public new shares. On 30 January 2018, these new shares were listed on Shenzhen Stock Exchange, and Huijin's direct shareholding in Shenwan Hongyuan Group Co., Ltd. was changed to 22.28%.
6. On 20 September 2017, China International Capital Corporation Limited entered into a subscription agreement with Tencent Mobility Limited, under which China International Capital Corporation Limited would issue H-shares approximately accounting for 4.95% of its outstanding shares to Tencent Mobility Limited. As of the end of 2017, the related procedures were still in process.
7. Besides the enterprises whose shares are directly held by Huijin, Huijin has a wholly-owned subsidiary Central Huijin Asset Management Co., Ltd., which was established in November 2015 in Beijing with a registered capital of RMB5 billion and engaged in assets management business.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of CIC.

At the end of the reporting period, there were no other corporate shareholders holding 10% or more of shares of the Bank (excluding HKSCC Nominees Limited), nor were there any internal staff shares.

## DETAILS OF PREFERENCE SHARES

### Details of Issuance and Listing of Preference Shares

On 16 December 2015, the Bank made a non-public issuance of offshore preference shares in the offshore market. A total number of 152,500,000 shares were issued, each having a par value of RMB100 and an issuance price of 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 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 the Comprehensive Business Platform of Shanghai Stock Exchange 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

### Number of Preference Shareholders and Particulars of Shareholding

At the end of 2017, the Bank had 17 preference shareholders (or proxies), including one offshore preference shareholder (or proxy) and 16 domestic preference shareholders. As at 28 February 2018, the Bank had 18 preference shareholders (or proxies), including one offshore preference shareholder (or proxy) and 17 domestic preference shareholders.

At the end of 2017, the particulars of shareholding of the offshore preference shareholders (or proxies) of the Bank are as follows:

No.	Name of preference shareholder	Nature of shareholder	Type of shares	Increase/decrease during the reporting period	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
1	The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	100.00	152,500,000	-	Unknown

- Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
- As the issuance was an offshore non-public offering, the register of preference shareholders presented the shareholding information of The Bank of New York Depository (Nominees) Limited as proxy of the preference shareholders in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. at the end of the reporting period.
- The Bank is not aware of any connected relation or concerted action between the aforesaid preference shareholders and the top ten ordinary shareholders.
- “Shareholding percentage” refers to the percentage of offshore preference shares held by the preference shareholder in the total number of offshore preference shares.

At the end of 2017, the particulars of shareholding of the top ten domestic preference shareholders are as follows:

No.	Name of preference shareholder	Nature of shareholder	Type of shares	Increase/decrease during the reporting period	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
1	Bosera Asset Management Co., Limited	Others	Domestic preference shares	176,000,000	29.33	176,000,000	-	None
2	Manulife Teda Fund Management Co., Ltd.	Others	Domestic preference shares	90,000,000	15.00	90,000,000	-	None
3	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	50,000,000	8.33	50,000,000	-	None
4	China Life Insurance Company Limited	Others	Domestic preference shares	50,000,000	8.33	50,000,000	-	None
5	Truvalue Asset Management Corporation Limited	Others	Domestic preference shares	40,000,000	6.67	40,000,000	-	None
6	China Post & Capital Fund Management Co., Ltd.	Others	Domestic preference shares	33,000,000	5.50	33,000,000	-	None
7	GF Securities Asset Management (Guangdong) Co., Ltd.	Others	Domestic preference shares	27,000,000	4.50	27,000,000	-	None
8	Postal Savings Bank of China Co., Ltd.	Others	Domestic preference shares	27,000,000	4.50	27,000,000	-	None
9	PICC Asset Management Company Limited	Others	Domestic preference shares	20,000,000	3.33	20,000,000	-	None
	AXA SPDB Investment Managers Co., Ltd.	Others	Domestic preference shares	20,000,000	3.33	20,000,000	-	None
	E Fund Management Co., Ltd.	Others	Domestic preference shares	20,000,000	3.33	20,000,000	-	None

- Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
- The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.
- "Shareholding percentage" refers to the percentage of domestic preference shares held by preference shareholders in the total number of domestic preference shares.

### Profit Distribution of Preference Shares

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:

Type of preference shares	2017			2016		
	Dividend rate	Dividend distribution		Dividend rate	Dividend distribution	
		In millions of USD (after tax)	In millions of RMB (including tax)		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

### Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of preference shares issued by the Bank.

### Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of preference shares issued by the Bank.

### Accounting Policy Adopted for Preference Shares and Causes Thereof

In accordance with *Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments*,

*Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* promulgated by the MOF, as well as *International Accounting Standards No. 39 – Financial Instruments: Recognition and Measurement* and *International Accounting Standards No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the issued and existing preference shares of the Bank conform to the accounting requirements as equity instruments in its provisions, and are calculated as equity instruments.





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# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors of the Bank

Name	Position	Gender	Age	Term of Office
Tian Guoli	Chairman, executive director	Male	57	October 2017 to 2019 annual general meeting
Wang Zaji	Vice chairman, executive director, president	Male	59	July 2015 to 2017 annual general meeting
Pang Xiusheng	Executive director, executive vice president	Male	59	August 2015 to 2017 annual general meeting
Zhang Gengsheng	Executive director, executive vice president	Male	57	August 2015 to 2017 annual general meeting
Feng Bing	Non-executive director	Female	52	July 2017 to 2019 annual general meeting
Zhu Hailin	Non-executive director	Male	52	July 2017 to 2019 annual general meeting
Li Jun	Non-executive director	Male	58	September 2015 to 2017 annual general meeting
Wu Min	Non-executive director	Male	50	July 2017 to 2019 annual general meeting
Zhang Qi	Non-executive director	Male	45	July 2017 to 2019 annual general meeting
Hao Aiqun	Non-executive director	Female	61	July 2015 to 2017 annual general meeting
Anita Fung Yuen Mei	Independent non-executive director	Female	57	October 2016 to 2017 annual general meeting
Malcolm Christopher McCarthy	Independent non-executive director	Male	74	August 2017 to 2019 annual general meeting
Carl Walter	Independent non-executive director	Male	70	October 2016 to 2017 annual general meeting
Chung Shui Ming Timpson	Independent non-executive director	Male	66	October 2013 to 2018 annual general meeting
Murray Horn	Independent non-executive director	Male	63	December 2013 to 2018 annual general meeting
<b>Resigned directors</b>				
Wang Hongzhang	Chairman, executive director	Male	63	January 2012 to August 2017
Guo Yanpeng	Non-executive director	Male	55	January 2014 to February 2017
Dong Shi	Non-executive director	Male	52	September 2011 to June 2017
Zhang Long	Independent non-executive director	Male	52	January 2014 to April 2017
Wim Kok	Independent non-executive director	Male	79	October 2013 to June 2017

### Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Guo You	Chairman of the board of supervisors	Male	60	June 2014 to 2019 annual general meeting
Liu Jin	Shareholder representative supervisor	Female	53	September 2004 to 2018 annual general meeting
Li Xiaoling	Shareholder representative supervisor	Female	60	June 2013 to 2018 annual general meeting
Li Xiukun	Employee representative supervisor	Male	60	January 2016 to 2018 annual general meeting
Jin Yanmin	Employee representative supervisor	Male	56	January 2016 to 2018 annual general meeting
Li Zhenyu	Employee representative supervisor	Male	57	January 2016 to 2018 annual general meeting
Bai Jianjun	External supervisor	Male	62	June 2013 to 2018 annual general meeting

### Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Wang Zaji	President	Male	59	July 2015 to
Pang Xiusheng	Executive vice president	Male	59	February 2010 to
Zhang Gengsheng	Executive vice president	Male	57	April 2013 to
Yang Wensheng	Executive vice president	Male	51	December 2013 to
Huang Yi	Executive vice president	Male	54	April 2014 to
Yu Jingbo	Executive vice president	Male	60	December 2014 to
Zhu Kepeng	Chief disciplinary officer	Male	53	July 2015 to
Zhang Lilin	Executive vice president	Male	47	September 2017 to
Liao Lin	Chief risk officer	Male	52	March 2017 to
Huang Zhiling	Secretary to the Board	Male	57	February 2018 to
Xu Yiming	Chief financial officer	Male	58	June 2014 to

### Resigned senior management

Zeng Jianhua	Chief risk officer	Male	60	September 2013 to February 2017
Chen Caihong	Secretary to the Board	Male	60	August 2007 to February 2018

### Shareholdings of directors, supervisors and senior management

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior executives of the Bank. Mr. Zhang Long, the resigned independent non-executive director of the Bank, held 235,400 A-shares of the Bank. Some of the Bank's directors, supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed their current positions, among which, Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Li Xiukun held 12,366 H-shares, Mr. Jin Yanmin held 15,739 H-shares, Mr. Li Zhenyu held 3,971 H-shares, Mr. Yang Wensheng held 10,845 H-shares, Mr. Yu Jingbo held 22,567 H-shares, Mr. Liao Lin held 14,456 H-shares, Mr. Huang Zhiling held 18,751 H-shares, and Mr. Xu Yiming held 17,925 H-shares. Resigned senior management Mr. Zeng Jianhua held 25,838 H-shares, Mr. Chen Caihong held 19,417 H-shares. Apart from the above, all other directors, supervisors and senior executives did not hold any shares of the Bank.

### Particulars of positions of directors, supervisors and senior management at shareholders

Name	Name of shareholder	Position at shareholder	Period of holding positions
Feng Bing	Huijin	Employee	July 2017
Zhu Hailin	Huijin	Employee	July 2017
Li Jun	Huijin	Employee	August 2008
Wu Min	Huijin	Employee	July 2017
Zhang Qi	Huijin	Employee	July 2011
Hao Aiqun	Huijin	Employee	August 2015

## CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors of the Bank

Upon election at the 2017 first extraordinary general meeting of the Bank and the seventh session of the Bank's board meeting in 2017, Mr. Tian Guoli commenced his positions as chairman and executive director of the Bank from 9 October 2017.

Upon election at the 2016 annual general meeting of the Bank, Sir Malcolm Christopher McCarthy commenced his position as independent non-executive director of the Bank from 15 August 2017.

Upon election at the 2016 annual general meeting of the Bank and upon approval of the CBRC, Ms. Feng Bing, Mr. Zhu Hailin, Mr. Wu Min and Mr. Zhang Qi commenced their positions as non-executive directors of the Bank from 28 July 2017.

As disclosed in the Bank's announcement on 17 August 2017, Mr. Wang Hongzhang ceased to serve as chairman and executive director of the Bank by reason of his age.

As disclosed in the Bank's announcements on 15 June 2017, Mr. Dong Shi ceased to serve as non-executive director of the Bank, and Mr. Wim Kok ceased to serve as independent non-executive director of the Bank due to the expiration of their terms of office.

As disclosed in the Bank's announcement on 28 April 2017, Mr. Zhang Long ceased to serve as independent non-executive director of the Bank due to personal reasons.

As disclosed in the Bank's announcement on 8 February 2017, Mr. Guo Yanpeng ceased to serve as non-executive director of the Bank due to change of job.

### Supervisors of the Bank

In April 2018, Mr. Guo Yuo ceased to serve as chairman of the board of supervisors and shareholder representative supervisor of the Bank by reason of his age.

### Senior management of the Bank

Upon appointment of the Board and approval of the CBRC, Mr. Huang Zhiling commenced his position as secretary to the Board of the Bank from February 2018.

Upon appointment of the Board and approval of the CBRC, Mr. Zhang Lilin commenced his position as executive vice president of the Bank from September 2017.

Upon appointment of the Board and approval of the CBRC, Mr. Liao Lin commenced his position as chief risk officer of the Bank from March 2017.

As disclosed in the Bank's announcement on 22 December 2017, Mr. Chen Caihong applied to resign from his position as secretary to the Board of the Bank by reason of his age. The resignation took effect after Mr. Huang Zhiling took office with approval from the CBRC for his appointment and qualification certificate for the secretary to the board of directors from the Shanghai Stock Exchange in February 2018.

Due to the personal reasons, Mr. Zeng Jianhua ceased to serve as chief risk officer of the Bank from February 2017.

**BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT****Directors of the Bank**

**Tian Guoli**  
Chairman,  
executive director

Mr. Tian has served as chairman and executive director since October 2017, concurrently as chairman of Sino-German Bausparkasse since March 2018. Mr. Tian currently also serves as chairman of China Banking Association, a member of the Expert Committee for the 13th Five-Year Plan for Economic and Social Development of China, a member of the Monetary Policy Committee of the People's Bank of China and chairman of the board of directors of Asian Financial Cooperation Association. Mr. Tian joined Bank of China in April 2013 and served as chairman of Bank of China from May 2013 to August 2017. During this period, he also served as chairman and non-executive Director of Bank of China Hong Kong (Holdings) Limited. From December 2010 to April 2013, Mr. Tian served as vice chairman and general manager of China CITIC Group. During this period, he also served as chairman and non-executive director of China CITIC Bank. From April 1999 to December 2010, Mr. Tian served consecutively as vice president and president of China Cinda Asset Management Company, and chairman of directors of China Cinda Asset Management Co., Ltd. From July 1983 to April 1999, Mr. Tian held various positions in CCB, including sub-branch general manager, deputy branch general manager, department general manager of the CCB Head Office, and assistant president of CCB. Mr. Tian is a senior economist. He received a bachelor's degree in economics from Hubei Institute of Finance and Economics in 1983.



**Wang Ziji**  
Vice chairman,  
executive director, president

Mr. Wang has served as vice chairman, executive director and president since July 2015. Mr. Wang currently also serves as vice chairman of China's National Association of Financial Market Institutional Investors. From September 2012 to May 2015, Mr. Wang was vice chairman of China Insurance Regulatory Commission. From January 2008 to September 2012, Mr. Wang was vice governor of Jilin Province. From April 2006 to January 2008, Mr. Wang was assistant governor of Jilin Province, director of Development and Reform Commission of Jilin Province and concurrently director of the office to the Leading Team of Revitalising Jilin Old Industrial Base. From May 2005 to April 2006, Mr. Wang was assistant governor of Jilin Province and director-general of State-Owned Assets Supervision & Administration Commission of Jilin Province. From February 2005 to May 2005, Mr. Wang was assistant governor of Jilin Province. From January 2004 to February 2005, Mr. Wang was director of comprehensive planning department of China Development Bank. From March 2003 to January 2004, Mr. Wang was director of business development department of China Development Bank. From January 2000 to March 2003, Mr. Wang was president of Changchun Branch of China Development Bank. From January 1997 to January 2000, Mr. Wang was the deputy director of loan department II (north-east loan department) of China Development Bank. Mr. Wang is a senior engineer. He obtained a PhD degree in economics from Jilin University in 2009.



**Pang Xiusheng**  
Executive director,  
executive vice president

Mr. Pang has served as executive director since August 2015, executive vice president of the Bank since February 2010, and concurrently served as chief financial officer of the Bank from September 2013 to June 2014. Mr. Pang served as a member of the senior management of the Bank from December 2009 to February 2010, chief financial officer of the Bank from April 2006 to March 2011. He served as executive vice chairman of the Bank's asset and liability committee from March 2006 to April 2006, general manager of the Bank's restructuring officer from May 2005 to March 2006, general manager of Zhejiang Branch of the Bank from June 2003 to May 2005, and acted as head of Zhejiang Branch of the Bank from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and financial department, and general manager of planning and financial department of the Bank from September 1995 to April 2003. Mr. Pang is a senior economist, and a recipient of a special grant by PRC government. He graduated from a postgraduate programme in technological economics from Harbin Industrial University in 1995.



**Zhang Gengsheng**  
Executive director,  
executive vice president

Mr. Zhang has served as executive director since August 2015 and executive vice president of the Bank since April 2013. He concurrently serves as chairman of CCB Life Insurance Company Limited since May 2013. Mr. Zhang served as a member of senior management of the Bank from December 2010 to April 2013. Mr. Zhang was general manager of the group clients department (banking business department) and deputy general manager of Beijing Branch of the Bank from October 2006 to December 2010, general manager of the banking business department at the head office and the group clients department (banking business department) of the Bank from March 2004 to October 2006, deputy general manager of the banking business department at the head office of the Bank from June 2000 to March 2004 (in charge of overall management from March 2003), general manager of the Three Gorges Branch of the Bank from September 1998 to June 2000, and deputy general manager of the Three Gorges Branch of the Bank from December 1996 to September 1998. Mr. Zhang is a senior economist. He obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1984 and an EMBA degree from Peking University in 2010.



**Feng Bing**  
Non-executive director

Ms. Feng has served as director since July 2017. Ms. Feng had served as deputy director of Payment Centre of the National Treasury of Ministry of Finance (deputy director-general level) from September 2015 to August 2017. From August 1988 to September 2015, Ms. Feng served consecutively as deputy division-chief and division-chief of the Tax Department of Ministry of Finance. Ms. Feng graduated from Renmin University of China with a bachelor's degree in finance in 1988, and obtained her master's degree in finance from Renmin University of China in 2001. Ms. Feng is currently an employee of Huijin, the Bank's substantial shareholder.



**Zhu Hailin**  
Non-executive director

Mr. Zhu has served as director since July 2017. Mr. Zhu had served as deputy director of National Accountant Assessment & Certification Centre of Ministry of Finance (deputy director-general level) from July 2012 to August 2017. From August 1992 to June 2012, Mr. Zhu served successively as deputy division-chief, division-chief of the Accounting Department of Ministry of Finance. Mr. Zhu is an expert of a special grant by PRC government, a certified public accountant (a non-practicing member), an associate researcher, and is a part-time post-graduate tutor. Mr. Zhu graduated from Jiangxi Finance and Economics College with a master's degree in accounting in 1992. He graduated from the accounting major of the Research Institute for Fiscal Science of Ministry of Finance with a Ph.D. degree in economics in 2000. Mr. Zhu is currently an employee of Huijin, the Bank's substantial shareholder.



**Li Jun**  
Non-executive director

Mr. Li has served as director since September 2015. Mr. Li had served as non-executive director of Industrial and Commercial Bank of China Limited from December 2008 to March 2015. He previously served as assistant representative of Beijing Representative Office of the Bank of Credit and Commerce International, deputy representative of BNP Paribas China Representative Office, consultant of the international banking department of Banco Bilbao Vizcaya Argentaria, deputy director of the Research Centre of China Technology Trust and Investment Company, general manager of the research department of China Sci-Tech Securities, professor of the finance department of the School of Economics and Management of the University of Science and Technology Beijing, and director of Shenyin & Wanguo Securities Co., Ltd., Shenwan Hongyuan Securities Co., Ltd., and Shenwan Hongyuan Group Co., Ltd. Mr. Li currently also serves as supervisor of the China Export & Credit Insurance Corporation. Mr. Li graduated from University of Madrid in Spain in November 1995 and received a doctorate degree in economic management. Mr. Li is currently an employee of Huijin, the Bank's substantial shareholder.



**Wu Min**  
Non-executive director

Mr. Wu has served as director since July 2017. Mr. Wu had served as vice president of Chongqing Daily Press Group from December 2011 to August 2017. Mr. Wu served concurrently as president of *Contemporary Financial Research Journal* from March 2017 to August 2017, chairman of Chongqing CQDaily Printing Co., Ltd. from July 2015 to February 2017, and has been concurrently chairman of Chongqing Press New Fashion Media Co., Ltd from March 2015 to December 2016. From October 2006 to November 2011, Mr. Wu was deputy head of Qianjiang District of Chongqing City (deputy director-general level), and director of Administration Committee of Zhengyang Industrial Park of Chongqing City. From July 1991 to September 2006, Mr. Wu served successively as deputy division-chief, division-chief and general manager of Compliance Department of Anhui Branch of Bank of China Limited. Mr. Wu is a researcher, a senior economist, a doctor of law and a doctoral tutor. Mr. Wu obtained PRC lawyer qualification in 1994. From 1999 to 2002, Mr. Wu was concurrently a lawyer of Anhui Quanzhen Law Office, and was a government lawyer of Chongqing City from 2008 to 2011. He graduated from Anhui University with a bachelor's degree and a master's degree in law in 1991 and 2002 respectively. He also obtained his PhD degree in civil and commercial law from Southwest University of Political Science & Law in 2006 and conducted sociology study at sociology post-doctoral mobile station of Chinese Academy of Social Science from 2009 to 2012. Mr. Wu is currently an employee of Huijin, the Bank's substantial shareholder.



**Zhang Qi**  
Non-executive director

Mr. Zhang has served as director since July 2017. Mr. Zhang served as non-executive director of Bank of China Limited from July 2011 to June 2017. Mr. Zhang worked in Central Expenditure Division One, Comprehensive Division of the Budget Department, and Ministers' Office of the General Office of Ministry of Finance, as well as in the Operation Department of China Investment Corporation, serving consecutively as deputy director, director and senior manager from 2001 to 2011. Mr. Zhang studied in the Investment Department and Finance Department of China Northeast University of Finance and Economics from 1991 to 2001 and obtained his bachelor's degree, master's degree and PhD degree in Economics in 1995, 1998 and 2001 respectively. Mr. Zhang is currently a doctoral supervisor at China Northeast University of Finance and Economics. Mr. Zhang is currently an employee of Huijin, the Bank's substantial shareholder.



**Hao Aiqun**  
Non-executive director

Ms. Hao has served as director since July 2015. Ms. Hao served consecutively as deputy director of the non-bank financial institutions department, and deputy director and inspector of the banking supervision department I of the CBRC from April 2003 to July 2015. Ms. Hao was consecutively deputy division-chief and division-chief of the supervision bureau, researcher of the cooperation bureau, and deputy inspector and deputy director of the non-bank financial institutions department of the PBC from April 1983 to March 2003. Ms. Hao obtained a bachelor's degree in finance from Central University of Finance and Economics in July 1982. Ms. Hao is a certified public accountant and a senior economist. Ms. Hao is currently an employee of Huijin, the Bank's substantial shareholder.



**Anita Fung Yuen Mei**  
Independent  
non-executive director

Ms. Fung has served as director since October 2016. Ms. Fung served as group general manager of HSBC Holdings plc from May 2008 to February 2015. Ms. Fung served consecutively as head of Hong Kong currency bond market, head of Asian fixed income trading, head of Asian Pacific trading, treasurer and joint head of global markets for Asia-Pacific, treasurer and head of global markets for Asia-Pacific, head of global banking and markets for Asia-Pacific as well as chief executive officer of Hong Kong region of The Hongkong and Shanghai Banking Corporation Limited from September 1996 to February 2015. Ms. Fung also served as non-executive director of Bank of Communications Co., Ltd. from November 2010 to January 2015. Ms. Fung concurrently served in various positions including as chairwoman and director of HSBC Global Asset Management (Hong Kong) Limited, non-executive director of HSBC Bank (China) Company Limited and director of HSBC Markets (Asia) Limited from September 2011 to February 2015. Ms. Fung served as non-executive director of Hang Seng Bank Limited from November 2011 to January 2014. Ms. Fung currently serves as independent non-executive director of Hong Kong Exchanges and Clearing Limited as well as Hang Lung Properties Limited, and serves in several positions in institutions including Airport Authority Hong Kong, The West Kowloon Cultural District Authority and the Court of the Hong Kong University of Science and Technology. Ms. Fung obtained a master's degree in Applied Finance from Macquarie University of Australia in 1995. Ms. Fung was appointed as Justice of Peace by the Government of the Hong Kong Special Administrative Region, and was awarded Bronze Bauhinia Star.



**Malcolm Christopher McCarthy**  
Independent  
non-executive director

Sir Malcolm Christopher McCarthy has served as director since August 2017. Sir Malcolm Christopher McCarthy served as independent non-executive director of Industrial and Commercial Bank of China Limited from December 2009 to October 2016. He worked first as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary. He subsequently worked as a senior executive of Barclays Bank in London, Japan and North America. He served as chairman and chief executive of Office of Gas and Electricity Markets (Ofgem), chairman of the Financial Services Authority (FSA), non-executive director of HM Treasury, chairman of the board of directors of J.C. Flowers & Co. UK Ltd, non-executive director of NIBC Holding N.V., NIBC Bank N.V., OneSavings Bank plc, Castle Trust Capital plc and Intercontinental Exchange (ICE), trustee of the Said Business School of Oxford University, director of the three ICE wholly owned subsidiaries of ICE Futures Europe, ICE Trade Vault and ICE Clear Netherlands, and trustee of IFRS Foundation. Currently Sir Malcolm Christopher McCarthy serves as the chairman in the United Kingdom of Promontory Financial Group. He is an Honorary Fellow of Merton College, an Honorary Doctorate of the University of Stirling and the Cass Business School, and a Freeman of the City of London. He has a MA History at Merton College of Oxford University, PhD Economics of Stirling University, and MS at Graduate School of Business of Stanford University.



**Carl Walter**  
Independent  
non-executive director

Mr. Carl Walter has served as director since October 2016. Mr. Walter is currently an independent consultant, providing strategic consulting advice to various countries and financial institutions. Mr. Walter served as managing director and chief operating officer in China of JPMorgan Chase & Co and chief executive officer of JP Morgan Chase Bank (China) Company Limited from September 2001 to April 2011. He was seconded from Morgan Stanley to serve as managing director and chief administrative officer of China International Capital Corporation from January 1999 to July 2001. He served concurrently as vice president and head of Asian Credit Management and Research of Credit Suisse First Boston (Singapore) as well as the director and head of China investment banking in Beijing from September 1990 to December 1998. Mr. Walter served consecutively in various positions including as vice president and general manager of Taipei Branch of Chemical Bank from January 1981 to August 1990. Mr. Walter was a visiting scholar and an adjunct professor at the Freeman Spogli Institute of Stanford University in 2012. He obtained a bachelor degree in politics and Russian language from Princeton University in 1970, an advanced studies certificate in economics from Peking University in 1980, and a doctoral degree in politics from Stanford University in 1981.



**Chung Shui Ming Timpson**  
Independent  
Non-executive Director

Mr. Chung has served as director since October 2013. Mr. Chung currently serves as independent non-executive directors of China Unicorn (Hong Kong) Limited, Miramar Hotel and Investment Company Limited, Glorious Sun Enterprises Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, Jinmao (China) Investments Holdings Limited and China Railway Group Limited. From 2006 to 2012, he served as independent non-executive director of China Everbright Bank. Formerly, he served in various companies and public institutions, consecutively as chairman of the Council of the City University of Hong Kong, chief executive officer of Shimao International Holdings Limited, chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, executive director of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, and independent non-executive director of Nine Dragons Paper (Holdings) Limited and Henderson Land Development Company Limited. From 1979 to 1983, Mr. Chung was a senior audit director of Coopers & Lybrand Consulting. Mr. Chung is a senior fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in science from University of Hong Kong in 1976 and a master's degree in business administration from Chinese University of Hong Kong in 1987. Mr. Chung received the title of Justice of the Peace from the Hong Kong Special Administrative Region Government in 1998 and was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in 2000.



**Murray Horn**  
Independent  
Non-executive Director

Mr. Murray Horn has served as director since December 2013. Mr. Murray Horn currently also consults to multiple government agencies. He served as directors of many listed companies, including Spark New Zealand (formerly Telecom New Zealand). He also held positions in public organisations in New Zealand and other regions, including chairman of the National Health Board of New Zealand, member of the New Zealand Tourism Board, chairman of the New Zealand Business Roundtable, member of the Board of the Centre for Independent Studies in Australia and member of the Trilateral Commission. Mr. Murray Horn was previously managing director of ANZ Bank in New Zealand and director of global institutional banking business of ANZ (Australia). He was Secretary to the New Zealand Treasury from 1993 to 1997. Mr. Murray Horn holds a PhD degree from Harvard University in Political Economy and Government, a master's degree in commerce and a bachelor's degree in commerce (agriculture) from Lincoln University. Lincoln University awarded him the Bledisloe Medal in 2000. He also made a Companion of the New Zealand Order of Merit in 2013.

Ms. Feng Bing, Mr. Zhu Hailin, Mr. Li Jun, Mr. Wu Min, Mr. Zhang Qi and Ms. Hao Aiqun, the non-executive directors of the Bank, were nominated by Huijin, the shareholder of the Bank.

**Supervisors of the Bank**

**Guo You**  
Chairman of the board  
of supervisors

Mr. Guo has served as chairman of the board of supervisors of the Bank since June 2014. Mr. Guo served as vice chairman of the board of directors of China Everbright Group, executive director and president of China Everbright Bank Co., Ltd from August 2004 to January 2014. From November 2001 to July 2004, Mr. Guo served as executive director and deputy general manager of China Everbright Group and chief executive officer of China Everbright Limited. From December 1999 to November 2001, Mr. Guo was chief executive officer of China Everbright Limited. From August 1998 to December 1999, Mr. Guo served as executive vice president of China Everbright Bank Co., Ltd. From November 1994 to August 1998, Mr. Guo successively served as director of the foreign exchange transaction department of the Foreign Exchange Reserves Business Centre of the SAFE, general manager of China Investment Corporation (Singapore) and deputy director-general of foreign financial institutions department of the PBC. Mr. Guo is a senior economist. He graduated from Heihe Normal College and the American Institute of Yellow River University, and obtained a PhD degree in finance from the Southwestern University of Finance and Economics.



**Liu Jin**  
Shareholder representative  
supervisor

Ms. Liu has served as supervisor since September 2004. Ms. Liu has served as general manager of the public relations & corporate culture department of the Bank since July 2014. Ms. Liu served as general manager of the board of supervisors office from November 2004 to July 2014. Ms. Liu was a dedicated supervisor of deputy director-general level at the board of supervisors of the Bank from July 2003 to September 2004, dedicated supervisor of deputy director-general level at the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from November 2001 to July 2003. Ms. Liu is a senior economist and graduated from Hunan Finance and Economics College with a bachelor's degree in finance in 1984. She graduated from a postgraduate programme in finance at Shaanxi Finance and Economics College in 1999, and graduated from the Research Institute for Fiscal Science of the MOF with a doctorate degree in public finance in 2008.



**Li Xiaoling**  
Shareholder representative  
supervisor

Ms. Li has served as supervisor since June 2013. Ms. Li served as shareholder representative director of the Bank from June 2007 to June 2013. Ms. Li was a deputy inspector of budget department of the MOF from January 2006 to June 2007, and an assistant inspector of Budget Department of the MOF from May 2001 to January 2006. Ms. Li is a senior economist and graduated from Beijing Normal University in 2003 with a master's degree in political economics.



**Li Xiukun**  
Employee representative  
supervisor

Mr. Li has served as supervisor since January 2016. Mr. Li has served as general manager of the audit department of the Bank from March 2015. Mr. Li served as head of the audit department of the Bank from July 2014 to March 2015, general manager of Hebei Branch of the Bank from March 2011 to July 2014, general manager of Ningxia Branch of the Bank from May 2006 to March 2011, deputy general manager of Ningxia Branch of the Bank from July 2003 to May 2006, and deputy general manager of Inner Mongolia Branch of the Bank from January 2000 to July 2003. Mr. Li is an associate researcher, concurrently visiting or adjunct professor at Dongbei University of Finance & Economics, Hebei University and four other universities. He graduated from Dongbei University of Finance & Economics, and obtained his doctorate degree in finance from the university in 2013.



**Jin Yanmin**  
Employee representative supervisor

Mr. Jin has served as supervisor since January 2016, general manager of credit approval department of the Bank since December 2014, and concurrently as shareholder representative supervisor of CCB Financial Leasing since December 2015. Mr. Jin served as head of credit approval department of the Bank from November 2014 to December 2014, general manager of Guangdong Branch of the Bank from March 2011 to November 2014, head of Guangdong Branch of the Bank from February 2011 to March 2011. Mr. Jin served as general manager of the corporate banking department, and also as general manager of the small enterprises finance service department of the Bank from March 2009 to February 2011. Mr. Jin served as general manager of the corporate banking department of the Bank from August 2007 to March 2009, risk controller of Guangdong Branch of the Bank from June 2006 to August 2007, and deputy general manager of the corporate banking department of the Bank from March 2001 to June 2006. Mr. Jin obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1983, and obtained his EMBA degree from Tsinghua University in 2010.



**Li Zhenyu**  
Employee representative supervisor

Mr. Li has served as supervisor since January 2016. Mr. Li has served as general manager of Qinghai Branch of the Bank since January 2014. Mr. Li served as deputy general manager of Qinghai Branch of the Bank from November 2012 to January 2014, and deputy general manager of Tibet Branch of the Bank from June 2009 to November 2012. After joining Qinghai Branch of the Bank in June 1985, Mr. Li served successively as senior manager of real estate finance department, credit approval department, planning and finance department, and finance & accounting department as well as other positions. From July 1982 to June 1985, Mr. Li worked in the infrastructure construction division of Qinghai Machine Tool Foundry. Mr. Li is a senior engineer, and graduated from the Gansu University of Technology in 1982 with a bachelor degree in the industrial and civil architecture. Mr. Li became a member of Qinghai Committee of the 11th Chinese People's Political Consultative Conference in January 2013, and vice director of the economy committee of Qinghai Committee of the 11th Chinese People's Political Consultative Conference in August 2013.



**Bai Jianjun**  
External supervisor

Mr. Bai has served as supervisor since June 2013. Mr. Bai is currently a professor and doctoral supervisor at the Law School of Peking University, director of the Research Institute of Empirical Legal Affairs, and deputy director of the Financial Law Research Centre of Peking University. He has been teaching at the Law School of Peking University since July 1987. Mr. Bai is an adjunct professor at Zhengzhou Training Institute of the PBC and National Judges College, and independent director of CSC Financial Co., Ltd. and Sichuan Xinwang Bank Co., Ltd. He was a visiting professor at Niigata University in Japan from October 1996 to October 1997 and a visiting researcher at New York University in the US from September 1990 to October 1991. Mr. Bai obtained his master's degree from the Law School of Peking University in 1987 and his PhD degree in law from Peking University in 2003.

**Senior Management of the Bank**

See "Directors of the Bank".

**Wang Zuji**  
Vice chairman,  
executive director, president



See "Directors of the Bank".

**Pang Xiusheng**  
Executive director,  
executive vice president



See "Directors of the Bank".

**Zhang Gengsheng**  
Executive director,  
executive vice president



**Yang Wensheng**  
Executive vice president

Mr. Yang has served as executive vice president of the Bank since December 2013. Mr. Yang served as a member of senior management of the Bank from September 2013 to December 2013, and general manager of Liaoning Branch of the Bank from December 2010 to September 2013. He was head of Liaoning Branch of the Bank from November 2010 to December 2010. Mr. Yang was general manager of Dalian Branch of the Bank from October 2006 to November 2010, deputy general manager of Jilin Branch of the Bank from August 2001 to October 2006 and assistant general manager of Jilin Branch of the Bank from January 2000 to August 2001. Mr. Yang is a senior engineer. He graduated from Tsinghua University with a master's degree in technological economics in 1993.



**Huang Yi**  
Executive vice president

Mr. Huang has served as executive vice president of the Bank since April 2014. Mr. Huang served as a member of senior management of the Bank from December 2013 to April 2014. Mr. Huang served as director of the legal department of the CBRC from January 2010 to December 2013, and consecutively as deputy director, director of the supervisory rules & regulations department and head of the research bureau of the CBRC from July 2003 to January 2010. From April 1999 to July 2003, Mr. Huang served consecutively as a director level staff member and director of the financial claim management office under the legal affairs department, assistant inspector of the legal affairs department (also working as deputy director-general of Department of Finance of Sichuan Province during this period) and assistant inspector of banking management department of the PBC. He was general manager of the development and research department of Hua Xia Bank from August 1997 to April 1999. Mr. Huang is a recipient of a special grant by PRC government. He graduated from Peking University in 1997 with a PhD degree in law.



**Yu Jingbo**  
Executive vice president

Mr. Yu has served as executive vice president of the Bank since December 2014. Mr. Yu served as chief audit officer of the Bank from March 2011 to February 2015, and concurrently as general manager of Beijing Branch of the Bank from August 2013 to May 2015. Mr. Yu served as general manager of the audit department of the Bank from April 2011 to October 2012, general manager of Zhejiang Branch of the Bank from March 2005 to March 2011. Mr. Yu was consecutively deputy general manager (in charge) of Zhejiang Branch of the Bank from July 2004 to March 2005, deputy general manager of Zhejiang Branch of the Bank from August 1999 to July 2004 and head of Hangzhou Branch of the Bank from April 1997 to August 1999. Mr. Yu is a senior engineer. Mr. Yu obtained his bachelor's degree in industrial and civil architecture from Tongji University in 1985 and his master's degree of engineering in industrial psychology from Hangzhou University in 1998.



**Zhu Kepeng**  
Chief disciplinary officer

Mr. Zhu has served as chief disciplinary officer of the Bank since July 2015. Mr. Zhu served as general manager of the human resources department (equivalent to head of provincial branch) of the Bank of Communications Co., Ltd. from October 2012 to July 2015, and general manager of Chongqing Branch of the Bank of Communications Co., Ltd. from March 2010 to October 2012. He served as general manager of board of directors office of the Bank of Communications Co., Ltd. from December 2004 to March 2010, concurrently as deputy general manager (in charge) of legal compliance department of the Bank of Communications Co., Ltd. from December 2004 to June 2005, and deputy general manager (in charge) of legal compliance (affairs) department of the Bank of Communications Co., Ltd. from December 2002 to December 2004. Mr. Zhu is a senior economist. He graduated from Wuhan University with S.J.D degree in private international law in 1996.



**Zhang Lilin**  
Executive vice president

Mr. Zhang has served as executive vice president of the Bank since September 2017. Mr. Zhang served as a member of senior management of the Bank from May 2017 to September 2017. Mr. Zhang was president (general manager) of Asset Management Department of Agricultural Bank of China ('ABC') from August 2014 to May 2017. Mr. Zhang was general manager of Credit Card Centre of ABC from September 2012 to August 2014, and head of Credit Card Centre of ABC and deputy general manager of Shanghai Branch of ABC from June to September 2012, deputy general manager of Shanghai Branch of ABC from April 2009 to June 2012, general manager of Hong Kong Branch of Agricultural Bank of China from December 2006 to April 2009, general manager of Hong Kong Branch and assistant general manager and concurrently general manager of Banking Business Department of Shanghai Branch of ABC from November to December 2006, assistant general manager and concurrently general manager of Banking Business Department of Shanghai Branch of ABC from April 2005 to November 2006, assistant general manager of Shanghai Branch of ABC from January to April 2005. Mr. Zhang is a senior economist. He obtained a PhD degree of economics in foreign economic thought history from Fudan University in July 1997.



**Liao Lin**  
Chief risk officer

Mr. Liao has served as chief risk officer of the Bank since March 2017. Mr. Liao served as general manager of Beijing Branch of the Bank from May 2015 to March 2017. From September 2013 to May 2015, he was head and general manager of Hubei Branch of the Bank. From March 2011 to September 2013, he was head and general manager of Ningxia Branch of the Bank. He was deputy general manager of Guangxi Branch of the Bank from November 2003 to March 2011. Mr. Liao is a senior economist. He graduated from Guangxi Agricultural College in 1989 with a bachelor's degree in management of agricultural economy, and obtained a PhD degree in management science and engineering from Southwest Jiaotong University in 2009.



**Huang Zhiling**  
Secretary to the Board

Mr. Huang has concurrently served as secretary to the Board since February 2018. Meanwhile, Mr. Huang has served as the chief economist of the Bank since September 2013. He served as chief risk officer of the Bank from February 2011 to September 2013. He served as general manager of the Risk Management Department of the Bank from April 2006 to February 2011. From August 1999 to April 2006, Mr. Huang worked consecutively as director of the president office, director of the asset disposal decision-making committee office and director of the asset disposal review committee of China Cinda Asset Management Corporation. From June 1997 to August 1999, he was Deputy General Office Manager of the Bank. From November 1994 to June 1997, he worked consecutively in the Policy Research Office (Investment Research) of the Bank as deputy manager of the Department, the assistant to the director (Bureau Chief) and the deputy director (Deputy Bureau Chief). Mr. Huang is a researcher. He obtained his PhD degree in finance from Shaanxi Institute of Finance and Economics in 1991.



**Xu Yiming**  
Chief financial officer

Mr. Xu has served as chief financial officer of the Bank since June 2014. Mr. Xu served as general manager of asset and liability management department of the Bank from August 2005 to July 2014, deputy general manager of asset and liability management department of the Bank from March 2003 to August 2005, and deputy general manager of the office of Asset and Liability Management Committee of the Bank from March 2001 to March 2003. Mr. Xu is a senior accountant. He graduated from the Research Institute for Fiscal Science of the MOF with a PhD degree in finance in 1994.

## REMUNERATION

(In thousands of RMB)

Name	Allowance	Remuneration paid	Contribution by the employer to compulsory insurances, housing fund, etc.	Total (before tax) <sup>1</sup>	Whether obtaining remuneration from related parties of the Bank
Tian Guoli	—	213.4	61.2	274.6	No
Wang Zuji	—	519.1	141.1	660.2	No
Pang Xiusheng	—	467.2	138.6	605.8	No
Zhang Gengsheng	—	467.2	138.6	605.8	No
Feng Bing <sup>2</sup>	—	—	—	—	Yes
Zhu Hailin <sup>2</sup>	—	—	—	—	Yes
Li Jun <sup>2</sup>	—	—	—	—	Yes
Wu Min <sup>2</sup>	—	—	—	—	Yes
Zhang Qi <sup>2</sup>	—	—	—	—	Yes
Hao Aiqun <sup>2</sup>	—	—	—	—	Yes
Anita Fung Yuen Mei	390.0	—	—	390.0	No
Malcolm Christopher McCarthy	170.8	—	—	170.8	No
Carl Walter	440.0	—	—	440.0	No
Chung Shui Ming Timpson	440.0	—	—	440.0	No
Murray Horn	470.0	—	—	470.0	No
Guo You	—	519.1	141.1	660.2	No
Liu Jin	—	660.0	175.1	835.1	No
Li Xiaoling	—	649.7	168.0	817.7	No
Li Xiukun <sup>3</sup>	50.0	—	—	50.0	No
Jin Yanmin <sup>3</sup>	50.0	—	—	50.0	No
Li Zhenyu <sup>3</sup>	50.0	—	—	50.0	No
Bai Jianjun	250.0	—	—	250.0	No
Yang Wensheng	—	467.2	138.6	605.8	No
Huang Yi	—	467.2	138.6	605.8	No
Yu Jingbo	—	467.2	138.6	605.8	No
Zhu Kepeng	—	467.2	138.6	605.8	No
Zhang Lilin	—	264.7	73.9	338.7	No
Liao Lin	—	657.0	157.1	814.1	No
Huang Zhiling <sup>4</sup>	—	—	—	—	No
Xu Yiming	—	788.4	187.0	975.4	No
<b>Resigned directors, supervisors and senior executives</b>					
Wang Hongzhang	—	346.1	75.4	421.5	No
Guo Yanpeng <sup>2</sup>	—	—	—	—	Yes
Dong Shi <sup>2</sup>	—	—	—	—	Yes
Zhang Long	136.7	—	—	136.7	No
Wim Kok	190.0	—	—	190.0	No
Zeng Jianhua	—	131.4	29.9	161.3	No
Chen Caihong	—	712.8	131.2	844.0	No

1. From 2015 onwards, remunerations of the Bank's leaders administered by central authorities have been paid in accordance with relevant policies relating to the central remuneration reform.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
4. Mr. Huang Zhiling served as secretary to the Board of the Bank since February 2018.
5. As some of the Bank's non-executive directors and external supervisors hold positions of directors or senior executives in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior executives obtained remuneration from the related parties of the Bank.





# Connecting opportunities

## Practice Inclusive Finance by Serving Small and Micro Enterprises

The Group accelerates the development of inclusive finance business by providing active support to the development of small and micro enterprises. The picture shows CCB helping the poverty-stricken county, Dashahe Town, Feng County of Jiangsu Province to sell unsold apples through its e-commerce platform of [e.ccb.com](http://e.ccb.com).



# CORPORATE GOVERNANCE REPORT

The Bank is committed to maintaining a high level of corporate governance. In strict compliance with the Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank 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.

## SHAREHOLDERS' GENERAL MEETING

### Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions and powers:

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;

- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- deciding the issuance of preference shares; deciding or authorising the Board to decide the matters relating to the issued preference shares by the Bank, including but without limitation to repurchase, conversion and dividend distribution, etc.;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

### Details of shareholders' general meetings convened

On 15 June 2017, the Bank held the 2016 annual general meeting, which reviewed and approved the 2016 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2017 fixed assets investment budget, remuneration distribution and settlement plan for directors and supervisors of 2015, election of non-executive directors, independent non-executive directors and shareholder representative supervisor, appointment of external auditors for 2017. The executive directors, namely Mr. Wang Hongzhang, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng, the non-executive directors, namely Ms. Hao Aiqun, and Mr. Dong Shi and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Mr. Carl Walter, Mr. Chung Shui Ming Timpson, Mr. Wim Kok and Mr. Murray Horn attended the meeting, and the directors' attendance rate was 92%. The domestic and international auditors of the Bank also attended the meeting. The shareholders' general meeting was held in compliance with relevant legal procedures. The announcement on resolutions of the meeting was published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 15 June 2017, and on the designated newspaper on 16 June 2017 for information disclosure.

On 9 October 2017, the Bank held the first extraordinary general meeting of 2017, which reviewed and approved the proposal regarding the election of Mr. Tian Guoli as executive director of the Bank. The executive directors, namely Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng, the non-executive directors, namely 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, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Chung Shui Ming Timpson and Mr. Murray Horn attended the meeting, and the directors' attendance rate was 100%. The shareholders' general meeting was held in compliance with relevant legal procedures. The announcement on resolution of the meeting was published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 9 October 2017, and on the designated newspaper on 10 October 2017 for information disclosure.

## BOARD OF DIRECTORS

### Responsibilities of the Board

The Board is the executive body of the shareholders' general meeting, which is responsible to the general meeting of shareholders, and performs the following functions and duties in accordance with relevant laws:

- convening the general meeting of shareholders and reporting to the general meeting of shareholders;
- implementing the resolutions of the general meeting of shareholders;
- determining the Bank's development strategy, and supervising the implementation of the development strategy;
- deciding on business plans, investment plans and risk capital allocation plans of the Bank;
- preparing annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- preparing plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- preparing plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers under the Articles of Association of the Bank and as authorised by the general meeting of shareholders.

### The Board's implementation of resolutions of the general meetings of shareholders

In 2017, the Board strictly implemented the resolutions of shareholders' general meetings and matters authorised by the shareholders' general meetings to the Board, earnestly implementing the proposals approved by the shareholders' general meetings, including the profit distribution plan for 2016, fixed assets investment budget for 2017, appointment of auditors for 2017, and election of directors.

### Composition of the Board

Currently the Board comprises 15 directors, including four executive directors, namely Mr. Tian Guoli, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; six non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Li Jun, Mr. Wu Min, Mr. Zhang Qi, and Ms. Hao Aiqun; and five independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Chung Shui Ming Timpson, and Mr. Murray Horn.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their terms of office.

In order to diversify the composition of the Board, the Bank formulated the *Diversity Policy for the Board of Directors* in August 2013. For nomination of directors, the Board should consider both professional capabilities and ethics of the candidates, and at the same time, take into account the requirements on board diversity. The candidates should be selected as complementary to one another, with diversified backgrounds in terms of gender, age, cultural and educational background, professional experience, specialty, knowledge and term of service. The final decision should be based on the candidates' overall competence and possible contributions to the Board. The nomination and remuneration committee is responsible to formulate and supervise the implementation of the *Diversity Policy for the Board of Directors*.

### Chairman and president

Mr. Tian Guoli is chairman of the Board and the legal representative of the Bank, and is responsible for the business strategy and overall development of the Bank.

Mr. Wang Zuji is president of the Bank, and is responsible for the daily management of the business operations. The president is appointed by and accountable to the Board, and performs his duties in accordance with provisions of the Articles of Association and authorisation of the Board.

The roles of chairman of the Board and president are separate, each with clearly defined duties.

### Operation of the Board

The Board convenes regular meetings, generally no fewer than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions.

The agenda for regular board meetings is scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

According to the Articles of Association, the Board decides the risk management policies and internal control policies of the Bank, formulates related systems of risk management and internal control of the Bank, and supervises the implementation of such systems. The Board reviews the overall risk management report of the Group semi-annually, and reviews the report of internal control evaluation and the statements of risk appetite of the Group annually, to evaluate the overall risk condition and the effectiveness of internal control system. After the evaluation, the Board held the opinion that the overall risk of the Group remained steady, the management and control of the asset quality was in line with expectations and core risk indicators remained stable. The Board also believed that the Bank had maintained effective internal control of financial reporting covering all the major aspects, in compliance with the requirements of the system of rules for enterprise internal control and other relevant regulations.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept, and minutes of the board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend board meetings from time to time to provide explanations or reply to enquiries.

At board meetings, directors can express their opinions freely, and major decisions shall only be made after thorough discussion. Directors may also follow certain procedures to engage independent professional institutors, at the Bank's expense, for provision of independent professional advice if they deem necessary. If any director has material interest in a proposal to be considered by the Board, such director should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The Bank effected directors' liability insurance policy for all directors in 2017.

### Board meetings

In 2017, the Board of the Bank held nine meetings on 8 February, 29 March, 27 April, 14 June, 17 August, 30 August, 9 October, 26 October, and 20 December respectively. The Board revised the Bank's Articles of Association, rules of procedure for the shareholders' general meeting, and rules of procedure for the Board; it focused on overseas risk management, green credit and inclusive finance, and amended the working rules for the risk management committee and social responsibilities and related party transactions committee; it re-examined the Board's authorisation plans for the special committees and the president, and approved the renewal of the authorisation plans; it elected the chairman of the Board, supplemented the non-executive directors, and appointed new senior executives; it guided the steady development of overseas businesses, and approved the establishment of Malaysia Labuan Branch; it attached great importance to the improvement of risk management and internal control and the compliance by guiding the review and amendment of risk management policies, supervising rectifications in relation to regulatory inspections, implementing regulatory requirements for global systemically important banks, and revising internal transaction management measures; it pushed forward capital management with the successful issuance of RMB60 billion domestic preference shares, reviewed and approved proposals including the issuance of qualified tier 2 capital tools with an equivalent amount of RMB96 billion, and disclosed the information according to relevant laws and regulations, and the listing rules of the listing venues. The directors' individual attendance records of board meetings in 2017 are set out as follows:

Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
<b>Executive directors</b>			
Mr. Tian Guoli	1/2	1/2	100
Mr. Wang Ziji	7/9	2/9	100
Mr. Pang Xiusheng	9/9	0/9	100
Mr. Zhang Gengsheng	9/9	0/9	100
<b>Non-executive directors</b>			
Ms. Feng Bing	5/5	0/5	100
Mr. Zhu Hailin	5/5	0/5	100
Mr. Li Jun	8/9	1/9	100
Mr. Wu Min	5/5	0/5	100
Mr. Zhang Qi	5/5	0/5	100
Ms. Hao Aiqun	9/9	0/9	100
<b>Independent non-executive directors</b>			
Ms. Anita Fung Yuen Mei	8/9	1/9	100
Sir Malcolm Christopher McCarthy	5/5	0/5	100
Mr. Carl Walter	9/9	0/9	100
Mr. Chung Shui Ming Timpson	9/9	0/9	100
Mr. Murray Horn	9/9	0/9	100
<b>Resigned directors</b>			
Mr. Wang Hongzhang	4/4	0/4	100
Mr. Dong Shi	4/4	0/4	100
Mr. Zhang Long	3/3	0/3	100
Mr. Wim Kok	4/4	0/4	100

### Duty performance of independent non-executive directors

Currently the Bank has five independent non-executive directors, representing 33% of the total number of directors of the Bank, which complies with the provisions of relevant laws, regulations and Articles of Association of the Bank. The audit committee, risk management committee, nomination and remuneration committee, and social responsibilities and related party transactions committee under the Board are all chaired by independent non-executive directors.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, neither do they assume any management positions in the Bank. The independence of the independent non-executive directors of the Bank is in compliance with the relevant regulatory requirements.

In 2017, the independent non-executive directors of the Bank actively attended the board meetings and related special committees meetings, and heard reports on operation and management. They communicated with management in a timely manner with special attention to the development of the Bank and implementation of development strategies, actively carried out researches and on-site inspections on the operation and management of the Bank. With forward-looking thoughts on business plans of the Bank, they raised constructive suggestions on the Bank's development strategy, risk management, capital adequacy, overseas business and subsidiaries' development, and played an important role in the Board's decision-making process. During the reporting period, the Bank's independent non-executive directors did not raise any objection to the relevant matters reviewed by the Board.

To constantly update their knowledge and improve their duty performance capabilities, independent non-executive directors kept a close watch on changes in regulatory policies, paid constant attention to the regulatory guidance, and diligently attended trainings on corporate governance, risk management and internal control and compliance, etc. The work of independent non-executive directors was actively supported and coordinated by the management.

Please refer to the *Work Report of Independent Non-Executive Directors for the Year of 2017* for details of duty performance of independent non-executive directors during the reporting period, which would be disclosed on the same date of this annual report.

### Special statement and independent opinion given by the independent non-executive directors regarding the external guarantees provided by the Bank

Pursuant to the relevant provisions and requirements of the circular Zheng Jian Fa [2003] No. 56 issued by the CSRC and based on the principles of fairness, justice, and objectiveness, the independent non-executive directors of the Bank, including Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Chung Shui Ming Timpson and Mr. Murray Horn made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the PBC and the CBRC, and is part of the ordinary business of the Bank. With respect to the risks arising from external guarantee business, the Bank formulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The external guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2017, the balance under the letter of guarantees issued by the Group was approximately RMB959,243 million.

### Accountability of the directors in relation to financial statements

The directors are responsible for overseeing the preparation of the financial report for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flow for that period. In preparing the financial report for the year ended 31 December 2017, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that were prudent and reasonable.

During the reporting period, the Bank published the 2016 annual report, the report for the first quarter of 2017, the half-year report 2017, and the report for the third quarter of 2017 within the prescribed time set out in the provisions of relevant laws, regulations and listing rules of the listing venues.

### Training of directors

In 2017, all directors of the Bank took part in directors' compliance training on the US Bank Secrecy Act and Anti-Money Laundering laws, and some directors participated in duty performance training for new directors organised by the Bank, special training held by The Listed Companies Association of Beijing, the qualification training for independent non-executive directors held by Shanghai Stock Exchange, training for designated directors of CIC and training for directors designated by the MOF to financial institutions, as well as director trainings held by Hong Kong Exchanges and Clearing Limited.

### Training of company secretary

In 2017, Mr. Ma Chan Chi, company secretary of the Bank, participated in professional trainings on corporate governance, compliance of laws and regulations, and regulatory requirements organised by Hong Kong Stock Exchange, The Chamber of Hong Kong Listed Companies and The Hong Kong Institute of Chartered Secretaries, which totalled over 15 hours, to strengthen his job skills and update his market knowledge.

### Compliance with Model Code for Securities Transactions by Directors

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

### Independent operating capability

The Bank is independent from Huijin, its controlling shareholder, with respect to business, personnel, assets, organisations and finance. The Bank has independent and integral operating assets and independent operating capability, and is able to survive in the market on its own.

### Internal transactions

The internal transactions of the Bank include credit extension and off-balance sheet quasi-credit extension, financial market transactions and derivative transactions, wealth management arrangement, asset transfer, management and service arrangement, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in compliance with regulatory requirements, and did not have any negative impact on the Group's sound operation.

## COMMITTEES UNDER THE BOARD

There are five committees under the Board: strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and social responsibilities and related party transactions committee. More than half of the members of the audit committee, risk management committee, nomination and remuneration committee, and social responsibilities and related party transactions committee are independent non-executive directors.

### Strategy development committee

The strategy development committee consists of 14 directors. Mr. Tian Guoli, chairman of the Bank, currently serves as chairman of the strategy development committee. Members include Mr. Wang Ziji, Ms. Feng Bing, Ms. Anita Fung Yuen Mei, Mr. Zhu Hailin, Sir Malcolm Christopher McCarthy, Mr. Li Jun, Mr. Wu Min, Mr. Carl Walter, Mr. Zhang Qi, Mr. Pang Xiusheng, Mr. Murray Horn, Ms. Hao Aiqun and Mr. Zhang Gengsheng. Four of these members are executive directors, six are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

- drafting strategic development plans, supervising and assessing implementation thereof;
- reviewing annual operational plans and fixed assets investment budgets;
- reviewing the implementation of annual operational plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans;
- reviewing significant investment and financing projects of the Bank;
- exercising the power of equity investment, IT planning, capital adequacy ratio management and other matters within the scope of the Board's authorisation; and
- other duties and powers authorised by the Board.

In 2017, the strategy development committee held five meetings in total. The topics reviewed and discussed included: amendments to the Articles of Association of the Bank, Rules of Procedure for the Shareholders' General Meeting, Rules of Procedure for the Board; issuance of RMB96 billion qualified tier 2 capital tools; discussion and research on promotion of house leasing projects; special research on the balanced development of wholesale business and retail business; listening to reports on the implementation of strategic transformation and development plan; the implementation of the previous year's business plan and fixed assets budget; study of the subsidiary banks' three-year business plan; capital increase to subsidiary banks; and debriefing the progress of the work related to the Bank's entering global systemically important banks. The strategy development committee put forward opinions or suggestions on the Bank's strategic development planning, establishment of branches, major investment plans, information technology development, etc.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Tian Guoli	0/1	1/1	100
Mr. Wang Zui	3/5	2/5	100
Mr. Pang Xiusheng	5/5	0/5	100
Mr. Zhang Gengsheng	5/5	0/5	100
Ms. Feng Bing	2/2	0/2	100
Mr. Zhu Hailin	2/2	0/2	100
Mr. Li Jun	5/5	0/5	100
Mr. Wu Min	2/2	0/2	100
Mr. Zhang Qi	2/2	0/2	100
Ms. Hao Aiqun	5/5	0/5	100
Ms. Anita Fung Yuen Mei	5/5	0/5	100
Sir Malcolm Christopher McCarthy	2/2	0/2	100
Mr. Carl Walter	5/5	0/5	100
Mr. Murray Horn	5/5	0/5	100
<b>Resigned members</b>			
Mr. Wang Hongzhang	3/3	0/3	100
Mr. Dong Shi	3/3	0/3	100
Mr. Wim Kok	3/3	0/3	100

In 2018, the strategy development committee will continue to promote the deepening reform of the Bank from the aspects of system, mechanism, process and service, optimise the allocation of financial resources, enhance the ability to allocate financial resources in synergy with the development of real economy and technological innovations, and make efforts to build comprehensive financial service capabilities deeply integrated with the Internet, big data, and artificial intelligence. It will conduct in-depth analysis of macroeconomic and national financial reform situation, make efforts to improve the efficiency of resource allocation, make efforts to transform to asset-light and capital-light business models, make efforts to promote business structure adjustment and create new profit growth engines, and make efforts to enhance refined management. The committee will steadily facilitate the building of relevant systems and mechanisms, focus on the business development of the overseas institutions and subsidiaries and the enhancement of profitability, improve the management and utilisation of big data, and continue to enhance the breadth and depth of the application of IT systems and big data.

#### Audit committee

At the end of the reporting period, the audit committee consisted of six directors. Mr. Chung Shui Ming Timpson, independent non-executive director of the Bank, currently

serves as chairman of the audit committee. Members include Mr. Zhu Hailin, Mr. Li Jun, Mr. Carl Walter, Mr. Murray Horn and Ms. Hao Aiqun. Three of these members are non-executive directors and three are independent non-executive directors. Upon the approval at the second session of the Bank's Board meeting in 2018, Ms. Anita Fung Yuen Mei, the independent non-executive director, commenced her position as the member of the audit committee on 27 March 2018.

The primary responsibilities and authorities of the audit committee include:

- monitoring the financial reports, reviewing the disclosure of accounting information and significant events of the Bank;
- monitoring and assessing the internal controls of the Bank;
- monitoring and assessing the internal auditing work of the Bank;
- monitoring and assessing the external auditing work;
- paying attention to potential misconducts and ensuring appropriate arrangements;
- reporting work to the Board; and
- other duties and powers authorised by the Board.

In 2017, the audit committee convened six meetings, and held two separate meetings with external auditors. The audit committee supervised and reviewed the annual reports and results announcements for 2016 and the first half of 2017, and supervised and reviewed the financial reports for the first and third quarter of 2017, while paying close attention to the implementation of new standards on financial instruments. It supervised and guided the internal audit work, and urged

the rectification of problems identified in the internal and external audits. It supervised and assessed the effectiveness of internal control, and reviewed the assessment report of internal control. It strengthened the supervision and assessment of external audit work. The audit committee expressed material opinions and suggestions on the matters aforesaid.

Pursuant to requirements of the CSRC and the annual report working rules of the audit committee, the audit committee reviewed the annual financial report of the Bank, and communicated sufficiently with the management and formed written opinions before the entry of external auditors. Based on the initial audit opinions given by the external auditors, the audit committee improved communication with external auditors and reviewed the annual financial report of the Bank again. After the completion of the audit on annual financial report, the audit committee reviewed and voted on the annual financial report, and submitted it to the Board for consideration.

	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
<b>Members of audit committee</b>			
Mr. Chung Shui Ming Timpson	6/6	0/6	100
Mr. Zhu Hailin	3/3	0/3	100
Mr. Li Jun	6/6	0/6	100
Mr. Carl Walter	6/6	0/6	100
Mr. Murray Horn	6/6	0/6	100
Ms. Hao Aiqun	3/3	0/3	100
<b>Resigned members</b>			
Mr. Zhang Long	2/2	0/2	100
Mr. Dong Shi	3/3	0/3	100

In 2018, the audit committee will continue to supervise the preparation, audit and disclosure of periodic financial reports, and provide professional advice to the Board. It will strengthen the supervision and guidance on internal audits, and urge the management to improve the internal audit system. It will strengthen its supervision, evaluation and guidance on external auditors, complete the selection and recruitment of external auditors, and promote the improvement of the quality of external audits. It will strengthen the communication and coordination between internal and external auditors, and promote the use of internal and external audit results. It will strengthen the supervision and evaluation of internal control, and urge the rectification and implement of internal and external audit findings. The committee will also assist the Board in carrying out related work according to the Board's authorisation.

#### Risk management committee

The risk management committee consists of eight directors. Mr. Murray Horn, independent non-executive director of the Bank, currently serves as chairman of the risk management committee. Members include Mr. Wang Ziji, Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Wu Min, Mr. Pang Xiusheng, Mr. Chung Shui Ming Timpson and Ms. Hao Aiqun. Two of these members are executive directors, two are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- supervising and examining continuously the effectiveness of risk management system of the Bank;
- providing guidance on the building of risk management system;
- monitoring and assessing the establishment, organisational structure, working procedures and effectiveness of risk management departments, and proposing suggestions for improvement;
- reviewing the risk report, conducting periodic assessments of the risk condition, and providing suggestions in relation to improvements on the risk management of the Bank;
- evaluating the performance of the Bank's senior executives responsible for risk management;
- supervising the compliance of core businesses, management systems and major operation activities of the Bank;
- taking the responsibilities of the US risk management committee as well; and
- other duties and powers authorised by the Board.

In 2017, the risk management committee convened four meetings. The risk management committee paid close attention to the impact of international and domestic economic and financial situations on the Bank, strengthened the Group's overall risk management, and comprehensively enhanced its risk management and control capabilities. It assessed the comprehensive risk conditions of the Group regularly, enhanced the consolidated management and actively promoted the review and optimisation of risk management policies. It also conducted special studies on the risks of local government debts, wholesale and retail industries, financial institutional business, wealth management and asset management businesses. It

continued to promote the implementation of advanced capital management approach, comprehensively implemented various regulatory requirements on global systemically important banks, and continuously strengthened the management of risks associated with internal transactions, overseas countries and information technology. It also strengthened the prevention and control over non-compliance cases, and continuously enhanced the compliance risk management of the Group, especially for the overseas institutions. The committee also took the responsibilities of the US risk management committee, and held special meetings on risk in the United States.

### Reviewing risk management system

Under the framework of overall risk management system of the Bank, the risk management committee continued to supervise and review the effectiveness of the risk management system of the Bank, including reviewing and amending the risk management policies, risk appetite and comprehensive risk management framework of the Bank, and monitoring and assessing the establishment, organisational structure, working procedures and effectiveness of risk management departments, conducting periodic assessment of risk management policies, risk appetite and overall risk management condition of the Bank, and monitoring and evaluating senior executives' control in relation to credit risk, market risk, and operational risk. The Board and the risk management committee of the Bank debriefed special reports on the overall risk management of the Group once every half year. Please refer to "Management Discussion and Analysis – Risk Management" for details of risk management of the Bank.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Murray Horn	4/4	0/4	100
Mr. Wang Zuji	3/4	1/4	100
Ms. Anita Fung Yuen Mei	3/4	1/4	100
Sir Malcolm Christopher McCarthy	2/2	0/2	100
Mr. Wu Min	2/2	0/2	100
Mr. Pang Xiusheng	4/4	0/4	100
Mr. Chung Shui Ming Timpson	3/4	1/4	100
Ms. Hao Aiqun	4/4	0/4	100
<b>Resigned member</b>			
Mr. Zhang Long	1/1	0/1	100

In 2018, the risk management committee will continue to conscientiously perform its duties, continuously promote the implementation of various regulatory requirements, improve comprehensive risk management system, and strengthen the comprehensive management of various risks including credit risk, market risk, operational risk and compliance risk. It will also promote the implementation of the advanced approach of capital management, promote the implementation of the regulatory requirements on global systemically important banks, and continue to enhance compliance risk management of the Group, especially the overseas institutions, to further improve the ability of comprehensive risk management.

### Nomination and remuneration committee

The nomination and remuneration committee consists of seven directors. Sir Malcolm Christopher McCarthy, independent non-executive director of the Bank, currently serves as chairman of the nomination and remuneration committee. Members include Ms. Feng Bing, Ms. Anita Fung Yuen Mei, Mr. Carl Walter, Mr. Zhang Qi, Mr. Chung Shui Ming Timpson and Mr. Murray Horn. Two of these members are non-executive directors, and five are independent non-executive directors.

The primary responsibilities of the nomination and remuneration committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, presidents, chief audit officer, secretary to the Board and board committee members to the Board;
- evaluating the structure, number of members and composition of the Board (including aspects on expertise, knowledge and experience), and proposing suggestions on the adjustment of the Board to implement the corporate strategies of the Bank;
- supervising the performance of members of the Board;
- evaluating candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;
- evaluating the remuneration management system submitted by the president;
- formulating performance evaluation measures for directors and senior management and submitting to the Board for deliberation;
- organising performance assessment for directors and senior management; and proposing advice on the remuneration plan for directors and senior management in accordance with the performance assessment results and the board of supervisors' performance evaluations, and submitting to the Board for deliberation;
- proposing advice on the remuneration plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors and submitting to the Board for deliberation;

- monitoring the implementation of the Bank's performance assessment and remuneration systems; and
- other duties and powers authorised by the Board.

In 2017, the nomination and remuneration committee convened six meetings. Regarding nomination, the committee proposed to the Board on candidates for executive directors, non-executive directors, members to the special committees under the Board, senior management, and the new chairman of the nomination and remuneration committee, ensuring that the nominees are eligible for the positions, would abide by laws, administrative regulations, rules and the Articles of Association of the Bank, and are able to perform their duties in a diligent manner. The nomination and remuneration committee agreed that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the *Diversity Policy for the Board of Directors*. Regarding remuneration and performance assessment, the nomination and remuneration committee studied domestic regulatory policies on remuneration, organised and formulated the proposal of the settlement of the remuneration for directors, supervisors and senior management of the Bank for 2016, studied and worked out performance assessment plans for executive directors and senior management for 2017. Regarding the fundamental work, the nomination and remuneration committee attached importance to the development and training for senior management of the Bank and key talented people for back-up, and paid attention to matters such as employee remuneration structure. It also proposed opinions and suggestions on pushing forward the diversity of the members of the Board, improving the performance assessment measures for the senior management, and improving the remuneration incentive system and enhancing the development and training for talents.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Sir Malcolm Christopher McCarthy	3/3	0/3	100
Ms. Feng Bing	3/3	0/3	100
Ms. Anita Fung Yuen Mei	5/6	1/6	100
Mr. Carl Walter	6/6	0/6	100
Mr. Zhang Qi	3/3	0/3	100
Mr. Chung Shui Ming Timpson	4/6	2/6	100
Mr. Murray Horn	6/6	0/6	100
<b>Resigned members</b>			
Mr. Guo Yanpeng	0/0	0/0	100
Mr. Dong Shi	3/3	0/3	100

In 2018, the nomination and remuneration committee will strengthen self-improvement efforts, continue to accomplish the work in connection with nomination, review the structure, number of members and composition of the Board, supervise the performance of the Board members and will further refine the remuneration and performance assessment measures for the directors and senior management in accordance with the national remuneration policies. The committee will put forward the proposal of the remuneration settlement for directors, supervisors and senior management in 2017 according to the operational results after comprehensive consideration of various factors, and pay attention to the remuneration system and the personnel training of the Bank.

#### **Social responsibilities and related party transactions committee**

The social responsibilities and related party transactions committee consists of four directors. Mr. Carl Walter, independent non-executive director of the Bank, currently serves as chairman of the social responsibilities and related party transactions committee. Members include Mr. Chung Shui Ming Timpson, Mr. Murray Horn and Mr. Zhang Gengsheng. One of the members is an executive director, and the other three are independent non-executive directors.

The primary responsibilities of the social responsibilities and related party transactions committee include:

- formulating and proposing standards for material related party transactions and the system for

management of related party transactions, as well as the internal approval and filing system of the Bank, and submitting the above standards for approval to the Board;

- identifying the related parties of the Bank;
- receiving filings on general related party transactions;
- reviewing material related party transactions;
- studying and formulating the strategies and policies of social responsibilities of the Bank;
- evaluating credit policies related to environment and sustainable development;
- monitoring, inspecting and assessing the performance of social responsibilities of the Bank;
- studying and formulating the strategies, policies and objectives of consumer rights and interests protection of the Bank, supervising and assessing the work of consumer rights and interests protection of the Bank;
- studying and formulating the green credit strategy, supervising and assessing the implementation of the green credit strategy;
- monitoring and guiding the promotion of relevant work of inclusive finance by the management; and
- other duties and powers authorised by the Board.

In 2017, the social responsibilities and related party transactions committee convened five meetings in total. The committee strengthened self-improvement efforts, improved the supervision and management of related party transactions, reviewed the corporate social responsibility report, monitored the implementation of charity donation, promoted the protection of consumer rights and interests, monitored the implementation of the green credit strategy, and guided the promotion of inclusive finance. The social responsibilities and related party transactions committee proposed important opinions and advice on the aforesaid matters.

Members of social responsibilities and related party transactions committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Carl Walter	3/3	0/3	100
Mr. Chung Shui Ming Timpson	4/5	1/5	100
Mr. Murray Horn	5/5	0/5	100
Mr. Zhang Gengsheng	5/5	0/5	100
<b>Resigned member</b>			
Mr. Zhang Long	1/1	0/1	100

In 2018, the social responsibilities and related party transactions committee will continue to strengthen the supervision and guidance of the related party transactions management. It will review social responsibilities report, monitor the implementation of charitable donations, promote the protection of consumer rights, implement measures relating to customer complaints, monitor and evaluate the implementation of promotion of the green credit strategy, and monitor and guide the promotion of inclusive finance. The social responsibilities and related party transactions committee will also assist the Board in relevant work under the authorisation of the Board.

## BOARD OF SUPERVISORS

### Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions and duties in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management personnel to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including the financial report, business report and profit distribution proposal that are proposed to the shareholders' general meeting by the Board;
- supervising business decisions, risk management, internal control, etc. of the Bank, and providing guidance to the internal audit work of the Bank; and
- exercising other powers authorised by the shareholders' general meeting and the Articles of Association of the Bank.

### Composition of the board of supervisors

The board of supervisors of the Bank currently consists of seven supervisors, including three shareholder representative supervisors, namely Mr. Guo You, Ms. Liu Jin and Ms. Li Xiaoling, three employee representative supervisors, namely Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu, and one external supervisor, namely Mr. Bai Jianjun.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

### Chairman of the board of supervisors

Mr. Guo You is chairman of the board of supervisors of the Bank and is responsible for organisation and performance of duties of the board of supervisors.

### Operation of the board of supervisors

The board of supervisors convenes regular meetings no fewer than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference

or written resolutions. Supervisors are generally notified in writing ten days prior to the convening of the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors. After each meeting, minutes will be circulated to all attending supervisors for review and comments. After finalising the minutes, the board of supervisors' office shall be responsible for distributing the final version of the minutes to all supervisors. The board of supervisors may engage external legal advisors or certified public accountants when necessary to discharge its duties, and the Bank will bear all related expenses. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and materials to them in accordance with related regulations.

Members of the board of supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, if and when the board of supervisors deems appropriate, assign supervisors to attend as non-voting attendees such meetings of the Bank as meetings of board committees, annual work conference, symposia of general managers of branches, analytic meetings on operating conditions, and president executive meetings. The board of supervisors of the Bank conducts supervisory work through measures such as inspection and review of information, off-site monitoring and analysis and on-site specific inspection, visits and symposia, and performance and due diligence evaluation.

The Bank effected supervisors' liability insurance policy for all the supervisors in 2017.

### Meetings of the board of supervisors

In 2017, the board of supervisors convened eight meetings in total on 12 January, 10 March, 29 March, 27 April, 19 June, 30 August, 26 October, and 21 December respectively, of which one was held by way of circulation of written proposal and seven were held on-site. Major resolutions reviewed and approved by the board of supervisors meetings included report of the board of supervisors, supervisory working plan, periodic reports of the Bank, profit distribution plan, the amendments to rules of procedure for the board of supervisors and the 2016 assessment report on internal control, etc. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. The following table sets forth the attendance records of each supervisor in the meetings of the board of supervisors in 2017:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
<b>Shareholder representative supervisors</b>			
Mr. Guo You	8/8	0/8	100
Ms. Liu Jin	8/8	0/8	100
Ms. Li Xiaoling	8/8	0/8	100
<b>Employee representative supervisors</b>			
Mr. Li Xiukun	7/8	1/8	100
Mr. Jin Yanmin	6/8	2/8	100
Mr. Li Zhenyu	8/8	0/8	100
<b>External supervisor</b>			
Mr. Bai Jianjun	7/8	1/8	100

### The performance of duties by external supervisors

In 2017, Mr. Bai Jianjun, the external supervisor of the Bank, actively attended the meetings of the board of supervisors and special committees thereof, and was involved in the studying and decision-making of major issues of the board of supervisors. He proactively attended the meetings of the Board, the special committees under the Board and the operating management as non-voting delegates, and participated in the specific research organised by the board of supervisors on guarantee institutions and relevant credits management, etc., and provided suggestions and opinions based on his expertise. The external supervisor duly performed his duties and contributed to the supervisory role played by the board of supervisors.

- formulating the rules, work plans and proposals and implementation plans for supervision and examination in connection with the supervision of the performance and degree of diligence of the Board, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;
- giving evaluation report on the performance of duties by the Board and senior management as well as their members; and
- formulating performance evaluation measures for the supervisors and organising the implementation of such measures.

In 2017, the performance and due diligence supervision committee convened four on-site meetings in total. The performance and due diligence supervision committee reviewed evaluation reports on the performance of the Board, senior management and their members, and self-evaluation reports on the performance of the board of supervisors and supervisors; studied and formulated the work plan for performance supervision and evaluation for the year; reviewed the proposals regarding the performance assessment plan for shareholder representative supervisors of the Bank, and heard special reports on the situation of liquidity risk management, consolidated management, the implementation of remuneration management system, the operation and development of integrated subsidiaries, the implementation of big data technology application project, etc. The performance and due diligence supervision committee organised the implementation of annual supervisory work, assisted the board of supervisors with the supervision and evaluation of the Board, senior management and their members and the self-evaluation of the board of supervisors.

### COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

#### Performance and due diligence supervision committee

The performance and due diligence supervision committee consists of four supervisors. Mr. Guo You, chairman of the board of supervisors, serves as chairman of the performance and due diligence supervision committee. Members include Ms. Liu Jin, Ms. Li Xiaoling and Mr. Li Zhenyu.

The primary responsibilities of the performance and due diligence supervision committee include:

Members of the performance and due diligence supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Guo You	4/4	0/4	100
Ms. Liu Jin	2/4	2/4	100
Ms. Li Xiaoling	4/4	0/4	100
Mr. Li Zhenyu	4/4	0/4	100

In 2018, the performance and due diligence supervision committee will continue to focus on core tasks of the Bank, and organise the supervision of performance of duties and responsibilities. The performance and due diligence supervision committee will continue to explore the ways of improving supervision in light of actual situation, and ensure proper performance and due diligence supervision and evaluation of the Board, senior management and their members.

#### Finance and internal control supervision committee

The finance and internal control supervision committee consists of five supervisors. Ms. Li Xiaoling, shareholder representative supervisor, serves as chairperson of the finance and internal control supervision committee. Members include Ms. Liu Jin, Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Bai Jianjun.

The primary functions and responsibilities of the finance and internal control supervision committee include:

- formulating the rules, work plans and proposals in connection with the finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;
- examining the annual financial reports and the profit distribution proposals prepared by the Board, and providing suggestions on such reports to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2017, the finance and internal control supervision committee convened six on-site meetings in total, reviewed seven proposals including the periodic reports, profit distribution plans and internal control evaluation report; heard reports on financial report auditing, internal control and compliance work, internal audit findings and rectifications, credit asset quality, and comprehensive risk management on a regular basis; organised supervision on the internal control, acquisition and disposal of material assets, connected transactions and use of proceeds, etc.; carried out supervision over different areas including the implementation of operating business plans, the implementation of IFRS 9, the impairment allowances, agency business and credit debt investment risk, etc. via various measures including hearing special reports, conducting interviews and discussions, put forward opinions and suggestions, and helped the board of supervisors to perform the supervision of finance, risk and internal control.

Members of the finance and internal control supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Ms. Li Xiaoling	6/6	0/6	100
Ms. Liu Jin	4/6	2/6	100
Mr. Li Xiukun	4/6	2/6	100
Mr. Jin Yanmin	4/6	2/6	100
Mr. Bai Jianjun	6/6	0/6	100

In 2018, the finance and internal control supervision committee will pay close attention to the key areas and issues of the Bank's finance, risk and internal control, make more efforts in research and investigation as well as analysis, and continue to refine the corresponding supervisory work.

## SENIOR MANAGEMENT

### Responsibilities of senior management

The senior management, being the executive body of the Bank, is accountable to the Board, and is supervised by the board of supervisors. Authorisation to the senior management by the Board strictly complies with corporate governance documents such as the Articles of Association of the Bank. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions and powers:

- presiding over the operation and management of the Bank, and organising and implementing resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising and implementing the plans upon approval of the Board;
- drafting basic management systems of the Bank;
- authorising persons in charge of internal functional departments and branches to conduct operation activities;
- establishing president accountability system, and conducting evaluation of business performance over managers of business departments, managers of functional departments and general managers of branches of the Bank;
- proposing the convening of interim Board meetings;
- exercising other functions and powers that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and decisions of the shareholders' general meeting and the Board; and
- executive vice presidents and other senior management members of the Bank shall assist president with his/her work.

### Operation of senior management

Based on the authorisation of corporate governance documents, such as the Articles of Association of the Bank and the Board, the senior management orderly organises operational and management activities of the Bank. According to the strategic directions and targets determined by the Board, it makes comprehensive operational plans and periodically reports to the Board on implementation of strategies and execution progress of plans. The senior

management analyses, researches and judges on internal and external environment, works out operational strategies and management measures and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operational and management capabilities and working efficiency of the Bank.

## INTERNAL CONTROL

The objectives of the internal control of the Bank are to reasonably ensure its operation and management in compliance with laws and regulations, assets safety, the accuracy and integrity of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Bank to achieve its development strategies. According to the requirements regarding the standard system of enterprise internal control, the Board establishes sound and effective internal control, evaluates its effectiveness and supervises the effectiveness of internal control system. The board of supervisors supervises the establishment and implementation of internal control by the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2017, the Bank further enhanced the internal control, refined the assessment of the internal control. On the basis of reviewing the non-compliance cases in the recent two years, regulatory inspections, key issues identified by internal audit and external audit, the Bank comprehensively established the problem database. According to the key non-compliance domains and processes directed to by the problem database, the Bank amended the self-evaluation indicators of internal control, and improved the pertinence and effectiveness of the self-evaluation indicators. The Bank conducted a design update of the internal control assessment evaluation indicators system on the basis of the 5 components of COSO, highlighted the quantification, strived to be objective, covered comprehensive aspects, and strengthened the reasonableness and appropriateness of the evaluation indicators. Meanwhile, the Bank enhanced the internal control deficiency management, conducted analysis on causes of the internal control deficiency identified during the internal control assessment, and ensured the compliance operation of the business development by analysing in-depth the design deficiency existing in the institution, process and system, and organising thorough rectifications.

The Board and the audit committee assess the effectiveness of the internal control and examine the report of internal control annually. As at the end of 2017, there was no material deficiency in the internal control of financial reporting of the Bank, and no material deficiency was detected in the internal control of non-financial report as well. The Board held that the Bank conducted effective internal control of financial reporting covering all the major aspects, in compliance with the requirements regarding the standard system of enterprise internal control and other relevant regulations.

The Bank employed PricewaterhouseCoopers Zhong Tian LLP for the audit of internal control. The audit opinion of internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control of the financial report. The disclosure of material deficiencies of internal control of the non-financial report in the audit report of internal control was in line with the disclosure of the assessment report of internal control of the Bank.

For detailed information of internal control, please refer to the assessment report and audit report of internal control of the

Bank on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Bank.

## AUDITORS' REMUNERATION

PricewaterhouseCoopers Zhong Tian LLP was appointed as the domestic auditor for the audit of the financial report of the Bank and its domestic subsidiaries for the year of 2017 and PricewaterhouseCoopers was appointed as the international auditor for the audit of the financial report of the Bank and its major overseas subsidiaries for the year of 2017. PricewaterhouseCoopers Zhong Tian LLP was appointed as the auditor for the audit of the internal control of the Bank for the year of 2017.

Auditors' fees for the audit of the financial report (including the audit of the internal control) of the Group and other services paid to PricewaterhouseCoopers Zhong Tian LLP, PricewaterhouseCoopers and other PricewaterhouseCoopers member firms by the Group for the year ended 31 December 2017 are set out as follows:

(In millions of RMB)	2017	2016
Fees for the audit of the financial statements	137.00	125.00
Other service fees	6.04	3.35

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have offered auditing services to the Bank for seven consecutive years.

## SHAREHOLDERS' RIGHTS

### Right to convene an extraordinary shareholders' general meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after the resolution is made. In case the Board refuses to hold the meeting or has no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors fails to issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank for more than 90 consecutive days, may convene and preside over an extraordinary general meeting on his own.

### Right to raise proposals to the shareholders' general meeting

Any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the total issued voting shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent non-executive directors and external supervisors.

Proposals to the shareholders' general meetings shall be submitted to the convenor of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to bring up extraordinary proposals. Extraordinary proposals on the nomination shall be submitted to the convenor of the meeting 35 days prior to the meeting and extraordinary proposals on other issues shall be submitted to the convenor of the meeting in writing 20 days prior to the meeting.

### Right to raise proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

### Right to raise enquiries to the Board

In accordance with the provisions of the Articles of Association of the Bank, the shareholders have the right to obtain relevant information, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

## INVESTOR RELATIONS

### Effective communication with shareholders and review of work on investor relations

In 2017, the Bank listened to the voice of the market earnestly, reacted to the concerns of the market actively and promoted communications with shareholders and investors through various channels such as the shareholders' general meetings, results announcement conferences, road shows, participating in large investor forums, receptions of investors' research and investigation, investor hotline and investor mailbox. The accumulative number of domestic and foreign investors and analysts communicated with the Bank exceeded one thousand. Relevant periodic announcements of results of the Bank were published on designated newspapers and websites for shareholders' review.

### Shareholder enquiries

Any enquiries from shareholders related to shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following addresses:

#### A-share:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch  
34th Floor, China Insurance Building  
166 East Lujiazui Road, Pudong New District, Shanghai, China  
Telephone: (86) 4008-058-058

#### H-share:

Computershare Hong Kong Investor Services Limited  
Rooms 1712–1716, 17/F, Hopewell Centre,  
183 Queen's Road East, Wan Chai, Hong Kong  
Telephone: (852) 2862-8555  
Facsimile: (852) 2865-0990/(852) 2529-6087

#### Investor enquiries

Enquiries from investors to the Board may be directed to:  
Board of Directors Office  
China Construction Bank Corporation  
No. 25, Financial Street, Xicheng District, Beijing, China  
Telephone: (8610) 6621-5533  
Facsimile: (8610) 6621-8888  
Email: ir@ccb.com

Board of Directors Office – Hong Kong Office  
China Construction Bank Corporation  
28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong  
Telephone: (852) 3918-6212  
Facsimile: (852) 2523-8185

This annual report is available on the website of the Bank ([www.ccb.com](http://www.ccb.com)), the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the "HKEXnews" website of of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). If you have any queries on reading this annual report, please call our hotline at (8610) 6621-5533 or (852) 3918-6212. If you have any comment or advice on the annual report, please send email to [ir@ccb.com](mailto:ir@ccb.com).

# REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2017.

## Principal activities

The Group is engaged in a range of banking services and related financial services.

## Business review

The business review of the Group for the year ended 31 December 2017 is set out in the “Management Discussion and Analysis” of this annual report. For the discussion on the Bank’s environmental policies and performance and relations with its employees, please refer to the *Corporate Social Responsibility Report 2017* of the Bank.

## Profit and dividends

The profit of the Group for the year ended 31 December 2017 and the Group’s financial position as at that date are set out in the “Financial Statements” of this annual report. The analysis on operating results, financial position as well as related changes during the reporting period are set out in the “Management Discussion and Analysis” of this annual report.

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.

## Formulation and implementation of profit distribution policy

Pursuant to the current Articles of Association, the Bank may distribute dividends in the form of cash, shares and a combination of cash and shares; unless under special circumstances, the Bank shall distribute dividends in cash if it gains profit and has positive accumulative undistributed profits in the year. The cash dividends distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. When adjusting the profit distribution policy, the Board shall conduct a specific discussion to elaborate on and verify the reasons to make the adjustments and prepare a written report. Independent non-executive directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders’ general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

The Bank’s formulation and implementation of profit distribution policies conform to the provisions in the Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The Bank has sound policies decision-making procedures and mechanisms as well as clear and definite standard and ratio of dividends. The independent non-executive directors conducted due diligence and played their roles diligently in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and appeals and their legitimate rights and interests are fully protected.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2015 to 2017 are as follows:

(In millions of RMB, except percentages)	2015	2016	2017
Cash dividends	68,503	69,503	<b>72,753</b>
Ratio of cash dividends to net profit <sup>1</sup>	30.03%	30.03%	<b>30.03%</b>

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note “Profit Distributions” in the “Financial Statements” of annual reports of the related years for details of cash dividends.

## Taxation and tax reduction and exemption

Shareholders of the Bank paid relevant taxes according to the following rules and tax laws and regulations as updated from time to time and enjoyed possible tax reduction and exemption in light of actual situations and should seek advice from their tax professionals and legal consultants for specific payment matters. The following referred tax laws and regulations are published as at the date of 31 December 2017.

### Holders of A-share

According to *Notice of Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (Cai Shui [2012] No.85) and *Notice of Issues Concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (Cai Shui [2015] No.101) issued by the MOF, the State Administration of Taxation and the CSRC, for the stocks held for more than one year, the income from dividends and bonuses shall be temporarily exempted from individual income tax; for the stocks held for more than one month but not more than one year (inclusive), the income from dividends and bonuses shall be temporarily included in the taxable income at the reduced rate of 50%; for stocks held for not more than one month (inclusive), the income from dividends and bonuses shall be included in the taxable income in full amount. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%. Individual income taxes on dividends and bonuses from listed companies made by securities investment funds shall be collected according to the rules aforesaid as well.

According to article 26(2) of the *Law on Enterprise Income Tax*, dividends, bonuses and other equity investment proceeds between qualified resident enterprises are tax-free incomes.

According to article 83 of the *Implementation Regulations of the Law on Enterprise Income Tax*, the “dividends, bonuses and other equity investment proceeds between qualified resident enterprises” as prescribed in article 26(2) of the *Law on Enterprise Income Tax* refer to investment income obtained by a resident enterprise from the direct investment in other resident enterprises. The “stock equities, bonuses and other equity investment proceeds” as prescribed in article 26(2) of the *Law on Enterprise Income Tax* exclude investment income from circulating stocks issued publicly by a resident enterprise and traded on stock exchanges that the holding period is less than 12 months.

According to the *Law on Enterprise Income Tax and the Implementation Regulation of the Law on Enterprise Income Tax*, the enterprise income tax shall be levied at the reduced rate of 10% for the dividend incomes obtained by a non-resident enterprise shareholder.

### Holders of H-share

According to PRC tax laws and regulations, withholding agents shall withhold and pay individual income tax on income of dividends and bonuses for Hong Kong-listed shares of domestic non-foreign-invested enterprises obtained by a non-resident individual. However, an offshore resident individual shareholder holding Hong Kong-listed shares of domestic non-foreign-invested enterprises may enjoy relevant tax preferences under the tax treaties between China and the state where such shareholder possesses resident status, or the indirect tax arrangements between Mainland China and Hong Kong or Macau. Generally, as for individual holders of H-shares, individual income tax shall be withheld and paid at the rate of 10%, unless it is otherwise provided by tax laws and regulations and relevant tax treaties.

According to *Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H-shares Which Are Overseas Non-resident Enterprises* (Guo Shui [2008] No.897) published by the State Administration of Taxation, a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its holders of H-shares which are overseas non-resident enterprises, and it shall withhold the enterprise income tax thereon at the uniform rate of 10%.

According to current custom of the Inland Revenue Department, the Bank bears no tax for distribution of H-share dividends.

Issues about taxation of Shanghai-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (Cai Shui [2014] No.81) issued by the MOF, the State Administration of Taxation and the CSRC.

Issues about taxation of Shenzhen-Hong Kong Stock Connect shall follow the Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) issued by the MOF, the State Administration of Taxation and the CSRC.

### Domestic preference shareholders

Issues about payment of individual income tax involved in dividends of non-public domestic preference shares obtained by individuals shall follow the relevant PRC tax laws and regulations.

According to the *Law on Enterprise Income Tax and the Implementation Regulation of the Law on Enterprise Income Tax*, dividends gain from domestic preference shares between qualified resident enterprises are tax exemption incomes. Enterprise income tax on dividends gain from domestic preference shares obtained by a non-resident enterprise, in general, shall be collected at the preferential rate of 10%.

### Offshore preference shareholders

According to PRC tax laws and regulations, when the Bank pays dividends of offshore preference shares to its shareholders which are offshore non-resident enterprises, in general, it shall withhold and pay the enterprise income tax thereon at the uniform rate of 10%.

According to current custom of the Inland Revenue Department, the Bank bears no tax for distribution of dividends of offshore preference shares.

### Summary of financial information

Please refer to “Financial Highlights” of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2017.

### Reserves

Please refer to “Consolidated Statement of Changes in Equity” of this annual report for details of the movements in the reserves of the Group for the year ended 31 December 2017.

### Donations

Charitable donations made by the Group for the year ended 31 December 2017 were RMB77.86 million.

### Fixed assets

Please refer to Note “Fixed Assets” in the “Financial Statements” of this annual report for details of movements in fixed assets of the Group for the year ended 31 December 2017.

### Retirement benefits

Please refer to Note “Accrued Staff Costs” in the “Financial Statements” of this annual report for details of the retirement benefits provided to employees of the Group.

### Major customers

For the year ended 31 December 2017, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

### Ultimate parent company and its subsidiaries

Please refer to “Changes in Share Capital and Particulars of Shareholders – Substantial Shareholders of the Bank” and Note “Investments in Subsidiaries” in the “Financial Statements” for details of the Bank’s ultimate parent company and its subsidiaries respectively as at 31 December 2017.

### Issuance of shares

During the reporting period, the Bank had not issued any ordinary shares. Please refer to “Changes in Share Capital and Particulars of Shareholders – Details of Preference Shares” for details of the issuance of preference shares.

### Equity-linked agreements

For the year ended 31 December 2017, other than the offshore non-public preference shares of US\$3.05 billion in total issued by the Bank on 16 December 2015, the Bank had not entered into or maintained any equity-linked agreement.

Pursuant to regulations including the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Pilot Programme for Preference Shares*, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event happens when the common equity tier 1 ratio has decreased to 5.125% (or below) and when the CBRC determines that the Bank will not be able to exist if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which preference shares shall be coercively converted into ordinary H-shares. If such trigger events happen to the Bank and all offshore preference shares need to be coercively converted into ordinary H-shares in accordance with their initial conversion price, the total amount of the offshore preference shares which are converted into ordinary H-shares will not exceed 3,953,615,825 ordinary H-shares. During the reporting period, the Bank did not experience any trigger event in which the offshore preference shares need to be coercively converted into ordinary H-shares.

### Share capital and public float

As of 31 December 2017, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 329,810 registered ordinary shareholders. The Bank complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

### 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.

### Pre-emptive rights

During the reporting period, the Articles of Association of the Bank does not contain such provisions under which the Bank’s shareholders have pre-emptive rights. The Articles of Association provides that if the Bank wishes to increase its capital, it may issue new shares to investors, may issue new shares to or by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or by other means permitted by laws and regulations.

### Top ten shareholders and their shareholdings

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at 31 December 2017.

### Directors, supervisors and senior management

Please refer to "Profiles of Directors, Supervisors and Senior Management" of this annual report for details of directors, supervisors and senior management of the Bank.

### Independence of the independent non-executive directors

The Bank has received the annual confirmation on independence from each independent non-executive director in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence was in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

### Material interests and short positions

On 31 December 2017, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Name	Type of shares	Interests in shares and short positions	Nature	% of issued A-shares or H-shares	% of total ordinary shares issued
Huijin <sup>1</sup>	A-share	692,581,776	Long position	7.22	0.28
Huijin <sup>2</sup>	H-share	133,262,144,534	Long position	59.31	57.03

1. On 29 December 2015, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% and 0.28% of the A-shares issued (9,593,657,606 shares) and total ordinary shares issued (250,010,977,486 shares) at that time respectively. In which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Co., Ltd., a wholly-owned subsidiary of Huijin. As at 31 December 2017, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, Central Huijin Asset Management Co., Ltd., a wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and total ordinary shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2017, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and total ordinary shares issued (250,010,977,486 shares) at the end of the period respectively.

### Directors' and supervisors' interests and short positions in shares, underlying shares and debentures of the Bank or its associated corporations

Mr. Zhang Gengsheng, director of the Bank, indirectly held 19,304 H-shares of the Bank by participating in the employee stock incentive plan of the Bank before he was appointed at the current position. Supervisors of the Bank indirectly held H-shares of the Bank by participating in the employee stock incentive plan before they were appointed at the current position. Specifically, Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu held 12,366 H-shares, 15,739 H-shares and 3,971 H-shares of the Bank respectively. Save as disclosed above, as at 31 December 2017, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2017, except for the employee stock incentive plan, the Bank had not granted its directors or

supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

### Directors' financial, business and family relationships

There are no relationships among the directors of the Bank, including financial, business, family or other material relationships.

### Directors' and supervisors' interests in contracts, service contracts and directors' liability insurance

For the year 2017, no director or supervisor of the Bank or entities connected with the directors or supervisors had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

The Bank purchased the directors' liability insurance for all directors in 2017.

### **Directors' interests in competing businesses**

Save as disclosed in the biographical details of the directors of the Bank, none of the directors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

### **Corporate governance**

The Bank is committed to maintaining a high level of corporate governance practice. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practice adopted by the Bank and its compliance with the Corporate Governance Code and Corporate Governance Report.

### **Amendments to the Articles of Association**

On 15 June 2017, the *Proposal on the Amendments to the Articles of Association* was considered and approved by the 2016 annual general meeting of the Bank. The meeting also authorised the Board to make relevant amendments to the Articles of Association in accordance with the opinions or requirements from authorised institutions. The *Proposal on Additional Revisions to the Articles of Association of China Construction Bank Corporation* was considered and approved by the Board of the Bank on 30 August 2017 and 20 December 2017, respectively. The CBRC approved the revised Articles of Association of the Bank on 13 March 2018 in respect of the *Approval of the Amendments to the Articles of Association of China Construction Bank by the CBRC* (Yin Jian Fu [2018] No. 60), upon which, the revised Articles of Association took effect.

### **Connected transactions**

In 2017, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the conditions for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were fully exempted from the shareholders' approval, annual review and all the disclosure requirements.

Please refer to Note "Related Party Relationships and Transactions" in the "Financial Statements" of this annual report for details of the related party transactions as defined by domestic laws and regulations and accounting standards.

### **Remuneration policy for directors, supervisors and senior management**

For enterprise leaders administered by central authorities, the remuneration policy strictly complies with the relevant measures on remuneration of central financial enterprise leaders. The Bank's remuneration policy for other directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and has defined a structured remuneration system comprising basic annual salary, performance annual salary and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Other than reviewing and settling the tenure incentive remuneration to enterprise leaders administered by central authorities in accordance with national regulations, the Bank does not implement mid-term and long-term incentive plan for other directors, supervisors and senior management.

### **Relationships with employees and customers**

Employees are the valuable assets to the Bank. The Bank established the legal labour relations with the employees, in order to ensure the rights of the employees according to the law. Furthermore, the Bank constantly provided safeguard measures for the career development of employees in terms of their remunerations, benefits, trainings, and promotions. Adhering to the customer-centric philosophy, the Bank attached great importance to the protection of consumer rights and interests, continuously improved customer service experience and customer satisfaction.

### **Registration and management of insiders**

The Bank formulated the Management Measures on Insider of Inside information in 2010, and made an amendment in 2012. During the reporting period, pursuant to the Management Measures on Insider of Inside information, relevant laws and regulations, and other rules and requirements of the Bank, the Bank strictly conducted the secrecy system regarding inside information, standardised the information transfer process, strengthened inside information management and controlled the scope of insiders of inside information. The Bank was not aware of any insider trading of the shares of the Bank by taking advantage of inside information during the reporting period.

### **Compliance with Hong Kong Banking (Disclosure) Rules**

In preparing the financial report for 2017, the Bank has complied with the Banking (Disclosure) Rules, Chapter 155M of the Banking Ordinance of Hong Kong.

### **Events after the reporting period**

There are no significant events after the reporting period.



By order of the board of directors

**Tian Guoli**

*Chairman*

27 March 2018

# REPORT OF THE BOARD OF SUPERVISORS

In 2017, pursuant to the provisions of laws and regulations and the Articles of Association of the Bank, the board of supervisors earnestly performed its supervision duties. It further improved the effectiveness of supervision with continuous efforts to refine its work methods, made active contribution to the sound operation of corporate governance and the steady development of the Bank, and played an effective role in terms of their duties and functions.

## Particulars of Major Work

*Convening meetings of the board of supervisors pursuant to laws and regulations.* During the year, eight meetings of the board of supervisors were convened, in which 19 resolutions were reviewed and considered pursuant to laws and regulations, including periodic reports of the Bank, assessment report on internal control, revisions to the rules of procedures for the board of supervisors, and assessment reports of the management performance for the year. The board of supervisors conducted special discussions on the contents concerning the board of supervisors in the amendments to the Articles of Association of the Bank, and organised researches on 11 topics including credit risk control, cross-sector financial business development and risk control, management of guarantee institutions, anti-money laundering etc. The board of supervisors also heard reports on CBRC's requirements on market disorder rectification work and the implementation of issues notified by regulators. The performance and due diligence supervision committee held four meetings, and the finance and internal control supervision committee held six meetings.

*Earnestly carrying out performance supervision.* Members of the board of supervisors attended important meetings such as meetings of the Board and the special committees under the Board, the Group's work conferences and the presidents' executive meetings as non-voting attendees. The board of supervisors duly reviewed the meeting materials, learned the operating situation, and paid special attention on the compliance with laws and regulations regarding the decision-making procedures and the voting results of the Board. Based on business supervision, the board of supervisors learned further about the implementation of resolutions of the general meeting of shareholders and the Board as well as the daily performance of senior management. The board of supervisors carried out the annual performance assessment work, proposed the assessment reports on the annual performance of the Board and its members, and the senior management and its members, presented the annual self-assessment of the performance of board of supervisors and its members after careful consideration, and reported the performance assessment to the shareholders' general meeting and regulators pursuant to relevant provisions.

*Continuously strengthening financial supervision.* The board of supervisors conscientiously performed its duty of supervision on financial reporting by focusing on the contents and procedures of financial reports as well as important business issues in the current reporting period, and put forward supervisory opinions and suggestions. The board of supervisors heard a special report on financial inspections across the Bank for the year 2016, paid close attention to the IFRS 9 implementation and the related progress, analysed the implementation of the regulatory requirements on information disclosure, and continued to supervise the progress of consolidated management and the advanced approach of capital management. The board of supervisors organised the implementation of supervision over financial decisions, and paid special attention to the arrangement and implementation of business plan as well as continual influence of the business tax to value added tax reform. It also conducted regular supervision over issues including related party transactions, use of proceeds, acquisition and disposal of material assets, pursuant to the Articles of Association and regulatory requirements.

*Carefully conducting the internal control supervision.* For internal control the board of supervisors paid constant attention to the improvement of organisational structure, formulation of rules and policies, optimisation of processes and systems, rectification of audit issues and the implementation of internal control and compliance work at all levels of the Bank. The board of supervisors attached great importance to the progress of self-inspections as part of the series of targeted rectification missions by the CBRC, heard special reports on rectification in key areas such as financial institutional business and assets management business, and promoted rectification of the issues from the aspect of system and mechanism. The board of supervisors actively adapted to the changes of internal and external regulatory situation and strengthened the supervision on anti-money laundering. It paid close attention to internal control management of new products, and performed research and analysis on embedding risk control and compliance in the process of product innovation. It also duly reviewed the annual assessment report on internal control, and gave independent opinions.

*Thoroughly enhancing risk management supervision.* The board of supervisors continued to enhance supervision over credit risk, communicated on the quality of credit assets with the management on a quarterly basis, and heard reports on credit risk control and integration of risk early-warning systems of the Bank. It organised discussions on the risk control over government debts, cross-sector financial business, real estate, etc., in order to strengthen its supervision over main risk areas of the Bank. The board of supervisors continuously conducted supervision over collateral management and management of guarantee institutions, and actively promoted intensive collateral management and the building of the management system of specialised guarantee institutions. The board of supervisors regularly monitored the implementation of the risk appetite and higher standard regulatory indicators of large banking institutions. With focus on key issues in risk management, it conducted special research and discussion on liquidity risk management, stress testing and overseas institutions risk management, and proposed supervisory opinions and requirements.

*Stressing on continuous self-improvement.* The board of supervisors carefully chose meeting agendas, with focus on key issues in risk management and internal control. By deepening research and discussion on the agenda items, it continuously raised the quality and efficiency of the meetings of the board of supervisors and special committees. The supervisors paid much attention to the thorough communication with the management. They communicated with various parties regarding important supervision matters, learned fully about actual situations, and proposed pertinent and constructive opinions. The supervisors further explored the transmission and implementation mechanism of supervisory opinions, strengthened problem rectification, and highly enhanced supervision effectiveness. They also conducted special studies on four areas including government related credit business, guarantee institutions and related credit business, real estate credit business and the application of big data technology. All supervisors actively participated in the work of the board of supervisors and the activities of the Bank, and constantly explored new methods and approaches for supervisory work in order to duly perform their supervisory duties.

#### Independent Opinions on Relevant Matters of the Bank

##### *Operations in compliance with laws and regulations*

During the reporting period, the Bank carried out its operation pursuant to laws and regulations, and the decision-making procedure was in compliance with the provisions of laws and regulations as well as the Articles of Association of the Bank. The directors and senior executives fulfilled their duties in a diligent manner. The board of supervisors was not aware of any of their acts in performance of their duties that were in breach of applicable laws, regulations or the Articles of Association of the Bank, or were detrimental to the Bank's interest.

##### *Financial reporting*

The 2017 financial report of the Bank truly and fairly reflected the financial position and operating results of the Bank.

##### *Use of proceeds*

During the reporting period, the Bank issued RMB60 billion domestic preference shares. The proceeds were all used to replenish additional tier 1 capital, which was consistent with the Bank's commitments.

##### *Acquisition and sale of assets*

During the reporting period, the board of supervisors was not aware of any insider trading or any acts detrimental to the interests of shareholders or leading to a drain on the Bank's assets in acquisition or sale of assets.

##### *Related party transactions*

During the reporting period, the board of supervisors was not aware of any related party transactions that were detrimental to the interests of the Bank.

##### *Internal control*

During the reporting period, the Bank continuously strengthened and refined its internal control. The board of supervisors had no objection to the 2017 Internal Control Assessment Report.

##### *Performance of social responsibilities*

During the reporting period, the Bank performed its social responsibilities in an earnest manner. The board of supervisors had no objection to the 2017 Social Responsibility Report.

##### *Assessment of the performance of directors, supervisors and senior executives*

All directors, supervisors and senior executives participated in the 2017 performance assessment were evaluated as qualified.

By order of the board of supervisors

**Guo You**

*Chairman of the board of supervisors*

27 March 2018

# MAJOR ISSUES

## Material Litigations and Arbitrations

During the reporting period, the Bank was not subject to any material litigation or arbitration.

## Fund Occupation by the Controlling Shareholder or Other Related Parties

During the reporting period, there was no non-operational fund occupation by the controlling shareholder or other related parties of the Bank.

## Progress of Implementation of Employee Stock Incentive Plan

After the implementation of the first employee stock incentive plan of the Bank in July 2007, the Bank did not implement any new round of stock incentive plan in the reporting period.

## Material Related Party Transactions

During the reporting period, there was no material related party transaction of the Bank. All related party transactions of the Bank were conducted on the basis of commercial principles in a just, fair and open manner and at prices no more favourable than those offered to independent third parties in similar transactions.

## Material Contracts and their Performance

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantee that should be disclosed except for the financial guarantee services within its business scope as approved by the regulators. The Bank did not entrust management of any material cash assets to others during the reporting period.

## Performance of Undertakings

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin would not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, and providing fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed

that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; (2) exercise its shareholder's rights for the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As at 31 December 2017, Huijin had not breached any of the above undertakings.

## Penalties

During the reporting period, neither the Bank, the directors, the supervisors, the senior management nor the actual controller was subject to investigations by relevant authorities, coercive measures by judicial or disciplinary inspection departments, transfer to judicial authorities or prosecution for criminal liabilities, investigation or administrative penalty, restricted access to market, and identification as unqualified by the CSRC, material administrative punishments by environmental, safety supervision, tax or other administrative authorities, or public reprimand by the stock exchanges.

## Integrity

During the reporting period, there was no unperformed judgement of the courts, or significant outstanding debt at maturity of the Bank and its controlling shareholder.

## Major Events

Upon approval by Yin Jian Fu [2017] No. 274 issued by CBRC and Zheng Jian Xu Ke [2017] No. 2100 issued by CSRC, the Bank made a non-public issuance of domestic preference shares with an issuance size of RMB60 billion. Upon approval by Shang Zheng Han [2018] No. 43 issued by Shanghai Stock Exchange, the domestic preference shares have been listed and traded on the Comprehensive Business Platform of Shanghai Stock Exchange since 15 January 2018. Please refer to "Changes in Share Capital and Particulars of Shareholders – Details of Preference Shares" of this annual report for details of the issuance of domestic preference shares.

## Performance of poverty alleviation responsibilities

Please refer to "Corporate Social Responsibilities" of this annual report for details of the performance of poverty alleviation responsibilities.

# INDEPENDENT AUDITOR'S REPORT

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羅兵咸永道

To the Shareholders of China Construction Bank Corporation

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

## OPINION

### *What we have audited*

The consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 138 to 259, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Allowances for impairment losses on loans and advances to customers
- Disclosure of estimated impact upon initial application of IFRS 9 – expected credit loss model
- Consolidation assessment of, and disclosures about, structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Allowances for impairment losses on loans and advances to customers</b> <i>Refer to notes 4(3)(f), 4(24)(a), 13, 25, 65(1) to the consolidated financial statements.</i>	<p>Our procedures include the following:</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to allowances for impairment losses on loans and advances to customers, including the identification of impairment indicators and the impairment assessment process.</p>
As at 31 December 2017, the gross balance of loans and advances to customers and allowances for impairment losses amounted to RMB12,903.4 billion and RMB329 billion, respectively.	<b>Individual assessment</b>
Allowances for impairment losses are estimated using individual and collective assessments.	<p>Based on criteria that may indicate evidence of impairment (including whether the borrowers were experiencing financial difficulties or breached loan covenants), we performed independent credit reviews on a sample of individually significant loans and advances to customers to assess whether these balances were impaired and whether the impairment was identified by management on a timely basis.</p> <p>For the impaired loans and advances from our sample, we tested the estimated future cash flows (including realisable value of mortgages and pledges, and support from guarantors) and discount rates against underlying supporting information including external evidence where available. We also independently tested the calculations through re-performance.</p>
Individually significant loans and advances to customers are initially assessed for impairment. Homogeneous groups of loans and advances to customers not considered individually significant, and those which were individually assessed but were found not to have objective evidence of impairment, are assessed for impairment on a collective basis.	<b>Collective assessment</b>
Identification of impairment indicators and estimation of future cash flows for individual assessment, parameters and assumptions applied to the calculation methodology for collective assessment require significant management's judgements. In addition, because of the large size of the allowances for impairment losses on loans and advances to customers, we focused on this in our audit.	<p>We tested the underlying loan information used in the impairment models by agreeing the relevant data to the Group's loan systems and the general ledger.</p> <p>We evaluated the parameters and assumptions (including historical trends of probability of default and historical loss experience) used by reference to market practices and challenged the assumptions as to whether they reflect the current economic environment and are in line with recent loss experience and representative of current credit risks. We also independently tested the calculation through re-performance.</p> <p>We found management's judgement exercised in identifying the impaired loans for individual assessment and in estimating the individual and collective allowances for impairment losses on loans and advances to customers to be reasonable.</p>

## KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Disclosure of estimated impact upon initial application of IFRS 9 – expected credit loss model</b> <i>Refer to note 70 to the consolidated financial statements.</i> <p>IFRS 9, "Financial Instruments" took effect on 1 January 2018 and the Group estimated the adoption of IFRS 9 would reduce its net assets by approximately 1% as at 1 January 2018. The impact is mainly due to the application of the expected credit loss measurement models in estimating the loan loss reserve on loans and advances to customers measured at amortised cost, certain loan commitments and financial guarantee contracts.</p> <p>IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation in its implementation, including the use of new parameters and involvement of experts. The Group's estimation of the impact of the initial implementation of IFRS 9 on net assets is a highly complex process and accordingly, we include this as a key audit matter.</p>	<p>The procedures performed to assess the reasonableness of the Group's disclosure on the possible impact of the initial adoption of IFRS 9 included:</p> <ol style="list-style-type: none"> <li>1. Obtained an understanding of how the Group has implemented IFRS 9.</li> <li>2. Understood and evaluated the expected credit loss model methodology and development processes through reviewing documentation and discussion with management, and the Group's experts.</li> <li>3. On a sample basis, evaluated the selection of major parameters by comparing to external information, and judgements and interpretations made by management.</li> <li>4. Understood the Group's key processes over the preparation of information disclosure and inspected the approval documentation.</li> </ol> <p>Based on the above procedures performed, we found management's judgements and key assumptions applied on the expected credit loss models to be reasonable.</p>
<b>Consolidation assessment of, and disclosures about, structured entities</b> <i>Refer to notes 4(1), 4(24)(g), 21(2)(c), 31 to the consolidated financial statements.</i> <p>As at 31 December 2017, structured entities mainly included wealth management products, asset management plans and trust plans. The amounts of structured entities which are either consolidated or not consolidated are disclosed in notes 21(2)(c) and 31 respectively.</p> <p>The amount of structured entities was significant and the assessment of consolidation or not involved management's judgement.</p> <p>We focused on the following key aspects:</p> <ol style="list-style-type: none"> <li>1. The reasonableness of the consolidation assessment made by management based on the three elements of control and the appropriateness of disclosures in the consolidated financial statements.</li> <li>2. Whether the structured entities that were not consolidated were appropriately disclosed in the consolidated financial statements.</li> </ol>	<p>Our procedures included:</p> <ol style="list-style-type: none"> <li>1. Evaluated and tested the related internal controls that management adopted on the consolidation assessment and disclosure of structured entities.</li> <li>2. Tested structured entities on a sample basis to assess management's judgement to consolidate or not by checking against supporting documents including contracts and evaluated them against the following elements of control: <ul style="list-style-type: none"> <li>• The Group's power over the structured entities;</li> <li>• The Group's exposure, or rights, to variable returns from involvement with the structured entities; and</li> <li>• The Group's ability to use power over the structured entities to affect the amount of the Group's returns.</li> </ul> </li> <li>3. Evaluated and checked the appropriateness of disclosures in the consolidated financial statements relating to structured entities.</li> </ol> <p>Based on the available evidence we found that, in all material respects, management's consolidation assessment in relation to structured entities was reasonable and the disclosures were appropriate.</p>

## OTHER INFORMATION

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

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The engagement partner on the audit resulting in this independent auditor's report is Yip Siu Foon, Linda.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 27 March 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2017  
(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2017	2016
Interest income		750,154	696,637
Interest expense		(297,698)	(278,838)
<b>Net interest income</b>	6	<b>452,456</b>	417,799
Fee and commission income		131,322	127,863
Fee and commission expense		(13,524)	(9,354)
<b>Net fee and commission income</b>	7	<b>117,798</b>	118,509
Net trading gain	8	4,858	3,975
Dividend income	9	2,195	2,558
Net (loss)/gain arising from investment securities	10	(835)	11,098
Other operating income, net:			
– Other operating income		49,009	55,340
– Other operating expense		(31,450)	(49,419)
<b>Other operating income, net</b>	11	<b>17,559</b>	5,921
<b>Operating income</b>		<b>594,031</b>	559,860
<b>Operating expenses</b>	12	<b>(167,043)</b>	(171,515)
		<b>426,988</b>	388,345
Impairment losses on:			
– Loans and advances to customers		(123,389)	(89,588)
– Others		(3,973)	(3,616)
<b>Impairment losses</b>	13	<b>(127,362)</b>	(93,204)
<b>Share of profit of associates and joint ventures</b>		<b>161</b>	69
<b>Profit before tax</b>		<b>299,787</b>	295,210
Income tax expense	16	(56,172)	(62,821)
<b>Net profit</b>		<b>243,615</b>	232,389

The notes on pages 144 to 259 form part of these financial statements.

	Note	2017	2016
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		593	(839)
Others		208	68
Subtotal		801	(771)
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)
Income tax impact relating to available-for-sale financial assets		9,230	7,055
Reclassification adjustments included in profit or loss		3,403	(3,930)
Net gain/(loss) on cash flow hedges		470	(150)
Exchange difference on translating foreign operations		(4,748)	5,885
Subtotal		(29,796)	(18,981)
<b>Other comprehensive income for the year, net of tax</b>		<b>(28,995)</b>	<b>(19,752)</b>
<b>Total comprehensive income for the year</b>		<b>214,620</b>	<b>212,637</b>
Net profit attributable to:			
Equity shareholders of the Bank		242,264	231,460
Non-controlling interests		1,351	929
		<b>243,615</b>	<b>232,389</b>
Total comprehensive income attributable to:			
Equity shareholders of the Bank		213,837	212,418
Non-controlling interests		783	219
		<b>214,620</b>	<b>212,637</b>
<b>Basic and diluted earnings per share (in RMB Yuan)</b>	17	<b>0.96</b>	<b>0.92</b>

The notes on pages 144 to 259 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2017	2016
<b>Assets:</b>			
Cash and deposits with central banks	18	2,988,256	2,849,261
Deposits with banks and non-bank financial institutions	19	175,005	494,618
Precious metals		157,036	202,851
Placements with banks and non-bank financial institutions	20	325,233	260,670
Financial assets at fair value through profit or loss	21	578,436	488,370
Positive fair value of derivatives	22	82,980	89,786
Financial assets held under resale agreements	23	208,360	103,174
Interest receivable	24	116,993	101,645
Loans and advances to customers	25	12,574,473	11,488,355
Available-for-sale financial assets	26	1,550,680	1,633,834
Held-to-maturity investments	27	2,586,722	2,438,417
Investment classified as receivables	28	465,810	507,963
Interests in associates and joint ventures	30	7,067	7,318
Fixed assets	32	169,679	170,095
Land use rights	33	14,545	14,742
Intangible assets	34	2,752	2,599
Goodwill	35	2,751	2,947
Deferred tax assets	36	46,189	31,062
Other assets	37	71,416	75,998
<b>Total assets</b>		<b>22,124,383</b>	20,963,705
<b>Liabilities:</b>			
Borrowings from central banks	39	547,287	439,339
Deposits from banks and non-bank financial institutions	40	1,336,995	1,612,995
Placements from banks and non-bank financial institutions	41	383,639	322,546
Financial liabilities at fair value through profit or loss	42	414,148	396,591
Negative fair value of derivatives	22	79,867	90,333
Financial assets sold under repurchase agreements	43	74,279	190,580
Deposits from customers	44	16,363,754	15,402,915
Accrued staff costs	45	32,632	33,870
Taxes payable	46	54,106	44,900
Interest payable	47	199,588	211,330
Provisions	48	10,581	9,276
Debt securities issued	49	596,526	451,554
Deferred tax liabilities	36	389	570
Other liabilities	50	234,765	167,252
<b>Total liabilities</b>		<b>20,328,556</b>	19,374,051
<b>Equity:</b>			
Share capital	51	250,011	250,011
Other equity instruments			
Preference Shares	52	79,636	19,659
Capital reserve	53	135,225	133,960
Investment revaluation reserve	54	(26,004)	(976)
Surplus reserve	55	198,613	175,445
General reserve	56	259,680	211,193
Retained earnings	57	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
<b>Total equity</b>		<b>1,795,827</b>	1,589,654
<b>Total liabilities and equity</b>		<b>22,124,383</b>	20,963,705

Approved and authorised for issue by the Board of Directors on 27 March 2018.

**Wang Zuji**

Vice chairman, executive director and president

**Chung Shui Ming Timpson**

Independent non-executive director

**Carl Walter**

Independent non-executive director

The notes on pages 144 to 259 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016  
(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
<b>As at 31 December 2016</b>	250,011	19,659	133,960	(976)	175,445	211,193	786,860	348	13,154	1,589,654
<b>Movements during the year</b>	-	59,977	1,265	(25,028)	23,168	48,487	100,061	(4,670)	2,913	206,173
<b>(1) Total comprehensive income for the year</b>	-	-	1,271	(25,028)	-	-	242,264	(4,670)	783	214,620
<b>(2) Changes in share capital</b>										
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
<b>(3) Profit distribution</b>										
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)
<b>As at 31 December 2017</b>	250,011	79,636	135,225	(26,004)	198,613	259,680	886,921	(4,322)	16,067	1,795,827
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
<b>As at 31 December 2015</b>	250,011	19,659	135,249	23,058	153,032	186,422	672,154	(5,565)	11,063	1,445,083
<b>Movements during the year</b>	-	-	(1,289)	(24,034)	22,413	24,771	114,706	5,913	2,091	144,571
<b>(1) Total comprehensive income for the year</b>	-	-	(921)	(24,034)	-	-	231,460	5,913	219	212,637
<b>(2) Changes in share capital</b>										
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)
<b>(3) Profit distribution</b>										
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)
<b>As at 31 December 2016</b>	250,011	19,659	133,960	(976)	175,445	211,193	786,860	348	13,154	1,589,654

The notes on pages 144 to 259 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017  
(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Profit before tax		<b>299,787</b>	295,210
<i>Adjustments for:</i>			
– Impairment losses	13	<b>127,362</b>	93,204
– Depreciation and amortisation	12	<b>17,414</b>	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	9	(2,195)	(2,558)
– Unrealised foreign exchange gain		(531)	(479)
– Interest expense on bonds issued		<b>12,110</b>	11,362
– Net loss/(gain) on disposal of investment securities	10	<b>835</b>	(11,098)
– Net gain on disposal of fixed assets and other long-term assets		(138)	(159)
		<b>451,333</b>	399,138
<i>Changes in operating assets:</i>			
Net decrease/(increase) in deposits with central banks and with banks and non-bank financial institutions		<b>32,837</b>	(328,481)
Net decrease in placements with banks and non-bank financial institutions		<b>47,448</b>	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		<b>56,768</b>	(166,173)
		<b>(1,360,810)</b>	(1,744,978)
<i>Changes in operating liabilities:</i>			
Net increase in borrowings from central banks		<b>110,473</b>	395,118
Net increase in deposits from customers and from banks and non-bank financial institutions		<b>766,290</b>	1,829,273
Net increase/(decrease) in placements from banks and non-bank financial institutions		<b>79,857</b>	(16,216)
Net increase in financial liabilities at fair value through profit or loss		<b>18,588</b>	92,919
Net decrease in financial assets sold under repurchase agreements		(115,297)	(78,104)
Net increase in certificates of deposit issued		<b>141,011</b>	12,653
Income tax paid		(54,551)	(65,264)
Net increase in other operating liabilities		<b>42,196</b>	57,993
		<b>988,567</b>	2,228,372
<b>Net cash from operating activities</b>		<b>79,090</b>	882,532

The notes on pages 144 to 259 form part of these financial statements.

	Note	2017	2016
<b>Cash flows from investing activities</b>			
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)
<b>Net cash used in investing activities</b>		(97,456)	(610,481)
<b>Cash flows from financing activities</b>			
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)
<b>Net cash from/(used in) in financing activities</b>		8,792	(75,368)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		(18,211)	14,520
<b>Net (decrease)/increase in cash and cash equivalents</b>		(27,785)	211,203
<b>Cash and cash equivalents as at 1 January</b>	58	599,124	387,921
<b>Cash and cash equivalents as at 31 December</b>	58	571,339	599,124
<b>Cash flows from operating activities include:</b>			
Interest received		730,411	687,994
Interest paid, excluding interest expense on bonds issued		(297,536)	(262,259)

The notes on pages 144 to 259 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the “Bank”) dates back to 1954, which was previously known as the People’s Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People’s Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People’s Construction Bank of China changed its name to China Construction Bank (“CCB”). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People’s Republic of China (the “PRC”) as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank’s H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively. As at 31 December 2017, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the “CBRC”) of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the “Group”) are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the “State Council”). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investment Ltd. (“Huijin”), a wholly owned subsidiary of China Investment Corporation (“CIC”), exercises its rights and obligations as an investor on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 27 March 2018.

## 2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group’s interests in associates and joint ventures.

### (1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at designated cost. The measurement basis of major assets and liabilities are further explained in Note 4.

### (2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

## 2 BASIS OF PREPARATION (CONTINUED)

### (3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(24).

## 3 STATEMENT OF COMPLIANCE

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.

The Group has adopted the following new or revised IFRSs and Interpretations effective for the current year. There is no early adoption of any new IFRSs and Interpretations not yet effective for the year ended 31 December 2017.

Amendments to IAS 7, "Statement of cash flows".

These amendments IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure initiative, which continues to explore how financial statement disclosure can be improved.

Amendments to IAS 12, "Income taxes".

These amendments clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

Amendment to IFRS 12, "Disclosure of interest in other entities".

This amendment clarifies that the disclosure requirement of IFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. The objective of IFRS 12 was to provide information about nature of interests in other entities, risks associated with these interests, and the effect of these interests on financial statements. The Board noted that this objective is relevant to interests in other entities regardless of whether they are classified as held for sale.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### **(1) Consolidated financial statements**

##### **(a) Business combinations**

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

##### **(b) Subsidiaries and non-controlling interests**

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Significant intragroup balances and transactions, and any significant profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (1) Consolidated financial statements (continued)

#### (c) *Associates and joint arrangements*

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

### (2) Translation of foreign currencies

#### (a) *Translation of foreign currency transactions*

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

#### (b) *Translation of financial statements denominated in foreign currencies*

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(3) Financial instruments**

##### **(a) Categorisation**

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

###### *Financial assets and financial liabilities at fair value through profit or loss*

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

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

###### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near future, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and investment classified as receivables.

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

###### *Other financial liabilities*

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and investment classified as receivables.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (3) Financial instruments (continued)

#### (b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in "net trading gain" of the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

##### (i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

##### (ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "capital reserve". The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(3) Financial instruments (continued)**

##### **(c) Embedded derivatives**

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3)(a).

##### **(d) Recognition and derecognition**

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

The difference between the carrying amount of the financial asset derecognised and the consideration received and the cumulative changes in fair value previously recognised in equity are recognised in profit or loss.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

##### **(e) Measurement**

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (3) Financial instruments (continued)

#### (e) Measurement (continued)

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### (f) Impairment

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following evidence:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of significant financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(3) Financial instruments (continued)**

##### **(f) Impairment (continued)**

###### *Loans and receivables and held-to-maturity investments*

###### Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

###### Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed and loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a roll rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual losses level is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience.

Impairment losses recognised on a collective basis represent a transitional step which identifies the impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables and held-to-maturity investments that were impaired but were not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (3) Financial instruments (continued)

#### (f) Impairment (continued)

##### *Loans and receivables and held-to-maturity investments (continued)*

###### Impairment reversal and loan write-offs

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

###### Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms as appropriate. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

###### Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(3) Financial instruments (continued)**

##### ***(g) Fair value measurement***

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

##### ***(h) Offsetting***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### ***(i) Securitisations***

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

##### ***(j) Financial assets held under resale agreements and financial assets sold under repurchase agreements***

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

#### **(4) Precious metals**

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

#### (a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

#### (b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Bank premises	30-35 years	3%	2.8%-3.2%
Equipment	3-8 years	3%	12.1%-32.3%
Others	4-11 years	3%	8.8%-24.3%

Aircraft and vessels are used for the Group's operating lease business, depreciated using straight-line method over the expected useful life of 20 to 30 years (less the years in service at the time of purchase) with the estimated residual value rate varying from 2.9% to 4.8%.

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

#### (c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(6) Lease**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

##### **(a) Finance lease**

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receivables and initial direct costs at the commencement of the lease term, is included in "loans and advances to customers" on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(f).

##### **(b) Operating lease**

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

#### **(7) Land use rights**

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(11).

#### **(8) Intangible assets**

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

#### **(9) Goodwill**

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses Note 4(11).

### (11) Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

#### *(a) Testing CGU with goodwill for impairment*

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

#### *(b) Impairment loss*

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(11) Allowances for impairment losses on non-financial assets (continued)**

##### **(c) Reversing an impairment loss**

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

#### **(12) Employee benefits**

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

##### **(a) Post-employment benefits**

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

###### *Defined contribution retirement schemes*

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

###### *Annuity contributions*

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

###### *Supplementary retirement benefits*

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (12) Employee benefits (continued)

#### *(b) Termination benefits*

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

#### *(c) Early retirement expenses*

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

#### *(d) Staff incentive plan*

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

### (13) Insurance contracts

#### *Insurance contracts classification*

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

#### *Insurance income recognition*

Insurance premium income is recognised when all of the following criteria are met:

- (i) The insurance contract is issued, and related insurance risk is undertaken by the Group;
- (ii) The related economic benefits are likely to flow to the Group; and
- (iii) Related income can be reliably measured.

#### *Insurance contract liabilities*

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(14) Provisions and contingent liabilities**

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or nonoccurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

#### **(15) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

#### **(16) Financial guarantees**

Financial guarantees are contracts that require the Group as the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in "other liabilities". The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

#### **(17) Fiduciary activities**

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (18) Income recognition

Provided it is probable that economic benefits will flow to the Group and the amount, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### *(a) Interest income*

Interest income for interest bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

#### *(b) Fee and commission income*

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as commission on expiry.

#### *(c) Finance income from finance leases and hire purchase contracts*

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

#### *(d) Dividend income*

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(19) Income tax**

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

#### **(20) Cash equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

#### **(21) Profit distribution**

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (22) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

- (a) the Bank's parents;
- (b) the Bank's subsidiaries;
- (c) other entities which are controlled by the Bank's parents;
- (d) an investor who has joint control over the Group;
- (e) an investor who can exercise significant influence over the Group;
- (f) an associate of the Group;
- (g) a joint venture entity of the Group;
- (h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);
- (i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);
- (j) key management personnel of the Bank's parents and close family members of such individuals;
- (k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and
- (l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

### (23) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **(24) Significant accounting estimates and judgements**

##### ***(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments***

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. The same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net off any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

##### ***(b) Impairment of available-for-sale equity instruments***

For available-for-sale equity instruments, a significant or other-than-temporary decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or other-than-temporary, the Group considers if the fair value of an available-for-sale equity instrument as at the end of reporting period is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than a year (including one year) together with other relevant considerations.

##### ***(c) Fair value of financial instruments***

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### (24) Significant accounting estimates and judgements (continued)

#### *(d) Reclassification of held-to-maturity investments*

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

#### *(e) Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

#### *(f) Employee retirement benefit obligations*

The Group has established liabilities in connection with benefits payable to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's capital reserve and liability related to its employee retirement benefit obligations.

#### *(g) Scope of consolidation*

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## 5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

### **Business tax**

Business tax was charged at 5% on taxable income.

### **Value added tax ("VAT")**

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (CaiShui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016. Accordingly, the income and expense under VAT were reported on a net basis. The main VAT taxation rate is 6%.

### **City construction tax**

City construction tax is calculated as 1% – 7% of business tax or VAT.

### **Education surcharge**

Education surcharge is calculated as 3% of business tax or VAT.

### **Local education surcharge**

Local education surcharge is calculated as 2% of business tax or VAT.

### **Income tax**

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

**6 NET INTEREST INCOME**

	2017	2016
<b>Interest income arising from:</b>		
Deposits with central banks	43,027	39,512
Deposits with banks and non-bank financial institutions	7,166	11,595
Placements with banks and non-bank financial institutions	8,113	8,020
Financial assets at fair value through profit or loss	11,046	4,164
Financial assets held under resale agreements	5,708	4,102
Investment securities	159,667	152,040
Loans and advances to customers		
– Corporate loans and advances	301,921	289,477
– Personal loans and advances	206,598	172,078
– Discounted bills	6,908	15,649
Total	<b>750,154</b>	696,637
<b>Interest expense arising from:</b>		
Borrowings from central banks	(14,486)	(5,671)
Deposits from banks and non-bank financial institutions	(34,736)	(33,579)
Placements from banks and non-bank financial institutions	(11,885)	(7,014)
Financial assets sold under repurchase agreements	(3,391)	(3,485)
Debt securities issued	(19,887)	(16,615)
Deposits from customers		
– Corporate deposits	(110,651)	(105,232)
– Personal deposits	(102,662)	(107,242)
Total	<b>(297,698)</b>	(278,838)
<b>Net interest income</b>	<b>452,456</b>	417,799

- (1) Interest income from impaired financial assets is listed as follows:

	2017	2016
Impaired loans and advances	3,143	3,675
Other impaired financial assets	39	29
<b>Total</b>	<b>3,182</b>	3,704

- (2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

**7 NET FEE AND COMMISSION INCOME**

	2017	2016
<b>Fee and commission income</b>		
Bank card fees	42,242	37,649
Wealth management service fees	20,040	20,537
Agency service fees	16,256	20,025
Settlement and clearing fees	13,211	12,612
Commission on trust and fiduciary activities	11,857	11,174
Consultancy and advisory fees	9,906	11,368
Electronic banking service fees	9,341	7,584
Guarantee fees	3,330	2,938
Credit commitment fees	1,525	1,830
Others	3,614	2,146
<b>Total</b>	<b>131,322</b>	<b>127,863</b>
<b>Fee and commission expense</b>		
Bank card transaction fees	(7,710)	(5,378)
Inter-bank transaction fees	(1,284)	(1,132)
Others	(4,530)	(2,844)
<b>Total</b>	<b>(13,524)</b>	<b>(9,354)</b>
<b>Net fee and commission income</b>	<b>117,798</b>	<b>118,509</b>

**8 NET TRADING GAIN**

	2017	2016
Debt securities	(1,138)	(1,034)
Derivatives	1,404	2,421
Equity investments	471	185
Others	4,121	2,403
<b>Total</b>	<b>4,858</b>	<b>3,975</b>

For the year ended 31 December 2017, trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB14,024 million (2016: gain RMB9,587 million). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB15,340 million (2016: loss RMB12,161 million).

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 9 DIVIDEND INCOME

	2017	2016
Dividend income from listed trading equity investments	486	131
Dividend income from available-for-sale equity investments		
– Listed	1,310	2,097
– Unlisted	399	330
Total	<b>2,195</b>	<b>2,558</b>

### 10 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	<b>(835)</b>	<b>11,098</b>

### 11 OTHER OPERATING INCOME, NET

#### Other operating income

	2017	2016
Insurance related income	26,349	45,684
Foreign exchange gain	14,455	2,817
Rental income	2,449	1,428
Others	5,756	5,411
Total	<b>49,009</b>	<b>55,340</b>

Foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge long positions in foreign currency assets).

#### Other operating expenses

	2017	2016
Insurance related cost	26,946	47,023
Others	4,504	2,396
Total	<b>31,450</b>	<b>49,419</b>

## 12 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
	<b>96,274</b>	<b>92,847</b>
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
	<b>30,485</b>	<b>29,981</b>
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	<b>167,043</b>	<b>171,515</b>

## 13 IMPAIRMENT LOSSES

	2017	2016
Loans and advances to customers		
– Additions	141,957	101,757
– Releases	(18,568)	(12,169)
Investment classified as receivables	796	(586)
Available-for-sale debt securities	457	217
Held-to-maturity investments	413	970
Available-for-sale equity investments	307	89
Fixed assets	1	46
Others	1,999	2,880
Total	<b>127,362</b>	<b>93,204</b>

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2017				
	Allowances RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (v)) RMB'000	Total (note(i)) RMB'000
<b>Executive directors</b>					
Tian Guoli (note (ii) & (vi))	-	213	22	40	275
Wang Zuij (note (vi))	-	519	51	90	660
Pang Xiusheng (note (vi))	-	467	51	88	606
Zhang Gengsheng (note (vi))	-	467	51	88	606
<b>Non-executive directors</b>					
Li Jun (note (iii))	-	-	-	-	-
Hao Aiqun (note (iii))	-	-	-	-	-
Feng Bing (note (ii) & (iii))	-	-	-	-	-
Zhu Hailin (note (ii) & (iii))	-	-	-	-	-
Wu Min (note (ii) & (iii))	-	-	-	-	-
Zhang Qi (note (ii) & (iii))	-	-	-	-	-
<b>Independent non-executive directors</b>					
Anita Fung Yuen Mei	390	-	-	-	390
Carl Walter	440	-	-	-	440
Chung Shui Ming Timpson	440	-	-	-	440
Murray Horn	470	-	-	-	470
Malcolm Christopher McCarthy (note (ii))	171	-	-	-	171
<b>Supervisors</b>					
Guo You (note (vi))	-	519	51	90	660
Liu Jin (note (vi))	-	660	51	124	835
Li Xiaoling (note (vi))	-	650	46	122	818
Li Xiukun (note (iv))	50	-	-	-	50
Jin Yanmin (note (iv))	50	-	-	-	50
Li Zhenyu (note (iv))	50	-	-	-	50
Bai Jianjun	250	-	-	-	250
<b>Former executive director</b>					
Wang Hongzhang (note (ii) & (vi))	-	346	33	42	421
<b>Former non-executive directors</b>					
Guo Yanpeng (note (ii) & (iii))	-	-	-	-	-
Dong Shi (note (ii) & note (iii))	-	-	-	-	-
<b>Former independent non-executive directors</b>					
Wim Kok (note (ii))	190	-	-	-	190
Zhang Long (note (ii))	137	-	-	-	137
	<b>2,638</b>	<b>3,841</b>	<b>356</b>	<b>684</b>	<b>7,519</b>

## 14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2016				
	Accrued cost RMB'000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB'000	Other monetary income RMB'000	Total (note (vii)) RMB'000	Allowance RMB'000
<b>Executive directors</b>					
Wang Hongzhang (note (ii))	702	131	–	833	–
Wang Zui	702	156	–	858	–
Pang Xiusheng	632	149	–	781	–
Zhang Gengsheng	632	149	–	781	–
<b>Non-executive directors</b>					
Li Jun (note (iii))	–	–	–	–	–
Hao Aiqun (note (iii))	–	–	–	–	–
Dong Shi (note (ii) & (iii))	–	–	–	–	–
<b>Independent non-executive directors</b>					
Anita Fung Yuen Mei	–	–	–	–	98
Carl Walter	–	–	–	–	98
Zhang Long (note (ii))	–	–	–	–	410
Chung Shui Ming Timpson	–	–	–	–	440
Wim Kok (note (ii))	–	–	–	–	380
Murray Horn	–	–	–	–	470
<b>Supervisors</b>					
Guo You	702	156	–	858	–
Liu Jin	1,648	162	–	1,810	–
Li Xiaoling	1,648	162	–	1,810	–
Li Xiukun (note (iv))	–	–	–	–	46
Jin Yanmin (note (iv))	–	–	–	–	46
Li Zhenyu (note (iv))	–	–	–	–	46
Bai Jianjun	–	–	–	–	250
<b>Former non-executive directors</b>					
Chen Yuanling	–	–	–	–	–
Xu Tie	–	–	–	–	–
Guo Yanpeng	–	–	–	–	–
<b>Former independent non-executive director</b>					
Margaret Leung Ko May Yee	–	–	–	–	195
<b>Former supervisors</b>					
Jin Panshi	–	–	–	–	4
Zhang Huajian	–	–	–	–	4
Wang Lin	–	–	–	–	4
Wang Xinmin	–	–	–	–	–
	6,666	1,065	–	7,731	2,491

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)**

Notes:

- (i) The amounts of emoluments for the year ended 31 December 2017 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.
- (ii) As disclosed in the Bank's announcement on 8 February 2017, Mr. Guo Yanpeng ceased to serve as non-executive director of the Bank due to change of job.

As disclosed in the Bank's announcement on 28 April 2017, Mr. Zhang Long ceased to serve as independent non-executive director of the Bank due to personal reasons.

As disclosed in the Bank's announcement on 15 June 2017, Mr. Dong Shi ceased to serve as non-executive director of the Bank due to expiry of term.

As disclosed in the Bank's announcement on 15 June 2017, Mr. Wim Kok ceased to serve as independent non-executive director of the Bank due to expiry of term.

Upon election at the 2016 Annual General Meeting of the Bank, Ms. Feng Bing, Mr. Zhu Hailin, Mr. Wu Min and Mr. Zhang Qi commenced their positions as non-executive directors of the Bank from 28 July 2017, Sir Malcolm Christopher McCarthy commenced his position as independent non-executive director of the Bank from 15 August 2017.

As disclosed in the Bank's announcement on 17 August 2017, Mr. Wang Hongzhang ceased his positions as Chairman of the Board, executive director of the Bank, as well as the chairman and member of the Strategy Development Committee due to his age.

Upon election at the first extraordinary general meeting of 2017 of the Bank, Mr. Tian Guoli commenced his positions as chairman of the Board and executive director of the Bank from 9 October 2017.

- (iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2017 and 2016.
- (iv) The amounts only included fees for their services as supervisors.
- (v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2017 and 2016.

- (vi) The total compensation package for these directors and supervisors for the year ended 31 December 2017 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2017. The final compensation will be disclosed in a separate announcement when determined.
- (vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2016 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2016 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2016 was the final amount.
- (viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities are paid in accordance with relevant policies relating to the central remuneration reform.

## 15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2017 RMB'000	2016 RMB'000
Salaries and allowance	15,589	16,336
Variable compensation	31,914	35,941
Contributions to defined contribution retirement schemes	1,056	1,183
Other benefit in kind	554	365
	<b>49,113</b>	53,825

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2017	2016
RMB7,000,001 – RMB7,500,000	–	–
RMB8,000,001 – RMB8,500,000	1	–
RMB8,500,001 – RMB9,000,000	1	–
RMB9,000,001 – RMB9,500,000	–	–
RMB9,500,001 – RMB10,000,000	1	1
RMB10,000,001 – RMB10,500,000	1	1
RMB10,500,001 – RMB11,000,000	–	1
RMB11,000,001 – RMB11,500,000	–	1
RMB11,500,001 – RMB12,000,000	1	1

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the year ended 31 December 2017 and 2016.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 16 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
<b>Total</b>	<b>56,172</b>	<b>62,821</b>

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)
<b>Income tax expense</b>		<b>56,172</b>	<b>62,821</b>

- (i) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of 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.

### 17 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.

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 ordinary 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

## 18 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	2017	2016
Cash		<b>73,876</b>	73,296
Deposits with central banks			
– Statutory deposit reserves	(1)	<b>2,665,738</b>	2,566,219
– Surplus deposit reserves	(2)	<b>209,080</b>	183,764
– Fiscal deposits		<b>39,562</b>	25,982
Subtotal		<b>2,914,380</b>	2,775,965
Total		<b>2,988,256</b>	2,849,261

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China of the Bank were as follows:

	2017	2016
Reserve rate for RMB deposits	<b>17.0%</b>	17.0%
Reserve rate for foreign currency deposits	<b>5.0%</b>	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

## 19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

### (1) Analysed by type of counterparties

	2017	2016
Banks	<b>163,521</b>	482,348
Non-bank financial institutions	<b>11,541</b>	12,336
Gross balances	<b>175,062</b>	494,684
Allowances for impairment losses (Note 38)	<b>(57)</b>	(66)
Net balances	<b>175,005</b>	494,618

### (2) Analysed by geographical sectors

	2017	2016
Mainland China	<b>147,945</b>	466,765
Overseas	<b>27,117</b>	27,919
Gross balances	<b>175,062</b>	494,684
Allowances for impairment losses (Note 38)	<b>(57)</b>	(66)
Net balances	<b>175,005</b>	494,618

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS**

#### (1) Analysed by type of counterparties

	2017	2016
Banks	173,762	121,238
Non-bank financial institutions	151,583	139,555
Gross balances	325,345	260,793
Allowances for impairment losses (Note 38)	(112)	(123)
Net balances	<b>325,233</b>	260,670

#### (2) Analysed by geographical sectors

	2017	2016
Mainland China	276,308	172,492
Overseas	49,037	88,301
Gross balances	325,345	260,793
Allowances for impairment losses (Note 38)	(112)	(123)
Net balances	<b>325,233</b>	260,670

## 21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Analysed by nature

	Note	2017	2016
Held for trading purposes	(1)		
– Debt securities		189,447	141,330
– Equity instruments and funds		1,312	1,825
		190,759	143,155
Designated at fair value through profit or loss	(2)		
– Debt securities		10,211	8,690
– Equity instruments and funds		23,076	16,553
– Other debt instruments		354,390	319,972
		387,677	345,215
Total		578,436	488,370

### Analysed by types of issuers

#### (1) Held for trading purpose

##### (a) *Debt securities*

	Note	2017	2016
Government		10,812	15,173
Central bank		543	–
Policy banks		22,395	9,064
Banks and non-bank financial institutions		58,485	65,307
Enterprises		97,212	51,786
Total		189,447	141,330
Listed	(i)	189,447	141,330
– of which in Hong Kong		26	502
Total		189,447	141,330

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

##### (b) *Equity instruments and funds*

	2017	2016
Banks and non-bank financial institutions	152	123
Enterprises	1,160	1,702
Total	1,312	1,825
Listed	1,171	1,701
– of which in Hong Kong	1,067	1,682
Unlisted	141	124
Total	1,312	1,825

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

Analysed by types of issuers (continued)

(2) Designated at fair value through profit or loss

(a) *Debt securities*

	2017	2016
Unlisted enterprises	<b>10,211</b>	8,690
Total	<b>10,211</b>	8,690

(b) *Equity instruments and funds*

	2017	2016
Banks and non-bank financial institutions	8,037	10,934
Enterprises	<b>15,039</b>	5,619
Total	<b>23,076</b>	16,553
Listed	837	15
– of which in Hong Kong	699	–
Unlisted	<b>22,239</b>	16,538
Total	<b>23,076</b>	16,553

(c) *Other debt instruments*

	2017	2016
Banks and non-bank financial institutions	<b>218,322</b>	213,182
Enterprises	<b>136,068</b>	106,790
Total	<b>354,390</b>	319,972

Other debt instruments were mainly the deposits with banks, credit assets invested by principal guaranteed wealth management products and bonds (Note 31(2)).

There was no significant limitation on the ability of the Group to dispose of financial assets at fair value through profit or loss.

## 22 DERIVATIVES AND HEDGE ACCOUNTING

### (1) Analysed by type of contract

Note	2017			2016		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	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.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 22 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 RMB470 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.

### 23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements by underlying assets are shown as follows:

	2017	2016
Debt securities		
– Government bonds	106,541	21,726
– Debt securities issued by policy banks, banks and non-bank financial institutions	94,461	38,751
– Corporate bonds	2,618	–
– Others	1,051	–
Subtotal	204,671	60,477
Discounted bills	3,689	42,697
Gross and net balances	208,360	103,174

**24 INTEREST RECEIVABLE**

	2017	2016
Deposits with central banks	1,354	1,163
Deposits with banks and non-bank financial institutions	680	2,286
Financial assets held under resale agreements	145	218
Loans and advances to customers	39,583	29,789
Debt securities	69,550	63,359
Others	5,681	4,830
 Gross and net balances	 116,993	 101,645

**25 LOANS AND ADVANCES TO CUSTOMERS**

## (1) Analysed by nature

	2017	2016
Corporate loans and advances		
– Loans	7,365,095	6,711,679
– Finance leases	122,737	112,259
	 7,487,832	 6,823,938
Personal loans and advances		
– Residential mortgages	4,252,698	3,625,574
– Personal consumer loans	203,218	87,346
– Personal business loans	41,417	51,189
– Credit cards	567,683	447,244
– Others	214,878	209,586
	 5,279,894	 4,420,939
Discounted bills	135,715	512,155
Gross loans and advances to customers	12,903,441	11,757,032
Allowances for impairment losses (Note 38)	(328,968)	(268,677)
– Individual assessment	(113,820)	(99,453)
– Collective assessment	(215,148)	(169,224)
Net loans and advances to customers	12,574,473	11,488,355

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (2) Analysed by assessment method of allowances for impairment losses

	Note	Loans and advances for which allowances are collectively assessed  (a)	Impaired loans and advances		Total
			for which allowance are collectively assessed  (b)	for which allowances are individually assessed  (b)	
<b>As at 31 December 2017</b>					
Gross loans and advances to customers		12,711,150	22,493	169,798	12,903,441
Allowances for impairment losses		(201,346)	(13,802)	(113,820)	(328,968)
<b>Net loans and advances to customers</b>		<b>12,509,804</b>	<b>8,691</b>	<b>55,978</b>	<b>12,574,473</b>
<b>As at 31 December 2016</b>					
Gross loans and advances to customers		11,578,342	22,254	156,436	11,757,032
Allowances for impairment losses		(155,949)	(13,275)	(99,453)	(268,677)
<b>Net loans and advances to customers</b>		<b>11,422,393</b>	<b>8,979</b>	<b>56,983</b>	<b>11,488,355</b>

- (a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.
  - (b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:
    - individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
    - collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).
- The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2017 is 1.49% (31 December 2016: 1.52%).
- (c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 65(1).

## 25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (3) Movements of allowances for impairment losses

Note	2017			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
		which are collectively assessed	which are individually assessed	Total
(a)	As at 1 January	155,949	13,275	99,453
	Charge for the year	45,602	7,524	88,831
	Release during the year	–	–	(18,568)
	Unwinding of discount	–	–	(3,143)
	Transfers out	(205)	(2,919)	(24,352)
	Write-offs	–	(5,270)	(31,721)
	Recoveries	–	1,192	3,320
	As at 31 December	201,346	13,802	113,820
(a)	2016			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
		which are collectively assessed	which are individually assessed	Total
	As at 1 January	157,632	10,789	82,196
	Charge for the year	–	9,948	91,809
	Release during the year	(1,840)	–	(10,329)
	Unwinding of discount	–	–	(3,675)
	Additions through acquisitions	8	10	18
	Transfers out	149	(2,808)	(35,487)
	Write-offs	–	(5,687)	(27,960)
	Recoveries	–	1,023	2,881
	As at 31 December	155,949	13,275	99,453

(a) Transfers out include the transfer of allowances for impairment losses upon disposal of non-performing loans, asset-backed securitization of non-performing loans and repossession of assets, and the relevant exchange gain or loss.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (4) Overdue loans analysed by overdue period

	2017				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,701	6,594	5,640	1,138	<b>22,073</b>
Guaranteed loans	15,569	20,668	24,730	3,047	<b>64,014</b>
Loans secured by tangible assets other than monetary assets	28,556	22,547	22,715	2,658	<b>76,476</b>
Loans secured by monetary assets	564	1,072	1,458	215	<b>3,309</b>
<b>Total</b>	<b>53,390</b>	<b>50,881</b>	<b>54,543</b>	<b>7,058</b>	<b>165,872</b>
As a percentage of gross loans and advances to customers	0.42%	0.40%	0.42%	0.05%	<b>1.29%</b>

	2016				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	9,921	5,943	4,608	911	<b>21,383</b>
Guaranteed loans	15,879	29,972	22,248	1,973	<b>70,072</b>
Loans secured by tangible assets other than monetary assets	29,794	28,213	22,970	1,473	<b>82,450</b>
Loans secured by monetary assets	580	1,974	1,531	109	<b>4,194</b>
<b>Total</b>	<b>56,174</b>	<b>66,102</b>	<b>51,357</b>	<b>4,466</b>	<b>178,099</b>
As a percentage of gross loans and advances to customers	0.48%	0.56%	0.43%	0.04%	<b>1.51%</b>

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

#### (5) Package sale of non-performing loans

During the year ended 31 December 2017, the total amount of non-performing loans sold through packaged sales to external asset management companies was RMB45,522 million (2016: RMB57,058 million).

## 26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

### Analysed by nature

	Note	2017	2016
Debt securities	(1)	1,461,824	1,348,814
Equity instruments	(2)	31,723	22,640
Funds	(2)	57,133	262,380
<b>Total</b>	(3)	<b>1,550,680</b>	<b>1,633,834</b>

#### (1) Debt securities

##### *Analysed by type of issuers*

	Note	2017	2016
Government		985,559	772,775
Central banks		36,742	21,299
Policy banks		228,104	94,430
Banks and non-bank financial institutions		89,327	321,228
Enterprises		122,092	139,082
<b>Total</b>		<b>1,461,824</b>	<b>1,348,814</b>
Listed	(i)	1,428,927	1,320,530
– of which in Hong Kong		22,662	51,784
Unlisted		32,897	28,284
<b>Total</b>		<b>1,461,824</b>	<b>1,348,814</b>

(i) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

#### (2) Equity instruments and funds

	2017	2016
Debt equity swap ("DES") Investments	913	887
Other equity instruments	30,810	21,753
Funds	57,133	262,380
<b>Total</b>	<b>88,856</b>	<b>285,020</b>
Listed	54,172	76,525
– of which in Hong Kong	1,957	4,180
Unlisted	34,684	208,495
<b>Total</b>	<b>88,856</b>	<b>285,020</b>

Mainly pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(3) As at 31 December 2017, the Group's cost of available-for-sale debt securities was RMB1,502,144 million (as at 31 December 2016: RMB1,351,960 million). The Group's cost of available-for-sale equity instruments and funds was RMB91,716 million (as at 31 December 2016: RMB293,459 million).

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### 27 HELD-TO-MATURITY INVESTMENTS

Analysed by types of issuers

	Note	2017	2016
Government		<b>1,908,032</b>	1,603,894
Central banks		<b>434</b>	422
Policy banks		<b>552,057</b>	258,080
Banks and non-bank financial institutions		<b>27,045</b>	456,139
Enterprises		<b>102,564</b>	122,931
Gross balances		<b>2,590,132</b>	2,441,466
Allowances for impairment losses (Note 38)		<b>(3,410)</b>	(3,049)
Net balances		<b>2,586,722</b>	2,438,417
Listed	(1)	<b>2,575,216</b>	2,401,617
– of which in Hong Kong		<b>4,000</b>	2,522
Unlisted		<b>11,506</b>	36,800
Total		<b>2,586,722</b>	2,438,417
Market value of listed Securities		<b>2,522,112</b>	2,456,614

(1) Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

### 28 INVESTMENT CLASSIFIED AS RECEIVABLES

	Note	2017	2016
Government			
– Special government bond	(1)	<b>49,200</b>	49,200
– Others		<b>304,554</b>	228,762
Policy banks		<b>20,000</b>	–
Banks and non-bank financial institutions		<b>13,462</b>	50,271
Enterprises		<b>29,096</b>	33,662
Others	(2)	<b>51,612</b>	147,419
Gross balances		<b>467,924</b>	509,314
Allowance for impairment losses (Note 38)		<b>(2,114)</b>	(1,351)
Net balances		<b>465,810</b>	507,963
Listed		<b>406,864</b>	281,640
– of which in Hong Kong		<b>1,181</b>	485
Unlisted		<b>58,946</b>	226,323
Total		<b>465,810</b>	507,963

(1) This represents a non-transferable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank's use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) Others include asset management plans and capital trust plan with fixed or determined payments. They will mature from January 2018 to October 2027 and bear interest rates ranging from 2.00% to 8.50% per annum. During the reporting period, matured plans have been repaid without overdue.

## 29 INVESTMENTS IN SUBSIDIARIES

### (1) Investment cost

	Note	2017	2016
CCB Financial Asset Investment Corporation Limited ("CCBFI")	(a)	12,000	-
CCB Brasil Financial Holding – Investimentos e Participações Ltda.	(b)	9,542	6,906
CCB Financial Leasing Corporation Limited ("CCBFLCL")		8,163	8,163
CCB Life Insurance Company Limited ("CCB Life")		3,902	3,902
CCB Trust Corporation Limited ("CCB Trust")		3,409	3,409
China Construction Bank (London) Limited ("CCB London")		2,861	2,861
CCB Pension Management Corporation Limited ("CCB Pension")		1,955	1,955
China Construction Bank (Europe) S.A. ("CCB Europe")		1,629	1,629
Sino-German Bausparkasse Corporation Limited ("Sino-German Bausparkasse")		1,502	1,502
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		1,352	1,352
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		1,334	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		976	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		851	851
Golden Fountain Finance Limited ("Golden Fountain")		676	676
CCB Principal Asset Management Corporation Limited ("CCB Principal")		130	130
CCB International Group Holdings Limited ("CCBIG")		-	-
Rural Banks	(c)	1,378	1,378
<b>Total</b>		<b>51,660</b>	<b>37,024</b>

- (a) On July 2017, the Bank set up a wholly-owned subsidiary, CCB Financial Asset Investment Corporation Limited. As at 31 December 2017, the Bank held 100% of the total capital of CCBFI.
- (b) In October 2017, the Bank injected additional capital of USD400 million to China Construction Bank (Brasil) Banco Multiplo S/A. by CCB Brasil Financial Holding – Investimentos e Participações Ltda.
- (c) The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (as at 31 December 2016: 27 rural banks).

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### 29 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (2) Except for CCB Indonesia, major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCBFI	Beijing the PRC	RMB 12,000 million	Investment	100%	-	100%	Establishment
CCB Brasil Financial Holding – Investimentos e Participações Ltda	Sao Paulo Brasil	R\$ 4,281 million	Investment	99.99%	0.01%	100%	Acquisition
CCBFLCL	Beijing, the PRC	RMB 8,000 million	Financial Leasing	100%	-	100%	Establishment
CCB Life	Shanghai, the PRC	RMB 4,496 million	Insurance	51%	-	51%	Acquisition
CCB Trust	Anhui, the PRC	RMB 1,527 million	Trust business	67%	-	67%	Acquisition
CCB Pension	Beijing the PRC	RMB 2,300 million	Pension Management	85%	-	85%	Establishment
CCB London	London, United Kingdom	US\$ 200 million RMB 1,500 million	Commercial Banking	100%	-	100%	Establishment
CCB Europe	Luxembourg	Euro 200 million	Commercial Banking	100%	-	100%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB 2,000 million	House savings	75.1%	-	75.1%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR 1,663,146 million	Commercial Banking	60%	-	60%	Acquisition
CCB Malaysia	Kuala Lumpur, Malaysia	MYR 823 million	Commercial Banking	100%	-	100%	Establishment
CCB New Zealand	Auckland New Zealand	NZD 199 million	Commercial Banking	100%	-	100%	Establishment
CCB Russia	Moscow, Russia	RUB 4,200 million	Commercial Banking	100%	-	100%	Establishment
Golden Fountain	British Virgin Islands	US\$ 50,000	Investment	100%	-	100%	Acquisition
CCB Principal	Beijing, the PRC	RMB 200 million	Fund management services	65%	-	65%	Establishment
CCBIG	Hong Kong, the PRC	HK\$1	Investment	100%	-	100%	Establishment
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US\$ 601 million	Investment	-	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK\$ 6,511 million RMB 17,600 million	Commercial Banking	-	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Multiplo S/A. ("CCB Brasil")	Sao Paulo Brasil	R\$ 2,957 million	Commercial Banking	-	100%	100%	Acquisition

- (3) As at 31 December 2017, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

## 30 INTERESTS IN ASSOCIATES AND JOINT VENTURES

- (1) The movement of the Group's interests in associates and joint ventures is as follows:

	2017	2016
As at 1 January	7,318	4,986
Acquisition during the year	1,544	2,408
Disposal during the year	(1,549)	(326)
Share of profits	161	69
Cash dividend receivable	(42)	(8)
Effect of exchange difference and others	(365)	189
As at 31 December	<b>7,067</b>	7,318

- (2) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoji Capital Limited	Beijing, the PRC	RMB2,370 million	Investment management and consultancy	12.66%	12.66%	2,967	611	63	41
Diamond String Limited	Hong Kong, the PRC	HK\$10,000	Property investment	50.00%	50.00%	2,064	1,662	254	114
Wuhu Jianxin Dingxin Investment Management Center (Limited Partnership)	Wuhu, the PRC	RMB701 million	Investment management and consultancy	28.53%	28.53%	1,211	465	24	23
Guangdong SOE Reorganization Development Fund (Limited Partnership)	Zhuhai, the PRC	RMB900 million	Investment management and consultancy	49.67%	33.00%	1,014	-	13	8
Beijing Jianxin Ruixiang Investment Management Center (Limited Partnership)	Beijing, the PRC	RMB876 million	Investment management and consultancy	31.49%	31.49%	877	9	-	(8)

## NOTES TO THE FINANCIAL STATEMENTS

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### 31 STRUCTURED ENTITIES

#### (1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-back securities and wealth management products held for investment purpose, and non-principal guaranteed wealth management products, trust plans and funds, etc which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 31 December 2017 and 2016, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	2017	2016
Financial assets at fair value through profit or loss	17,405	5,408
Interest receivables	178	155
Available-for-sale financial assets	79,231	275,035
Investment classified as receivables	48,356	121,527
Interest in associates and joint ventures	3,430	4,184
Other assets	3,398	3,451
<b>Total</b>	<b>151,998</b>	<b>409,760</b>

For the year ended 31 December 2017 and 2016, the income from these unconsolidated structured entities held by the Group was as follows:

	2017	2016
Interest income	2,661	4,773
Fee and commission income	19,760	21,491
Net trading gain	471	132
Dividend income	1,486	2,102
Net (loss)/gain arising from investment securities	(3,623)	3,033
Share of profit of associates and joint ventures	55	30
<b>Total</b>	<b>20,810</b>	<b>31,561</b>

As at 31 December 2017, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,730,820 million (as at 31 December 2016: RMB1,794,708 million). For the year ended 31 December 2017, there were debt securities purchased and sold between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions was not material to the Group.

#### (2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products (Note 21(2)c) and certain asset management plans and trust plans.

## 32 FIXED ASSETS

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
<b>Cost/deemed cost</b>						
As at 1 January 2017	119,972	25,543	54,987	20,501	42,193	263,196
Additions	1,082	6,305	4,109	6,229	2,309	20,034
Transfer in/(out)	3,111	(4,568)	59	–	1,398	–
Other movements	(1,295)	(634)	(4,166)	(3,875)	(2,264)	(12,234)
As at 31 December 2017	122,870	26,646	54,989	22,855	43,636	270,996
<b>Accumulated depreciation</b>						
As at 1 January 2017	(30,328)	–	(34,598)	(1,478)	(26,201)	(92,605)
Charge for the year	(4,192)	–	(5,791)	(1,058)	(4,066)	(15,107)
Other movements	364	–	4,038	286	2,126	6,814
As at 31 December 2017	(34,156)	–	(36,351)	(2,250)	(28,141)	(100,898)
<b>Allowances for impairment losses (Note 38)</b>						
As at 1 January 2017	(418)	–	–	(75)	(3)	(496)
Charge for the year	–	–	–	(1)	–	(1)
Other movements	3	–	–	75	–	78
As at 31 December 2017	(415)	–	–	(1)	(3)	(419)
<b>Net carrying value</b>						
As at 1 January 2017	89,226	25,543	20,389	18,948	15,989	170,095
As at 31 December 2017	88,299	26,646	18,638	20,604	15,492	169,679
<b>Cost/deemed cost</b>						
As at 1 January 2016	113,844	27,274	51,305	10,440	40,338	243,201
Additions	1,602	5,286	6,423	9,909	2,318	25,538
Transfer in/(out)	4,513	(6,065)	50	–	1,502	–
Other movements	13	(952)	(2,791)	152	(1,965)	(5,543)
As at 31 December 2016	119,972	25,543	54,987	20,501	42,193	263,196
<b>Accumulated depreciation</b>						
As at 1 January 2016	(26,319)	–	(32,101)	(633)	(24,116)	(83,169)
Charge for the year	(4,016)	–	(5,070)	(852)	(3,866)	(13,804)
Other movements	7	–	2,573	7	1,781	4,368
As at 31 December 2016	(30,328)	–	(34,598)	(1,478)	(26,201)	(92,605)
<b>Allowances for impairment losses (Note 38)</b>						
As at 1 January 2016	(423)	–	–	(75)	(3)	(501)
Charge for the year	–	–	–	–	(46)	(46)
Other movements	5	–	–	–	46	51
As at 31 December 2016	(418)	–	–	(75)	(3)	(496)
<b>Net carrying value</b>						
As at 1 January 2016	87,102	27,274	19,204	9,732	16,219	159,531
As at 31 December 2016	89,226	25,543	20,389	18,948	15,989	170,095

Notes:

- (1) Other movements include disposals, retirements and exchange gains or losses of fixed assets.
- (2) As at 31 December 2017, the ownership documentation for the Group's bank premises with a net carrying value of RMB19,512 million (as at 31 December 2016: RMB22,952 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

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## 33 LAND USE RIGHTS

	2017	2016
<b>Cost/deemed cost</b>		
As at 1 January	21,206	21,217
Additions	499	86
Disposals	(210)	(97)
As at 31 December	<b>21,495</b>	<b>21,206</b>
<b>Amortisation</b>		
As at 1 January	(6,322)	(5,844)
Charge for the year	(535)	(505)
Disposals	47	27
As at 31 December	<b>(6,810)</b>	<b>(6,322)</b>
<b>Allowances for impairment losses (Note 38)</b>		
As at 1 January	(142)	(142)
Disposals	2	-
As at 31 December	<b>(140)</b>	<b>(142)</b>
<b>Net carrying value</b>		
As at 1 January	<b>14,742</b>	<b>15,231</b>
As at 31 December	<b>14,545</b>	<b>14,742</b>

## 34 INTANGIBLE ASSETS

	Software	Others	Total
<b>Cost/deemed cost</b>			
As at 1 January 2017	7,688	1,128	8,816
Additions	851	121	972
Disposals	(115)	(38)	(153)
As at 31 December 2017	<b>8,424</b>	<b>1,211</b>	<b>9,635</b>
<b>Amortisation</b>			
As at 1 January 2017	(5,851)	(358)	(6,209)
Charge for the year	(628)	(107)	(735)
Disposals	50	19	69
As at 31 December 2017	<b>(6,429)</b>	<b>(446)</b>	<b>(6,875)</b>
<b>Allowances for impairment losses (Note 38)</b>			
As at 1 January 2017	(1)	(7)	(8)
Additions	-	(1)	(1)
Disposals	1	-	1
As at 31 December 2017	<b>–</b>	<b>(8)</b>	<b>(8)</b>
<b>Net carrying value</b>			
As at 1 January 2017	<b>1,836</b>	<b>763</b>	<b>2,599</b>
As at 31 December 2017	<b>1,995</b>	<b>757</b>	<b>2,752</b>

### 34 INTANGIBLE ASSETS (CONTINUED)

	Software	Others	Total
<b>Cost/deemed cost</b>			
As at 1 January 2016	6,435	959	7,394
Additions	1,307	178	1,485
Disposals	(54)	(9)	(63)
As at 31 December 2016	7,688	1,128	8,816
<b>Amortisation</b>			
As at 1 January 2016	(5,018)	(265)	(5,283)
Charge for the year	(858)	(98)	(956)
Disposals	25	5	30
As at 31 December 2016	(5,851)	(358)	(6,209)
<b>Allowances for impairment losses (Note 38)</b>			
As at 1 January 2016	(1)	(7)	(8)
As at 31 December 2016	(1)	(7)	(8)
<b>Net carrying value</b>			
As at 1 January 2016	1,416	687	2,103
As at 31 December 2016	1,836	763	2,599

### 35 GOODWILL

- (1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movement of the goodwill is listed as follows:

	2017	2016
As at 1 January	2,947	2,140
Additions through acquisitions	–	566
Effect of exchange difference	(196)	241
As at 31 December	2,751	2,947

- (2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill of the Group were recognised as at 31 December 2017 (as at 31 December 2016: nil).

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### 36 DEFERRED TAX

	2017	2016
Deferred tax assets	46,189	31,062
Deferred tax liabilities	(389)	(570)
<b>Total</b>	<b>45,800</b>	<b>30,492</b>

#### (1) Analysed by nature

	2017	2016		
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)		
<b>Deferred tax assets</b>				
– Fair value adjustments	31,341	8,162	1,899	458
– Allowances for impairment losses	153,278	38,023	111,883	27,952
– Early retirement benefits and accrued salaries	23,511	5,814	24,749	6,188
– Others	(26,160)	(5,810)	(17,429)	(3,536)
<b>Total</b>	<b>181,970</b>	<b>46,189</b>	121,102	31,062
<b>Deferred tax liabilities</b>				
– Fair value adjustments	(1,446)	(343)	(2,115)	(501)
– Allowances for impairment losses	–	–	28	7
– Others	(556)	(46)	(447)	(76)
<b>Total</b>	<b>(2,002)</b>	<b>(389)</b>	(2,534)	(570)

#### (2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2017	(43)	27,959	6,188	(3,612)	30,492
Recognised in profit or loss	(233)	10,064	(374)	(2,244)	7,213
Recognised in other comprehensive income	8,095	–	–	–	8,095
<b>As at 31 December 2017</b>	<b>7,819</b>	<b>38,023</b>	<b>5,814</b>	<b>(5,856)</b>	<b>45,800</b>
As at 1 January 2016	(8,529)	31,507	5,945	(4,168)	24,755
Recognised in profit or loss	121	(3,548)	243	556	(2,628)
Recognised in other comprehensive income	8,365	–	–	–	8,365
<b>As at 31 December 2016</b>	<b>(43)</b>	<b>27,959</b>	<b>6,188</b>	<b>(3,612)</b>	<b>30,492</b>

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

**37 OTHER ASSETS**

	Note	2017	2016
Repossessed assets	(1)		
– Buildings		1,589	1,773
– Land use rights		624	745
– Others		953	955
		3,166	3,473
Fee and commission receivables		9,463	7,782
Clearing and settlement accounts		6,095	23,494
Leasehold improvements		3,401	3,489
Deferred expenses		3,254	3,297
Policyholder account assets of insurance business		431	5,664
Others		49,628	33,139
Gross balance		75,438	80,338
Allowances for impairment losses (Note 38)			
– Repossessed assets		(1,035)	(1,062)
– Others		(2,987)	(3,278)
Total		71,416	75,998

(1) For the year ended 31 December 2017, the original cost of repossessed assets disposed of by the Group amounted to RMB606 million (for the year ended 31 December 2016: RMB161 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

**38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES**

	Note	2017				
		As at 1 January	Charge for the year/ (Write-back)	Transfer (out)/in	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	66	(9)	–	–	57
Placements with banks and non-bank financial institutions	20	123	(11)	–	–	112
Loans and advances to customers	25(3)	268,677	123,389	(26,107)	(36,991)	328,968
Available for sale debt securities		1,309	457	57	–	1,823
Available for sale equity instrument		4,076	307	119	(30)	4,472
Held-to-maturity investments	27	3,049	413	(52)	–	3,410
Investment classified as receivables	28	1,351	796	(33)	–	2,114
Fixed assets	32	496	1	–	(78)	419
Land use rights	33	142	–	–	(2)	140
Intangible assets	34	8	1	–	(1)	8
Other assets	37	4,340	1,613	–	(1,931)	4,022
Total		283,637	126,957	(26,016)	(39,033)	345,545

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### 38 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

			2016			
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer (out)/in	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	7	59	–	–	66
Placements with banks and non-bank financial institutions	20	36	90	–	(3)	123
Interest receivable	24	1	–	–	(1)	–
Loans and advances to customers	25(3)	250,617	89,588	(37,881)	(33,647)	268,677
Available for sale debt securities		1,051	217	41	–	1,309
Available for sale equity instrument		4,317	89	(330)	–	4,076
Held-to-maturity investments	27	2,033	970	46	–	3,049
Investment classified as receivables	28	1,908	(586)	29	–	1,351
Fixed assets	32	501	46	(51)	–	496
Land use rights	33	142	–	–	–	142
Intangible assets	34	8	–	–	–	8
Other assets	37	4,582	752	–	(994)	4,340
<b>Total</b>		<b>265,203</b>	<b>91,225</b>	<b>(38,146)</b>	<b>(34,645)</b>	<b>283,637</b>

Transfer (out)/in includes exchange differences.

### 39 BORROWINGS FROM CENTRAL BANKS

	2017	2016
Mainland China	<b>484,657</b>	385,375
Overseas	<b>62,630</b>	53,964
<b>Total</b>	<b>547,287</b>	439,339

## 40 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

### (1) Analysed by type of counterparties

	2017	2016
Banks	149,749	413,150
Non-bank financial institutions	1,187,246	1,199,845
Total	<b>1,336,995</b>	1,612,995

### (2) Analysed by geographical sectors

	2017	2016
Mainland China	1,181,374	1,442,126
Overseas	155,621	170,869
Total	<b>1,336,995</b>	1,612,995

## 41 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

### (1) Analysed by type of counterparties

	2017	2016
Banks	353,317	297,639
Non-bank financial institutions	30,322	24,907
Total	<b>383,639</b>	322,546

### (2) Analysed by geographical sectors

	2017	2016
Mainland China	148,424	118,944
Overseas	235,215	203,602
Total	<b>383,639</b>	322,546

## 42 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
Principal guaranteed wealth management products	354,382	324,443
Financial liabilities related to precious metals	39,927	31,313
Structured financial instruments	19,839	40,835
Total	<b>414,148</b>	396,591

The Group's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2017 and 2016.

## NOTES TO THE FINANCIAL STATEMENTS

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### 43 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	2017	2016
Securities		
– Government bonds	63,322	167,088
– Debt securities issued by policy banks, banks and non-bank financial institutions	3,632	15,640
Subtotal	<b>66,954</b>	<b>182,728</b>
Discounted bills	401	5,500
Others	6,924	2,352
Total	<b>74,279</b>	<b>190,580</b>

### 44 DEPOSITS FROM CUSTOMERS

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

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	<b>493,141</b>	<b>522,126</b>
(2) Outward remittance and remittance payables	<b>29,635</b>	<b>14,121</b>

## 45 ACCRUED STAFF COSTS

	Note	2017			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		24,813	64,274	(65,459)	23,628
Other social insurance and welfare		2,735	10,213	(8,975)	3,973
Housing funds		193	6,214	(6,244)	163
Union running costs and employee education costs		2,252	2,609	(2,123)	2,738
Post-employment benefits	(1)				
– Defined contribution plans		964	12,923	(12,994)	893
– Defined benefit plans		970	25	(1,435)	(440)
Early retirement benefits		1,940	76	(342)	1,674
Compensation to employees for termination of employment relationship		3	4	(4)	3
Total		33,870	96,338	(97,576)	32,632

	Note	2016			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		25,291	62,093	(62,571)	24,813
Other social insurance and welfare		2,288	8,997	(8,550)	2,735
Housing funds		135	6,296	(6,238)	193
Union running costs and employee education costs		2,123	2,567	(2,438)	2,252
Post-employment benefits	(1)				
– Defined contribution plans		906	12,846	(12,788)	964
– Defined benefit plans		128	842	–	970
Early retirement benefits		2,315	91	(466)	1,940
Compensation to employees for termination of employment relationship		4	3	(4)	3
Total		33,190	93,735	(93,055)	33,870

The Group has no overdue balance of accrued staff costs as at the end of the reporting period.

### (1) Post-employment benefits

#### (a) *Defined contribution plans*

	2017			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	664	9,622	(9,697)	589
Unemployment insurance	42	312	(317)	37
Annuity contribution	258	2,989	(2,980)	267
Total	964	12,923	(12,994)	893

	2016			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	635	9,429	(9,400)	664
Unemployment insurance	33	485	(476)	42
Annuity contribution	238	2,932	(2,912)	258
Total	906	12,846	(12,788)	964

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### 45 ACCRUED STAFF COSTS (CONTINUED)

#### (1) Post-employment benefits (continued)

##### *(b) Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net liabilities of defined benefit plans	
	2017	2016	2017	2016	2017	2016
As at 1 January	7,131	6,664	6,161	6,536	970	128
Cost of the net defined benefit liability in profit or loss						
– Interest costs	212	186	187	183	25	3
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial (gain)/losses	(519)	919	–	–	(519)	919
– Returns on plan assets	–	–	74	80	(74)	(80)
Other changes						
– Benefits paid	(627)	(638)	(627)	(638)	–	–
– Contribution to plan assets	–	–	842	–	(842)	–
As at 31 December	6,197	7,131	6,637	6,161	(440)	970

Interest cost was recognised in other general and administrative expenses.

##### *(i) Principal actuarial assumptions of the Group as at the end of reporting period are as follows:*

	2017	2016
Discount rate	4.00%	3.00%
Health care cost increase rate	7.00%	7.00%
Average expected future lifetime of eligible employees	12.4 years	12.8 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

##### *(ii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:*

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(121)	125
Health care cost increase rate	45	(44)

##### *(iii) As at 31 December 2017, the weighted average duration of supplementary retirement benefit obligations of the Group is 7.9 years (As at 31 December 2016: 8.7 years).*

## 45 ACCRUED STAFF COSTS (CONTINUED)

### (1) Post-employment benefits (continued)

#### (b) *Defined benefit plans – Supplementary retirement benefits (continued)*

##### (iv) Plan assets of the Group are as follows:

	2017	2016
Cash and cash equivalents	411	1,185
Equity instruments	532	359
Debt instruments	5,557	4,522
Others	137	95
<b>Total</b>	<b>6,637</b>	<b>6,161</b>

## 46 TAXES PAYABLE

	2017	2016
Income tax	44,359	35,526
Business tax	–	68
Value added tax	7,549	7,039
Others	2,198	2,267
<b>Total</b>	<b>54,106</b>	<b>44,900</b>

## 47 INTEREST PAYABLE

	2017	2016
Deposits from customers	175,126	185,018
Deposits from banks and non-bank financial institutions	7,550	15,801
Debts securities issued	2,307	2,312
Others	14,605	8,199
<b>Total</b>	<b>199,588</b>	<b>211,330</b>

## 48 PROVISIONS

	2017	2016
Litigation provisions	2,946	2,292
Others	7,635	6,984
<b>Total</b>	<b>10,581</b>	<b>9,276</b>

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 49 DEBT SECURITIES ISSUED

	Note	2017	2016
Certificates of deposit issued	(1)	321,366	199,008
Bonds issued	(2)	71,331	47,163
Subordinated bonds issued	(3)	144,898	145,599
Eligible Tier 2 capital bonds issued	(4)	58,931	59,784
<b>Total</b>		<b>596,526</b>	<b>451,554</b>

(1) Certificates of deposit were mainly issued by head office, overseas branches and Sino-German Bausparkasse.

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	2017	2016
2014-04-01	2017-04-01	2.375%	Hong Kong	USD	—	2,085
2014-05-28	2019-05-28	1.375%	Switzerland	CHF	2,002	2,047
2014-06-27	2017-06-27	3.45%	Switzerland	RMB	—	1,250
2014-07-02	2019-07-02	3.25%	Hong Kong	USD	3,904	4,170
2014-09-05	2017-09-05	3.35%	Taiwan	RMB	—	800
2014-09-05	2019-09-05	3.75%	Taiwan	RMB	600	600
2014-09-05	2021-09-05	4.00%	Taiwan	RMB	600	600
2014-11-18	2019-11-18	3.75%	Taiwan	RMB	1,000	1,000
2014-11-18	2021-11-18	3.95%	Taiwan	RMB	1,000	1,000
2014-11-18	2024-11-18	4.08%	Taiwan	RMB	600	600
2015-01-20	2020-01-20	3.125%	Hong Kong	USD	4,555	4,865
2015-02-11	2020-02-11	1.50%	Luxembourg	EUR	3,902	3,655
2015-06-18	2018-06-18	4.317%	Auckland	NZD	231	241
2015-06-18	2019-06-18	4.30%	Auckland	NZD	7	7
2015-06-18	2020-06-18	3 month New Zealand benchmark interest rate+1.2%	Auckland	NZD	115	120
2015-07-16	2018-06-18	3.935%	Auckland	NZD	69	72
2015-07-28	2020-07-28	3.25%	Hong Kong	USD	3,253	3,475
2015-09-10	2019-09-10	3.945%	Auckland	NZD	57	59
2015-09-18	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	2,031	2,003
2015-10-19	2017-10-19	4.30%	London	RMB	—	990
2015-11-26	2017-11-26	4.00%	Hong Kong	RMB	—	1,000
2015-12-07	2018-09-18	3 month Australia benchmark interest rate+1.15%	Sydney	AUD	15	15
2015-12-29	2020-01-27	3.80%	Auckland	NZD	92	96
2016-03-30	2026-03-30	4.08%	Mainland China	RMB	3,500	3,500
2016-05-16	2019-05-16	3.10%	Auckland	NZD	47	48
2016-05-31	2019-05-31	2.38%	Hong Kong	USD	1,434	757
2016-05-31	2021-05-31	2.75%	Hong Kong	USD	1,967	1,934
2016-08-18	2020-09-18	2.95%	Auckland	NZD	475	496
2016-10-18	2020-10-18	3.05%	Auckland	NZD	7	7
2016-10-21	2021-10-21	2.25%	Hong Kong	USD	1,757	4,865
2016-11-09	2019-11-09	3.05%	Mainland China	RMB	3,200	4,000
2016-11-09	2021-11-09	3.05%	Mainland China	RMB	800	1,000
2016-12-22	2019-12-22	3.35%	Auckland	NZD	46	48
2017-02-17	2020-02-17	0.63%	Luxembourg	EUR	3,902	—
2017-05-05	2022-07-26	Senior Tranche A: CNLR1Y+0.18% Senior Tranche B: CNLR1Y+0.64% 3MLIBOR+0.77%	Mainland China	RMB	1,012	—
2017-05-31	2020-05-29	2.75%	Hong Kong	USD	7,808	—
2017-06-13	2022-06-13	1.87%	Hong Kong	USD	3,904	—
2017-08-04	2018-02-05	2.37%	Hong Kong	USD	163	—
2017-09-27	2019-09-27	3.15%	Hong Kong	USD	488	—
2017-10-25	2022-10-25	2.20%	Hong Kong	USD	651	—
2017-10-26	2020-10-26	2.08%	Singapore	SGD	2,432	—
2017-11-09	2022-11-09	3.93%	Auckland	NZD	692	—
2017-12-04	2020-12-04	2.29%	Hong Kong	USD	5,205	—
2017-12-04	2020-12-04	2.75%	Hong Kong	USD	3,253	—
2017-12-04	2022-12-04	3.00%	Hong Kong	USD	2,603	—
2017-12-22	2018-12-21	3.25%	Hong Kong	USD	2,798	—
<b>Total nominal value</b>					<b>72,255</b>	47,405
<b>Less: unamortised issuance costs</b>					<b>(924)</b>	(242)
<b>Carrying value as at 31 December</b>					<b>71,331</b>	47,163

## 49 DEBT SECURITIES ISSUED (CONTINUED)

### (3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC, the CBRC, the HKMA and Brasil Central Bank is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	2017	2016
2009-02-24	2024-02-26	4.00%	RMB	(a)	28,000	28,000
2009-08-07	2024-08-11	4.04%	RMB	(b)	10,000	10,000
2009-11-03	2019-11-04	Benchmark rate released by Brasil Central Bank	BRL	(c)	393	427
2009-12-18	2024-12-22	4.80%	RMB	(d)	20,000	20,000
2010-04-27	2020-04-27	8.50%	USD	(c)	1,713	1,883
2010-07-30	2017-10-15	7.31%	USD	(c)	–	222
2011-11-03	2026-11-07	5.70%	RMB	(e)	40,000	40,000
2012-11-20	2027-11-22	4.99%	RMB	(f)	40,000	40,000
2014-08-20	2024-08-20	4.25%	USD	(g)	4,880	5,212
Total nominal value					144,986	145,744
Less: Unamortised issuance cost					(88)	(145)
Carrying value as at 31 December					144,898	145,599

- (a) The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.
- (b) The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.
- (c) The subordinated bonds were issued by BIC, including a bond expired on 15 October 2017.
- (d) The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.
- (e) The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.
- (f) The Group has an option to redeem the bonds on 22 November 2022, subject to an approval from relevant authority.
- (g) The Group has an option to redeem the bonds on 20 August 2019, subject to an approval from relevant authority.

### (4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	2017	2016
2014-08-15	2029-08-18	5.98%	RMB	(a)	20,000	20,000
2014-11-12	2024-11-12	4.90%	RMB	(b)	2,000	2,000
2015-05-13	2025-05-13	3.875%	USD	(c)	13,014	13,899
2015-12-18	2025-12-21	4.00%	RMB	(d)	24,000	24,000
Total nominal value					59,014	59,899
Less: Unamortised issuance cost					(83)	(115)
Carrying value as at 31 December					58,931	59,784

- (a) The Group has an option to redeem the bonds on 18 August 2024, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be paid, either.
- (b) The Group has an option to redeem the bonds on 12 November 2019, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate per annum will increase by 1.538% on the basis of twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019 for the next five years, these eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be paid, either.
- (c) The Group has an option to redeem the bonds on 13 May 2020, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 13 May 2020 and increase by 2.425% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be paid, either.
- (d) The Group has an option to redeem the bonds on 21 December 2020, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be paid, either.

## NOTES TO THE FINANCIAL STATEMENTS

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### 50 OTHER LIABILITIES

	2017	2016
Insurance related liabilities	112,914	95,892
Clearing and settlement accounts	16,136	966
Payment and collection clearance accounts	13,986	3,190
Deferred income	11,731	11,473
Capital expenditure payable	9,552	10,388
Cash pledged and rental income received in advance	8,887	8,259
Dormant accounts	5,032	4,501
Accrued expenses	3,382	3,074
Others	53,145	29,509
<b>Total</b>	<b>234,765</b>	<b>167,252</b>

### 51 SHARE CAPITAL

	2017	2016
Listed in Hong Kong (H share)	240,417	240,417
Listed in Mainland China (A share)	9,594	9,594
<b>Total</b>	<b>250,011</b>	<b>250,011</b>

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

### 52 OTHER EQUITY INSTRUMENTS

#### (1) Preference shares outstanding as at the end of the reporting period

Preference shares	Issue date	Classification	Initial interest rate	Issue price	Quantity (million)	Original Currency (USD)	Total amount		
							Maturity date	Conversion conditions	
2015 Offshore Preference Shares	16 December 2015	Equity instruments	4.65%	\$20 per share	152.5	3,050	19,711	No maturity date	None
2017 Domestic Preference Shares	21 December 2017	Equity instruments	4.75%	RMB100 per share	600		60,000	No maturity date	None
<b>Less: Issuance fee</b>									<b>(75)</b>
<b>Carrying amount</b>									<b>79,636</b>

## 52 OTHER EQUITY INSTRUMENTS (CONTINUED)

### (2) The key terms

#### (a) Offshore Preference Shares

##### (i) Dividend

The initial annual dividend rate is 4.65% and is subsequently subject to reset per agreement, but in no case shall exceed 20.4850%. The dividend is measured and paid in dollars. After such dividend being paid at the agreed dividend payout ratio, the holders of the above offshore preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The dividends for offshore preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend for the offshore preference shares, and such cancellation shall not be deemed a default. However, until the Bank fully pays the dividends for the current dividend period, the Bank shall not make any dividend distribution to ordinary shareholders.

##### (ii) Redemption

Subject to receiving the prior approval of CBRC and satisfaction of the redemption conditions precedent, all or some only of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 16 December 2020 or on any dividend payment date thereafter at the redemption price which is equal to issue price plus dividends payable but not yet distributed in current period.

##### (iii) Compulsory conversion of preference shares

When an Additional Tier 1 Capital Instrument Trigger Event occurs, that is Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% (or below), the Bank shall (without the need for the consent of offshore preference shareholders) convert all or some only of the preference shares in issue into such number of H shares which will be sufficient to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above 5.125% according to contract; When a Tier 2 Capital Instrument Trigger Event occurs, the Bank shall (without the need for the consent of offshore preference shareholders) convert all of the offshore preference shares in issue into such number of H shares according to contract. Tier 2 Capital Instrument Trigger Event is defined as the earlier of: (i) the CBRC having decided that without a conversion or write-off the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Once a preference share has been converted, it will not be restored in any circumstances. When the compulsory conversion of offshore preference shares occurs, the Bank shall report to the CBRC for approval and decision.

#### (b) Domestic Preference Shares

##### (i) Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

##### (ii) Redemption

The Bank may, subject to CBRC Approval and compliance with the Redemption Preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 52 OTHER EQUITY INSTRUMENTS (CONTINUED)

#### (2) The key terms (continued)

##### (b) Domestic Preference Shares (continued)

###### (iii) Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (1) the CBRC having decided that without a conversion or write-off of the Bank's capital the Bank would become non-viable; and (2) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBRC for approval and decision, and perform the announcement obligation according to the regulations of Securities Act and CSRC.

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on statements of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

#### (3) Changes in Preference shares outstanding

Preference Shares	1 January 2017		Increase		31 December 2017	
	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value
2015 Offshore Preference Shares	152.5	19,659	–	–	152.5	19,659
2017 Domestic Preference Shares	–	–	600	59,977	600	59,977
<b>Total</b>	<b>152.5</b>	<b>19,659</b>	<b>600</b>	<b>59,977</b>	<b>752.5</b>	<b>79,636</b>

#### (4) Interests attributable to the holders of equity instruments

Items	2017	2016
1. Total equity attributable to equity holders of the Bank	1,779,760	1,576,500
(1) Equity attributable to ordinary equity holders of the Bank	1,700,124	1,556,841
(2) Equity attributable to other equity holders of the Bank	79,636	19,659
Of which: net profit	1,045	1,067
dividends received	1,045	1,067
2. Total equity attributable to non-controlling interests	16,067	13,154
(1) Equity attributable to non-controlling interests of ordinary shares	12,645	13,154
(2) Equity attributable to non-controlling interests of other equity instruments	3,422	–

### 53 CAPITAL RESERVE

	2017	2016
Share premium	134,537	134,543
Cash flow hedge reserve	320	(150)
Others	368	(433)
<b>Total</b>	<b>135,225</b>	<b>133,960</b>

### 54 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in “investment revaluation reserve”. Movements of investment revaluation reserve are as follows:

	2017		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January	(1,381)	405	(976)
(Losses)/Gains during the year			
– Debt securities	(39,394)	9,541	(29,853)
– Equity instruments and funds	1,896	(474)	1,422
	<b>(37,498)</b>	<b>9,067</b>	<b>(28,431)</b>
Reclassification adjustments			
– Impairment	764	(191)	573
– Disposals	4,048	(1,012)	3,036
– Others	(274)	68	(206)
	<b>4,538</b>	<b>(1,135)</b>	<b>3,403</b>
As at 31 December	<b>(34,341)</b>	<b>8,337</b>	<b>(26,004)</b>
<hr/>			
	2016	2016	2016
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January	30,791	(7,733)	23,058
Losses during the year			
– Debt securities	(20,531)	5,228	(15,303)
– Equity instruments and funds	(6,401)	1,600	(4,801)
	<b>(26,932)</b>	<b>6,828</b>	<b>(20,104)</b>
Reclassification adjustments			
– Impairment	306	(77)	229
– Disposals	(5,546)	1,387	(4,159)
	<b>(5,240)</b>	<b>1,310</b>	<b>(3,930)</b>
As at 31 December	<b>(1,381)</b>	<b>405</b>	<b>(976)</b>

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 55 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

### 56 GENERAL RESERVE

The general reserve of the Group as at the end of the reporting period is set up based upon the requirements of:

	Note	2017	2016
MOF	(1)	254,104	205,933
Hong Kong Banking Ordinance	(2)	2,124	2,124
Other regulatory bodies in Mainland China	(3)	2,866	2,546
Other overseas regulatory bodies		586	590
<b>Total</b>		<b>259,680</b>	<b>211,193</b>

- (1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.
- (2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.
- (3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

### 57 PROFIT DISTRIBUTION

In the Annual General Meeting held on 15 June 2017, the shareholders approved the profit distribution for the year ended 31 December 2016. The Bank appropriated cash dividend for the year ended 31 December 2016 in an aggregate amount of RMB69,503 million.

In the Board of Directors' Meeting held on 15 June 2017, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first call date which is in accordance with the terms and conditions of the offshore preference shares and equals to 4.65% (after tax), the dividends payments amounted to RMB1,045 million yuan (including tax). The dividend payment date was 18 December 2017.

On 27 March 2018, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2017:

- (1) Appropriate statutory surplus reserve amounted to RMB23,168 million, based on 10% of the net profit of the Bank amounted to RMB231,680 million for the year 2017 (2016: RMB22,413 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.
- (2) Appropriate general reserve amounted to RMB13,943 million, pursuant to relevant regulations issued by MOF (2016: RMB34,228 million).
- (3) Appropriate cash dividend RMB0.291 per share before tax (2016: RMB0.278 per share) and in aggregation amount of RMB727,53 million to all shareholders. Proposed dividends as at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

## 58 NOTES TO CASH FLOW STATEMENT

### Cash and cash equivalents

	2017	2016
Cash	73,876	73,296
Surplus deposit reserves with central banks	209,080	183,764
Demand deposits with banks and non-bank financial institutions	60,910	60,921
Deposits with banks and non-bank financial institutions with original maturity with or within three months	59,220	229,622
Placements with banks and non-bank financial institutions with original maturity with or within three months	168,253	51,521
<b>Total</b>	<b>571,339</b>	<b>599,124</b>

## 59 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

### Securities Lending Transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2017, the carrying value of debt securities lent to counterparties was RMB35,938 million (as at 31 December 2016: RMB36,577 million).

### Credit Assets Securitisation Transactions

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 31 December 2017, loans with an original carrying amount of RMB153,397 million (as at 31 December 2016: RMB69,530 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2017, the carrying amount of assets that the Group continued to recognise was RMB13,375 million (as at 31 December 2016: RMB5,156 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB13,352 million as at 31 December 2017 (as at 31 December 2016: RMB5,216 million).

## 60 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.

## 60 OPERATING SEGMENTS (CONTINUED)

### (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.

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.

## 60 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)	-
<b>Net interest income</b>	<b>72,786</b>	<b>63,796</b>	<b>72,151</b>	<b>81,172</b>	<b>79,521</b>	<b>23,866</b>	<b>50,248</b>	<b>8,916</b>	<b>452,456</b>
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
<b>Operating income</b>	<b>92,730</b>	<b>81,742</b>	<b>92,724</b>	<b>99,814</b>	<b>94,146</b>	<b>28,017</b>	<b>81,429</b>	<b>23,429</b>	<b>594,031</b>
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
<b>Profit before tax</b>	<b>53,279</b>	<b>43,439</b>	<b>35,143</b>	<b>48,105</b>	<b>45,837</b>	<b>2,450</b>	<b>59,357</b>	<b>12,177</b>	<b>299,787</b>
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)
<b>Total assets</b>									<b>22,124,383</b>
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)
<b>Total liabilities</b>									<b>20,328,556</b>
Off-balance sheet credit commitments	600,582	422,504	767,363	492,226	348,508	155,452	-	242,537	3,029,172

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 60 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)	-
<b>Net interest income</b>	<b>68,498</b>	<b>59,493</b>	<b>70,909</b>	<b>75,469</b>	<b>74,709</b>	<b>24,170</b>	<b>37,957</b>	<b>6,594</b>	<b>417,799</b>
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
<b>Operating income</b>	<b>89,700</b>	<b>77,076</b>	<b>91,646</b>	<b>94,875</b>	<b>91,297</b>	<b>30,258</b>	<b>69,538</b>	<b>15,470</b>	<b>559,860</b>
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
<b>Profit before tax</b>	<b>39,885</b>	<b>36,973</b>	<b>47,629</b>	<b>46,280</b>	<b>52,778</b>	<b>13,651</b>	<b>51,243</b>	<b>6,771</b>	<b>295,210</b>
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)	
<b>Total assets</b>								<b>20,963,705</b>	
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)	
<b>Total liabilities</b>								<b>19,374,051</b>	
Off-balance sheet credit commitments	570,239	403,398	699,060	418,924	318,757	151,838	2,800	159,510	2,724,526

## 60 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.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 60 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)	-
<b>Net interest income</b>	<b>224,007</b>	<b>175,487</b>	<b>34,406</b>	<b>18,556</b>	<b>452,456</b>
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
<b>Operating income</b>	<b>248,062</b>	<b>235,954</b>	<b>65,924</b>	<b>44,091</b>	<b>594,031</b>
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
<b>Profit before tax</b>	<b>82,724</b>	<b>137,736</b>	<b>54,617</b>	<b>24,710</b>	<b>299,787</b>
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)
<b>Total assets</b>					<b>22,124,383</b>
Segment liabilities	10,072,832	7,502,694	900,534	2,119,721	20,595,781
Deferred tax liabilities					389
Elimination					(267,614)
<b>Total liabilities</b>					<b>20,328,556</b>
Off-balance sheet credit commitments	2,016,432	761,613	-	251,127	3,029,172

## 60 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 income/(expense)	52,430	95,564	(141,946)	(6,048)	–
<b>Net interest income</b>	<b>217,710</b>	<b>158,478</b>	<b>29,436</b>	<b>12,175</b>	<b>417,799</b>
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
<b>Operating income</b>	<b>243,615</b>	<b>219,321</b>	<b>78,653</b>	<b>18,271</b>	<b>559,860</b>
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
<b>Profit before tax</b>	<b>98,329</b>	<b>129,269</b>	<b>66,008</b>	<b>1,604</b>	<b>295,210</b>
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
<b>2016</b>					
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
	<b>7,064,795</b>	<b>4,522,379</b>	<b>8,195,103</b>	<b>1,572,067</b>	<b>21,354,344</b>
Deferred tax assets					31,062
Elimination					(421,701)
<b>Total assets</b>					<b>20,963,705</b>
Segment liabilities	9,780,961	7,169,317	834,943	2,009,961	19,795,182
Deferred tax liabilities					570
Elimination					(421,701)
<b>Total liabilities</b>					<b>19,374,051</b>
Off-balance sheet credit commitments	1,917,363	647,498	–	159,665	2,724,526

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 61 ENTRUSTED LENDING BUSINESS

At the balance sheet date, the amounts of the entrusted loans and funds were as follows:

	2017	2016
Entrusted loans	2,736,842	2,398,103
Entrusted funds	2,736,842	2,398,103

### 62 PLEDGED ASSETS

#### (1) Assets pledged as security

##### (a) Carrying value of pledged assets analysed by asset type

	2017	2016
Discounted bills	401	5,500
Bonds	628,172	655,915
Others	6,924	2,352
Total	635,497	663,767

#### (2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2017 and 2016, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

### 63 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 maturity within 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

## 63 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

### (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 RMB79,431 million (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 (Note 48). 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 (Note 4 (14)).

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### (1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2017, Huijin directly held 57.11% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB144,986 million (as at 31 December 2016: RMB145,744 million). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

##### *(a) Transactions with parent companies*

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

##### **Amounts**

	2017		2016	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	1,096	0.15%	460	0.07%
Interest expense	128	0.04%	106	0.04%

##### **Balances**

	2017		2016	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Interest receivable	140	0.12%	151	0.15%
Loans and advances to customers	28,000	0.22%	–	0.00%
Available-for-sale financial assets	2,199	0.14%	–	0.00%
Held-to-maturity investments	9,140	0.35%	12,770	0.52%
Deposits from banks and non-bank financial institutions	6,114	0.46%	20	0.00%
Deposits from customers	55	0.00%	865	0.01%
Interest payable	–	0.00%	6	0.00%
Credit commitments	288	0.01%	288	0.01%

## 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (1) Transactions with parent companies and their affiliates (continued)

#### (b) *Transactions with the affiliates of parent companies*

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

#### Amounts

	Note	2017		2016	
		Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		32,102	4.28%	28,755	4.13%
Interest expense		10,237	3.44%	2,528	0.91%
Fee and commission income		667	0.51%	228	0.18%
Fee and commission expense		198	1.46%	295	3.15%
Operating expenses	(i)	724	0.46%	612	0.40%

#### Balances

	Note	2017		2016	
		Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		36,672	20.95%	72,746	14.71%
Placements with banks and non-bank financial institutions		71,066	21.85%	69,487	26.66%
Financial assets at fair value through profit or loss		22,323	3.86%	8,111	1.66%
Positive fair value of derivatives		7,522	9.06%	3,581	3.99%
Financial assets held under resale agreements		62,500	30.00%	10,897	10.56%
Interest receivable		21,747	18.59%	14,606	14.37%
Loans and advances to customers		30,553	0.24%	53,297	0.46%
Available-for-sale financial assets		215,607	13.90%	234,915	14.38%
Held-to-maturity investments		458,789	17.74%	419,087	17.19%
Investment classified as receivables		28,925	6.21%	46,959	9.24%
Other assets		15	0.02%	80	0.11%
Deposits from banks and non-bank financial institutions	(ii)	194,730	14.56%	34,485	2.14%
Placements from banks and non-bank financial institutions		109,661	28.58%	68,722	21.31%
Negative fair value of derivatives		6,739	8.44%	7,332	8.12%
Financial assets sold under repurchase agreements		1,255	1.69%	15,904	8.35%
Deposits from customers		14,455	0.09%	18,471	0.12%
Interest payable		423	0.21%	3,058	1.45%
Other liabilities		1,251	0.53%	—	0.00%
Credit commitments		10,231	0.34%	23,159	1.18%

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)**

#### **(2) Transactions with associates and joint ventures of the Group**

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

##### **Amounts**

	2017	2016
Interest income	604	12
Interest expense	571	4
Fee and commission income	27	–
Operating expenses	–	7

##### **Balances**

	2017	2016
Loans and advances to customers	7,497	680
Placements from banks and non-bank financial institutions	98	–
Financial liabilities at fair value through profit or loss	–	448
Deposits from customers	2,223	1,547
Interest payable	2	–
Other liabilities	264	–
Credit commitments	82	5

#### **(3) Transactions between the Bank and its subsidiaries**

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

##### **Amounts**

	2017	2016
Interest income	1,320	1,154
Interest expense	577	1,651
Fee and commission income	1,820	3,421
Fee and commission expense	542	646
Dividend income	65	50
Net gain arising from investment securities	399	315
Other operating expense, net	(94)	(370)
Operating expenses	811	3

## 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (3) Transactions between the Bank and its subsidiaries (continued)

#### Balances

	2017	2016
Deposits with banks and non-bank financial institutions	4,871	11,254
Placements with banks and non-bank financial institutions	90,481	86,820
Positive fair value of derivatives	1,424	1,087
Interest receivable	120	81
Loans and advances to customers	10,653	6,259
Available-for-sale financial assets	9,074	2,271
Held-to-maturity investments	656	690
Investment classified as receivables	455	486
Other assets	38,480	49,931
Deposits from banks and non-bank financial institutions	19,547	9,315
Placements from banks and non-bank financial institutions	58,017	105,653
Negative fair value of derivatives	1,288	3,715
Deposits from customers	3,821	3,974
Interest payable	94	611
Debt securities issued	840	890
Other liabilities	1,033	110

As at 31 December 2017, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB53,726 million (as at 31 December 2016: RMB44,793 million).

For the year ended 31 December 2017, the transactions between subsidiaries of the Group are mainly deposits with banks and non-bank financial institution and deposits from banks and non-bank financial institutions. As at 31 December 2017, the balances of the above transactions were RMB4,613 million (as at 31 December 2016: RMB173 million) and RMB10,721 million (as at 31 December 2016: RMB4,478 million) respectively.

### (4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

### (5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the years ended 31 December 2017 and 2016.

As at 31 December 2017, RMB3,183 million of the Group's supplementary retirement benefit plan assets (as at 31 December 2016: RMB2,950 million) were managed by CCB Principal and management fees from the Bank was RMB8.73 million (as at 31 December 2016: RMB8.73 million).

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2017 and 2016, there were no material transactions and balances with key management personnel.

The compensation of directors and supervisors is disclosed in Note 14. The senior executives' annual compensation before individual income tax during the year is as follows:

	2017			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (i)) RMB'000	Total (note (ii)) RMB'000
<b>Executive Vice President</b>				
Yang Wensheng	467	51	88	606
Huang Yi	467	51	88	606
Yu Jingbo	467	51	88	606
Zhang Lilin	265	27	47	339
<b>Chief Disciplinary Officer</b>				
Zhu Kepeng	467	51	88	606
<b>Chief Risk Officer</b>				
Liao Lin	657	43	114	814
<b>Chief Financial Officer</b>				
Xu Yiming	788	51	136	975
<b>Secretary to the Board</b>				
Huang Zhiling	-	-	-	-
<b>Former Chief Risk Officer</b>				
Zeng Jianhua	131	8	22	161
<b>Former Secretary to the Board</b>				
Chen Caihong	713	16	115	844
	<b>4,422</b>	<b>349</b>	<b>786</b>	<b>5,557</b>

## 64 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (6) Key management personnel (continued)

	2016			
	Accrued cost RMB'000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB'000	Other monetary income RMB'000	Total (note (iii)) RMB'000
<b>Executive Vice President</b>				
Yang Wensheng	631	150	–	781
Huang Yi	631	150	–	781
Yu Jingbo	631	150	–	781
<b>Chief Disciplinary Officer</b>				
Zhu Kepeng	631	150	–	781
<b>Chief Risk Officer</b>				
Liao Lin	–	–	–	–
<b>Chief Financial Officer</b>				
Xu Yiming	1,977	169	–	2,146
<b>Secretary to the Board</b>				
Chen Caihong	1,977	169	–	2,146
<b>Former Chief Risk Officer</b>				
Zeng Jianhua	1,977	169	–	2,146
	8,455	1,107	–	9,562

- (i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.
- (ii) The total compensation package for these key management personnel for the year ended 31 December 2017 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2017. The final compensation will be disclosed in a separate announcement when determined.
- (iii) The total compensation package for certain key management personnel for the year ended 31 December 2016 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2016 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2016 was the final amount.
- (iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

### (7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

#### Risk management framework

The Board of Directors carry out their responsibilities according to Articles of Association and other related regulatory requirements. The Board of Directors of the Bank has established the Risk Management Committee, responsible for making risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has oversight of the establishment of the overall risk management system and how well the Board of Directors and senior management carry out risk management responsibilities. Senior management is responsible for carrying out the risk strategy established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints Chief Risk Officer who assisted the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is the overall business risk management department. Credit Management Department is the overall credit risk management department. Credit Approval Department is the overall credit business approval department. Internal Control and Compliance Department is the coordination department for operating risk management and internal control and compliance risk management. Other departments are responsible for various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control and Compliance Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

#### (1) Credit risk

##### *Credit risk management*

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

##### *Credit business*

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading and is responsible for the special assets resolutions. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Credit Approval Department is responsible for the group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### *Credit business (continued)*

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors credit businesses, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

#### *Credit grading classification*

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### *Treasury business*

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information there on is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

##### *(a) Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	2017	2016
Deposits with central banks	<b>2,914,380</b>	2,775,965
Deposits with banks and non-bank financial institutions	<b>175,005</b>	494,618
Placements with banks and non-bank financial institutions	<b>325,233</b>	260,670
Debt investments at fair value through profit or loss	<b>554,048</b>	469,992
Positive fair value of derivatives	<b>82,980</b>	89,786
Financial assets held under resale agreements	<b>208,360</b>	103,174
Interest receivable	<b>116,993</b>	101,645
Loans and advances to customers	<b>12,574,473</b>	11,488,355
Available-for-sale debt securities	<b>1,461,824</b>	1,348,814
Held-to-maturity investments	<b>2,586,722</b>	2,438,417
Investment classified as receivables	<b>465,810</b>	507,963
Other financial assets	<b>65,238</b>	69,405
 Total	<b>21,531,066</b>	20,148,804
 Off-balance sheet credit commitments	<b>3,029,172</b>	2,724,526
 Maximum credit risk exposure	<b>24,560,238</b>	22,873,330

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

*(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows*

	Note	2017	2016
Gross impaired loans			
– Individually assessed and impaired gross amount		169,798	156,436
– Allowances for impairment losses		(113,820)	(99,453)
Subtotal		55,978	56,983
		-----	-----
– Collectively assessed and impaired gross amount		22,493	22,254
– Allowances for impairment losses		(13,802)	(13,275)
Subtotal		8,691	8,979
	-----	-----	-----
Overdue but not impaired			
– between 1 day and 90 days		30,483	31,522
– between 91 days and 180 days		–	4
– more than 180 days		–	21
Gross amount		30,483	31,547
Allowances for impairment losses	(i)	(3,164)	(6,804)
Subtotal		27,319	24,743
	-----	-----	-----
Neither overdue nor impaired			
– Unsecured loans		3,856,502	3,442,193
– Guaranteed loans		2,035,372	1,880,508
– Loans secured by tangible assets other than monetary assets		5,441,687	5,002,018
– Loans secured by monetary assets		1,347,106	1,222,076
Gross amount		12,680,667	11,546,795
Allowances for impairment losses	(i)	(198,182)	(149,145)
Subtotal		12,482,485	11,397,650
Total		12,574,473	11,488,355

(i) The balances represent collectively assessed allowances of impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### *(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued)*

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2017		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	4,112	14,678	29,810
Portion not covered	3,523	8,170	139,988
Total	<b>7,635</b>	<b>22,848</b>	<b>169,798</b>

	2016		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	3,632	15,005	27,773
Portion not covered	5,644	7,266	128,663
Total	<b>9,276</b>	<b>22,271</b>	<b>156,436</b>

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (c) Loans and advances to customers analysed by economic sector concentrations

	2017			2016		
	Gross Loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	1,429,583	11.08%	516,193	1,287,693	10.95%	520,293
– Manufacturing	1,318,827	10.22%	410,706	1,323,238	11.24%	464,514
– Leasing and commercial services	981,704	7.61%	347,367	826,410	7.03%	309,203
– Production and supply of electric power, heat, gas and water	867,818	6.73%	199,689	726,706	6.18%	192,922
– Real estate	522,242	4.05%	284,698	448,576	3.82%	316,657
– Wholesale and retail trade	477,404	3.70%	266,890	492,343	4.19%	252,177
– Water, environment and public utility management	395,163	3.06%	193,538	324,204	2.76%	167,715
– Construction	280,721	2.18%	70,228	259,268	2.21%	76,772
– Mining	250,698	1.94%	28,685	250,530	2.13%	29,755
– Public management, social securities and social organisation	107,297	0.83%	18,035	130,037	1.11%	33,862
– Agriculture, forestry, farming, fishing	74,831	0.58%	24,972	90,685	0.77%	34,986
– Education	70,981	0.55%	16,912	77,445	0.66%	21,415
– Others	710,563	5.50%	87,281	586,803	4.99%	80,183
Total corporate loans and advances	7,487,832	58.03%	2,465,194	6,823,938	58.04%	2,500,454
Personal loans and advances	5,279,894	40.92%	4,429,426	4,420,939	37.60%	3,820,851
Discounted bills	135,715	1.05%	–	512,155	4.36%	–
Total loans and advances to customers	12,903,441	100.00%	6,894,620	11,757,032	100.00%	6,321,305

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2017				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Transportation, storage and postal services	13,844	(8,651)	(26,573)	(10,184)	549
Manufacturing	76,557	(51,220)	(39,504)	(47,638)	15,896

	2016				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Transportation, storage and postal services	6,004	(3,935)	(21,943)	(2,412)	250
Manufacturing	71,443	(44,348)	(29,902)	(44,859)	14,272

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (d) *Loans and advances to customers analysed by geographical sector concentrations*

	2017			2016		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	2,288,830	17.74%	1,476,742	2,117,133	18.02%	1,360,362
Central	2,176,159	16.86%	1,346,200	1,982,785	16.86%	1,197,869
Bohai Rim	2,131,045	16.52%	1,024,363	1,946,622	16.56%	892,618
Western	2,117,740	16.41%	1,206,486	1,953,377	16.61%	1,124,332
Pearl River Delta	1,941,337	15.05%	1,370,326	1,762,963	14.99%	1,312,827
Northeastern	672,309	5.21%	341,388	643,515	5.47%	296,115
Head office	574,506	4.45%	—	452,941	3.85%	—
Overseas	1,001,515	7.76%	129,115	897,696	7.64%	137,182
 Gross loans and advances to customers	 12,903,441	 100.00%	 6,894,620	 11,757,032	 100.00%	 6,321,305

As at the end of reporting period, details of impaired loans and impairment allowances in respect of geographical sectors are as follows:

	2017		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	38,302	(22,645)	(39,339)
Western	34,973	(19,205)	(37,230)
Central	32,154	(19,135)	(35,432)
Yangtze River Delta	31,460	(21,038)	(40,866)
Pearl River Delta	27,777	(18,022)	(31,612)
Northeastern	18,920	(11,925)	(15,798)
Head Office	5,867	(394)	(10,640)
Overseas	2,838	(1,456)	(4,231)
 Total	 192,291	 (113,820)	 (215,148)

	2016		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	29,199	(15,573)	(31,505)
Western	29,435	(14,557)	(30,102)
Central	26,654	(14,557)	(28,012)
Yangtze River Delta	41,539	(27,423)	(32,173)
Pearl River Delta	29,426	(18,429)	(24,124)
Northeastern	14,794	(7,885)	(10,423)
Head Office	4,296	—	(9,471)
Overseas	3,347	(1,029)	(3,414)
 Total	 178,690	 (99,453)	 (169,224)

The definitions of geographical segments are set out in Note 60 (1).

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (e) *Loans and advances to customers analysed by types of collateral*

	2017	2016
Unsecured loans	3,885,329	3,471,042
Guaranteed loans	2,123,492	1,964,685
Loans secured by tangible assets other than monetary assets	5,539,863	5,095,325
Loans secured by monetary assets	1,354,757	1,225,980
 Gross loans and advances to customers	 12,903,441	 11,757,032

#### (f) *Rescheduled loans and advances to customers*

	2017		2016	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	4,001	0.03%	5,020	0.04%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	998	0.01%	2,321	0.02%

#### (g) *Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:*

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Note	2017	2016
Impaired			
– Individually assessed and impaired gross amount		25	29
– Allowances for impairment losses		(25)	(29)
 Subtotal		 –	 –
 Neither overdue nor impaired			
– Grade A to AAA		646,592	815,896
– Grade B to BBB		489	5,238
– Unrated		61,661	37,488
 Total		 708,742	 858,622
 Allowances for impairment losses	(i)	(144)	(160)
 Subtotal		 708,598	 858,462
 Total		 708,598	 858,462

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group have not assigned an internal credit rating.

(i) The balances represent collectively assessed allowances of impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### *(h) Distribution of debt investments analysed by rating*

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

Note	2017					
	Unrated	AAA	AA	A	Lower than A	Total
Impaired						
Individually assessed and impaired gross amount						
– Banks and non-bank financial institutions	–	–	–	–	–	–
– Enterprises	632	–	–	–	–	632
– Others	200	–	–	–	–	200
Total	832	–	–	–	–	832
Allowances for impairment losses						(434)
Subtotal						398
Neither overdue nor impaired						
– Government	2,042,536	1,158,184	8,698	24,490	25,461	3,259,369
– Central banks	6,891	5,837	25,089	–	–	37,817
– Policy banks	803,872	3,665	1,545	13,491	–	822,573
– Banks and non-bank financial institutions	253,410	100,733	12,765	31,369	8,443	406,720
– Enterprises	164,026	282,420	29,681	15,708	5,319	497,154
– Others	8,278	22,641	19,218	695	454	51,286
Total	3,279,013	1,573,480	96,996	85,753	39,677	5,074,919
Allowances for impairment losses	(i)					(6,913)
Subtotal						5,068,006
Total						5,068,404

## 65 RISK MANAGEMENT (CONTINUED)

### (1) Credit risk (continued)

#### (h) Distribution of debt investments analysed by rating (continued)

	Note	Unrated	AAA	AA	A	Lower than A	2016 Total
<b>Impaired</b>							
Individually assessed and impaired gross amount							
– Banks and non-bank financial institutions	347	–	–	–	–	–	347
– Enterprises	718	–	–	–	–	120	838
– Others	200	–	–	200	–	–	400
<b>Total</b>		<b>1,265</b>	–	–	200	120	<b>1,585</b>
Allowances for impairment losses							(878)
<b>Subtotal</b>							<b>707</b>
<b>Neither overdue nor impaired</b>							
– Government	1,892,081	728,643	21,717	6,253	21,988	2,670,682	
– Central banks	12,087	–	9,681	–	–	–	21,768
– Policy banks	359,789	50	1,735	–	–	–	361,574
– Banks and non-bank financial institutions	865,663	166,698	30,002	36,798	6,701	1,105,862	
– Enterprises	137,574	290,981	16,148	11,610	6,092	462,405	
– Others	115,341	15,941	13,237	2,500	–	–	147,019
<b>Total</b>		<b>3,382,535</b>	<b>1,202,313</b>	<b>92,520</b>	<b>57,161</b>	<b>34,781</b>	<b>4,769,310</b>
Allowances for impairment losses	(i)						(4,831)
<b>Subtotal</b>							<b>4,764,479</b>
<b>Total</b>							<b>4,765,186</b>

(i) The balances represent collectively assessed allowances of impairment losses.

#### (i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

#### (ii) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## NOTES TO THE FINANCIAL STATEMENTS

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### **65 RISK MANAGEMENT (CONTINUED)**

#### **(2) Market risk**

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### (a) *VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

	Note	2017			
		As at 31 December	Average	Maximum	Minimum
<b>Risk valuation of trading portfolio</b>		112	167	252	105
Of which:					
– Interest rate risk		59	84	148	50
– Foreign exchange risk	(i)	90	117	226	70
– Commodity risk		1	8	21	–

	Note	2016			
		As at 31 December	Average	Maximum	Minimum
<b>Risk valuation of trading portfolio</b>		106	157	265	91
Of which:					
– Interest rate risk		61	52	144	20
– Foreign exchange risk	(i)	97	156	253	64
– Commodity risk		6	13	60	–

(i) The VaR in relation to bullion is included in foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **65 RISK MANAGEMENT (CONTINUED)**

#### (2) Market risk (continued)

##### *(b) Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group for the year by RMB46,727 million (as at 31 December 2016: RMB48,500 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group for the year would decrease or increase by RMB50,694 million (as at 31 December 2016: RMB43,566 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the department who manages the interest related risk or related business departments to mitigate interest rate risk have not been taken into account. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

##### *(c) Interest rate repricing gap analysis*

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in repricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate repricing gap. The main reason for measuring the interest rate repricing gap is to assist in analysing the impact of interest rate changes on net interest income.

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### (c) Interest rate repricing gap analysis (continued)

The following tables indicate the average interest rate ("AIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

	Note	2017						Total
		Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with central banks		1.51%	122,593	2,865,663	-	-	-	2,988,256
Deposits and placements with banks and non-bank financial institutions		2.64%	-	364,272	128,267	7,699	-	500,238
Financial assets held under resale agreements		2.99%	-	208,360	-	-	-	208,360
Loans and advances to customers	(ii)	4.18%	-	7,514,939	4,660,444	336,579	62,511	12,574,473
Investments	(iii)	3.74%	120,309	460,631	522,564	2,362,479	1,722,732	5,188,715
Other assets		664,341	-	-	-	-	-	664,341
Total assets		3.66%	907,243	11,413,865	5,311,275	2,706,757	1,785,243	22,124,383
<b>Liabilities</b>								
Borrowings from central banks		2.99%	-	204,808	341,709	770	-	547,287
Deposits and placements from banks and non-bank financial institutions		2.49%	-	1,462,200	202,473	51,471	4,490	1,720,634
Financial liabilities at fair value through profit or loss		3.37%	19,854	234,157	153,549	6,588	-	414,148
Financial assets sold under repurchase agreements		3.33%	-	67,469	1,892	4,632	286	74,279
Deposits from customers		1.33%	121,264	11,569,194	2,987,851	1,674,005	11,440	16,363,754
Debt securities issued		3.69%	-	251,877	79,399	210,334	54,916	596,526
Other liabilities		611,928	-	-	-	-	-	611,928
Total liabilities		1.56%	753,046	13,789,705	3,766,873	1,947,800	71,132	20,328,556
Asset-liability gap		2.10%	154,197	(2,375,840)	1,544,402	758,957	1,714,111	1,795,827

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### 65 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (c) *Interest rate repricing gap analysis (continued)*

	Note	2016						Total
		Average interest rate (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with central banks		1.51%	110,050	2,739,211	–	–	–	2,849,261
Deposits and placements with banks and non-bank financial institutions		2.76%	–	599,855	153,084	2,349	–	755,288
Financial assets held under resale agreements		2.60%	–	101,581	1,593	–	–	103,174
Loans and advances to customers	(ii)	4.26%	–	6,682,710	4,406,772	320,988	77,885	11,488,355
Investments	(iii)	3.65%	310,718	534,360	583,313	2,004,704	1,642,807	5,075,902
Other assets			691,725	–	–	–	–	691,725
<b>Total assets</b>		<b>3.67%</b>	<b>1,112,493</b>	<b>10,657,717</b>	<b>5,144,762</b>	<b>2,328,041</b>	<b>1,720,692</b>	<b>20,963,705</b>
<b>Liabilities</b>								
Borrowings from central banks		2.76%	–	142,591	296,602	146	–	439,339
Deposits and placements from banks and non-bank financial institutions		2.09%	–	1,447,097	450,354	36,010	2,080	1,935,541
Financial liabilities at fair value through profit or loss		2.88%	19,947	247,942	128,702	–	–	396,591
Financial assets sold under repurchase agreements		2.72%	–	187,932	1,008	1,574	66	190,580
Deposits from customers		1.45%	110,999	10,313,397	3,377,431	1,593,009	8,079	15,402,915
Debt securities issued		4.04%	–	158,133	71,781	131,577	90,063	451,554
Other liabilities			557,531	–	–	–	–	557,531
<b>Total liabilities</b>		<b>1.61%</b>	<b>688,477</b>	<b>12,497,092</b>	<b>4,325,878</b>	<b>1,762,316</b>	<b>100,288</b>	<b>19,374,051</b>
<b>Asset-liability gap</b>		<b>2.06%</b>	<b>424,016</b>	<b>(1,839,375)</b>	<b>818,884</b>	<b>565,725</b>	<b>1,620,404</b>	<b>1,589,654</b>

- (i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.
- (ii) For loans and advances to customers, the “within three months” category includes overdue amounts (net of allowances for impairment losses) of RMB64,750 million as at 31 December 2017 (as at 31 December 2016: RMB76,096 million).
- (iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, investment classified as receivables and investments in associates and joint ventures.

## 65 RISK MANAGEMENT (CONTINUED)

### (2) Market risk (continued)

#### (d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the Treasury Department's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposure risk, and minimizes foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact to the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

	Note	2017			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	
<b>Assets</b>					
Cash and deposits with central banks		2,796,711	102,635	88,910	2,988,256
Deposits and placements with banks and non-bank financial institutions	(i)	538,969	151,775	17,854	708,598
Loans and advances to customers		11,304,255	832,693	437,525	12,574,473
Investments		4,927,815	167,193	93,707	5,188,715
Other assets		589,623	31,493	43,225	664,341
<b>Total assets</b>		<b>20,157,373</b>	<b>1,285,789</b>	<b>681,221</b>	<b>22,124,383</b>
<b>Liabilities</b>					
Borrowings from central banks		484,657	35,805	26,825	547,287
Deposits and placements from banks and non-bank financial institutions	(ii)	1,378,896	277,483	138,534	1,794,913
Financial liabilities at fair value through profit or loss		392,984	20,628	536	414,148
Deposits from customers		15,453,722	593,332	316,700	16,363,754
Debt securities issued		269,389	226,549	100,588	596,526
Other liabilities		511,113	77,123	23,692	611,928
<b>Total liabilities</b>		<b>18,490,761</b>	<b>1,230,920</b>	<b>606,875</b>	<b>20,328,556</b>
<b>Net position</b>		<b>1,666,612</b>	<b>54,869</b>	<b>74,346</b>	<b>1,795,827</b>
Net notional amount of derivatives		268,286	(294,407)	55,765	29,644
Credit commitments		2,673,845	153,622	201,705	3,029,172

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### 65 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (d) *Currency risk (continued)*

	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	2016 Total
<b>Assets</b>					
Cash and deposits with central banks		2,627,642	132,659	88,960	2,849,261
Deposits and placements with banks and non-bank financial institutions	(i)	677,609	164,499	16,354	858,462
Loans and advances to customers		10,318,156	815,966	354,233	11,488,355
Investments		4,874,843	122,967	78,092	5,075,902
Other assets		508,602	153,120	30,003	691,725
<b>Total assets</b>		<b>19,006,852</b>	<b>1,389,211</b>	<b>567,642</b>	<b>20,963,705</b>
<b>Liabilities</b>					
Borrowings from central banks		385,374	28,964	25,001	439,339
Deposits and placements from banks and non-bank financial institutions	(ii)	1,740,191	275,673	110,257	2,126,121
Financial liabilities at fair value through profit or loss		380,632	15,162	797	396,591
Deposits from customers		14,539,781	568,294	294,840	15,402,915
Debt securities issued		213,579	213,937	24,038	451,554
Other liabilities		512,886	28,376	16,269	557,531
<b>Total liabilities</b>		<b>17,772,443</b>	<b>1,130,406</b>	<b>471,202</b>	<b>19,374,051</b>
<b>Net position</b>		<b>1,234,409</b>	<b>258,805</b>	<b>96,440</b>	<b>1,589,654</b>
Net notional amount of derivatives		213,538	(280,450)	89,001	22,089
Credit commitments		2,461,840	88,183	174,503	2,724,526

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

## 65 RISK MANAGEMENT (CONTINUED)

### (3) Liquidity risk

Liquidity risk is the risk that occurs when the Group cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet the other funding needs in regular business development. Major factors and events affecting liquidity risks include: massive outflow of wholesale or retail deposits, increase in wholesale or retail financing cost, debtor defaults, decrease in the liquidity of assets, and decrease in the financing ability etc.

In managing liquidity risks, the decision-making system consists of the Bank's Board of Directors and its sub-committee, and the senior management. The Head Office's Asset and Liability Management Department takes the lead in the daily management of the Bank's liquidity risks, and works along with the Financial Market Department, Channel and Operation Management Department, Data Management Department, Public Relations & Corporate Culture Department, Board of Directors' Office, management arms of business lines, and relevant divisions of the branches and subsidiaries to ensure proper execution of liquidity risk management actions. The Board of Supervisors and Audit Department constitute as the supervisory component. These three units perform decision-making, execution and supervisory functions respectively in the Bank's liquidity risk management as per their roles and responsibilities.

The Group's objective for liquidity risk management is to guarantee the Group's payment and settlement security, and maintain an optimal balance between the Bank's liquidity position and profitability. Liquidity risks are managed on a consolidated basis, where the Head Office centrally manages the Bank's overall liquidity risks, and in light of regulatory requirements, external macro environment and the Bank's business development status, formulates liquidity risk management policies, including limit management, intraday liquidity risk management, stress testing and contingency planning. Subsidiaries are the primary owners of their own liquidity risk management.

The Group conducts stress testing on its liquidity risk position on a quarterly basis in order to gauge its risk tolerance in adverse situations, including improbable extreme scenarios. The results have shown that under stress scenarios, the Bank's liquidity risk increases but remains manageable.

The Group uses a variety of methods to measure its liquidity risks, including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis.

## NOTES TO THE FINANCIAL STATEMENTS

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### 65 RISK MANAGEMENT (CONTINUED)

#### (3) Liquidity risk (continued)

##### (a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	2017							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
<b>Assets</b>								
Cash and deposits with central banks	2,705,300	282,956	-	-	-	-	-	2,988,256
Deposits and placements with banks and non-bank financial institutions	-	85,221	194,429	80,625	128,814	11,149	-	500,238
Financial assets held under resale agreements	-	-	203,910	4,450	-	-	-	208,360
Loans and advances to customers	72,933	631,065	445,807	581,601	2,641,172	2,881,396	5,320,499	12,574,473
Investments								
- Financial assets at fair value through profit or loss	24,386	-	150,934	103,563	150,580	128,825	20,148	578,436
- Available-for-sale financial assets	88,855	-	37,644	31,627	127,903	931,628	333,023	1,550,680
- Held-to-maturity investments	-	-	13,953	36,360	220,316	1,186,295	1,129,798	2,586,722
- Investment classified as receivables	-	-	2,841	11,479	23,610	207,401	220,479	465,810
- Investments in associates and joint ventures	7,067	-	-	-	-	-	-	7,067
Other assets	244,725	76,990	42,548	85,403	127,317	48,817	38,541	664,341
<b>Total assets</b>	<b>3,143,266</b>	<b>1,076,232</b>	<b>1,092,066</b>	<b>935,108</b>	<b>3,419,712</b>	<b>5,395,511</b>	<b>7,062,488</b>	<b>22,124,383</b>
<b>Liabilities</b>								
Borrowings from central banks	-	-	97,125	107,684	341,708	770	-	547,287
Deposits and placements from banks and non-bank financial institutions	-	764,478	347,584	287,101	250,648	65,779	5,044	1,720,634
Financial liabilities at fair value through profit or loss	-	19,854	136,833	97,323	153,550	6,588	-	414,148
Financial assets sold under repurchase agreements	-	-	66,125	1,344	1,892	4,632	286	74,279
Deposits from customers	-	9,783,474	1,117,271	1,101,977	2,636,627	1,699,395	25,010	16,363,754
Debt securities issued								
- Certificates of deposit issued	-	-	60,085	150,190	91,918	19,140	33	321,366
- Bonds issued	-	-	-	162	3,715	63,355	4,099	71,331
- Subordinated bonds issued	-	-	-	-	-	140,044	4,854	144,898
- Eligible Tier 2 capital bonds issued	-	-	-	-	-	12,967	45,964	58,931
Other liabilities	4,022	135,125	74,668	78,171	255,819	49,822	14,301	611,928
<b>Total liabilities</b>	<b>4,022</b>	<b>10,702,931</b>	<b>1,899,691</b>	<b>1,823,952</b>	<b>3,735,877</b>	<b>2,062,492</b>	<b>99,591</b>	<b>20,328,556</b>
<b>Net gaps</b>	<b>3,139,244</b>	<b>(9,626,699)</b>	<b>(807,625)</b>	<b>(888,844)</b>	<b>(316,165)</b>	<b>3,333,019</b>	<b>6,962,897</b>	<b>1,795,827</b>
Notional amount of derivatives								
- Interest rate contracts	-	-	30,749	45,943	145,336	98,848	11,604	332,480
- Exchange rate contracts	-	-	870,778	893,633	3,430,481	110,477	2,626	5,307,995
- Other contracts	-	-	33,184	61,192	84,471	3,513	272	182,632
<b>Total</b>	<b>-</b>	<b>-</b>	<b>934,711</b>	<b>1,000,768</b>	<b>3,660,288</b>	<b>212,838</b>	<b>14,502</b>	<b>5,823,107</b>

## 65 RISK MANAGEMENT (CONTINUED)

### (3) Liquidity risk (continued)

#### (a) Maturity analysis (continued)

	2016							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
<b>Assets</b>								
Cash and deposits with central banks	2,592,203	257,058	–	–	–	–	–	2,849,261
Deposits and placements with banks and non-bank financial institutions	–	85,218	306,393	138,820	218,544	6,313	–	755,288
Financial assets held under resale agreements	–	–	78,001	23,580	1,593	–	–	103,174
Loans and advances to customers	75,438	484,321	401,828	709,215	2,644,332	2,901,246	4,271,975	11,488,355
Investments								
– Financial assets at fair value through profit or loss	18,378	–	62,282	133,374	152,097	107,723	14,516	488,370
– Available-for-sale financial assets	285,020	–	29,090	66,362	168,110	783,090	302,162	1,633,834
– Held-to-maturity investments	–	–	5,318	44,950	200,830	1,053,776	1,133,543	2,438,417
– Investment classified as receivables	–	–	45,048	26,747	53,056	178,486	204,626	507,963
– Investments in associates and joint ventures	7,318	–	–	–	–	–	–	7,318
Other assets	229,069	89,276	34,077	79,502	173,739	55,946	30,116	691,725
<b>Total assets</b>	<b>3,207,426</b>	<b>915,873</b>	<b>962,037</b>	<b>1,222,550</b>	<b>3,612,301</b>	<b>5,086,580</b>	<b>5,956,938</b>	<b>20,963,705</b>
<b>Liabilities</b>								
Borrowings from central banks	–	–	83,176	59,415	296,602	146	–	439,339
Deposits and placements from banks and non-bank financial institutions	–	982,735	226,509	167,189	491,880	61,488	5,740	1,935,541
Financial liabilities at fair value through profit or loss	–	19,947	131,301	116,642	128,701	–	–	396,591
Financial assets sold under repurchase agreements	–	–	184,074	3,858	1,008	1,574	66	190,580
Deposits from customers	–	8,336,446	966,975	1,113,365	2,723,870	2,244,258	18,001	15,402,915
Debt securities issued								
– Certificates of deposit issued	–	–	61,274	65,381	57,153	15,037	163	199,008
– Bonds issued	–	–	–	2,084	4,023	36,959	4,097	47,163
– Subordinated bonds issued	–	–	–	–	218	100,230	45,151	145,599
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	13,828	45,956	59,784
Other liabilities	582	116,506	52,697	67,710	234,456	78,943	6,637	557,531
<b>Total liabilities</b>	<b>582</b>	<b>9,455,634</b>	<b>1,706,006</b>	<b>1,595,644</b>	<b>3,937,911</b>	<b>2,552,463</b>	<b>125,811</b>	<b>19,374,051</b>
<b>Net gaps</b>	<b>3,206,844</b>	<b>(8,539,761)</b>	<b>(743,969)</b>	<b>(373,094)</b>	<b>(325,610)</b>	<b>2,534,117</b>	<b>5,831,127</b>	<b>1,589,654</b>
Notional amount of derivatives								
– Interest rate contracts	–	–	70,611	77,418	204,710	106,484	11,586	470,809
– Exchange rate contracts	–	–	771,445	782,146	2,949,614	140,260	6,750	4,650,215
– Other contracts	–	–	47,553	98,665	177,124	10,177	34	333,553
<b>Total</b>	<b>–</b>	<b>–</b>	<b>889,609</b>	<b>958,229</b>	<b>3,331,448</b>	<b>256,921</b>	<b>18,370</b>	<b>5,454,577</b>

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT (CONTINUED)

#### (3) Liquidity risk (continued)

##### (b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet credit commitments of the Group as at the end of reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	2017							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowings from central banks	547,287	563,332	-	99,448	110,503	352,611	770	-
Deposits and placements from banks and non-bank financial institutions	1,720,634	1,751,770	766,491	351,816	291,385	260,618	74,705	6,755
Financial liabilities at fair value through profit or loss	414,148	418,613	19,854	138,903	98,501	154,750	6,605	-
Financial assets sold under repurchase agreements	74,279	75,774	-	66,326	1,374	2,030	5,658	386
Deposits from customers	16,363,754	16,725,423	9,785,489	1,131,863	1,138,058	2,735,162	1,905,745	29,106
Debt securities issued								
- Certificates of deposit issued	321,366	359,190	-	63,261	150,660	104,893	40,339	37
- Bond issued	71,331	82,226	-	201	1,796	8,139	67,539	4,551
- Subordinated bonds issued	144,898	204,878	-	36	1,224	5,913	175,336	22,369
- Eligible Tier 2 capital bonds issued	58,931	80,778	-	-	-	2,758	28,842	49,178
Other financial liabilities	216,642	216,642	24,349	26,551	28,197	124,193	-	13,352
Total	19,933,270	20,478,626	10,596,183	1,878,405	1,821,698	3,751,067	2,305,539	125,734
Off-balance sheet loan commitments and credit card commitments (Note)								
	1,390,853	1,133,818		85,704	8,111	37,721	83,073	42,426
Guarantees, acceptances and other credit commitments (Note)	1,638,319	-	398,492	232,930	425,987	542,427	38,483	

## 65 RISK MANAGEMENT (CONTINUED)

### (3) Liquidity risk (continued)

#### (b) Contractual undiscounted cash flow (continued)

	2016							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowings from central banks	439,339	448,505	–	84,409	59,995	303,955	146	–
Deposits and placements from banks and non-bank financial institutions	1,935,541	1,971,240	982,986	230,278	168,537	512,184	69,621	7,634
Financial liabilities at fair value through profit or loss	396,591	399,304	19,947	132,354	117,192	129,811	–	–
Financial assets sold under repurchase agreements	190,580	190,852	–	184,290	3,903	1,019	1,574	66
Deposits from customers	15,402,915	15,773,027	8,337,879	978,905	1,142,665	2,829,974	2,462,243	21,361
Debt securities issued								
– Certificates of deposit issued	199,008	201,424	–	61,772	65,817	58,028	15,639	168
– Bond issued	47,163	53,205	–	208	2,196	5,196	40,721	4,884
– Subordinated bonds issued	145,599	179,558	–	–	1,231	6,185	124,329	47,813
– Eligible Tier 2 capital bonds issued	59,784	80,834	–	–	–	2,814	24,277	53,743
Other financial liabilities	189,807	189,807	67,124	12,538	19,252	85,665	–	5,228
Total	19,006,327	19,487,756	9,407,936	1,684,754	1,580,788	3,934,831	2,738,550	140,897
Off-balance sheet loan commitments and credit card commitments (Note)								
Off-balance sheet loan commitments and credit card commitments (Note)	1,264,751	1,043,081	–	71,231	15,313	70,347	52,127	12,652
Guarantees, acceptances and other credit commitments (Note)	1,459,775	–	317,599	163,731	367,089	566,264	45,092	

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon.  
Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **65 RISK MANAGEMENT (CONTINUED)**

#### **(4) Operational risk**

Operational risk is the risk of loss due to inadequate or flawed internal processes, people, systems or external events. In 2017, the Group continued to strengthen its operational risk management, optimize operational risk management tools and deepen and expand the applications of these tools.

- Using a variety of means and methods, including special self-assessments, entity-level comprehensive self-assessments and project re-visits, the Bank took anticipatory actions to identify and assess operational risks and strengthen and improve internal controls.
- It also strengthened its operational risk monitoring and early-warning capability, including establishing tailored key risk indicator monitoring systems in tier-one branches, overseas institutions and subsidiaries, improving the head office-level key risk indicator system, and reinforcing risk management and control over key areas and components.
- As part of its efforts to strengthen the business continuity management system, the Bank harmonized the emergency management and disaster recovery strategy in the New Generation Core System, and followed the implementation of the New Generation Core System with timely development of relevant supporting rules and procedures as well as special action plans.

#### **(5) Fair value of financial instruments**

##### *(a) Valuation process, technique and input*

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Board of Supervisors, Senior Management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

The major valuation techniques and inputs used by the Group are set out in Note 4(3)(g) and Note 4(24)(c). For the year ended 31 December 2017, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2016.

##### *(b) Fair value hierarchy*

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## 65 RISK MANAGEMENT (CONTINUED)

### (5) Fair value of financial instruments (continued)

#### (c) Financial instruments measured at fair value

##### (i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2017			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
<i>Financial assets held for trading purpose</i>				
– Debt securities	2,050	187,397	–	189,447
– Equity instruments and funds	1,312	–	–	1,312
<i>Financial assets designated as at fair value through profit or loss</i>				
– Debt securities	–	–	10,211	10,211
– Equity instruments and funds	837	–	22,239	23,076
– Other debt instruments	–	228,995	125,395	354,390
Positive fair value of derivatives	–	82,881	99	82,980
Available-for-sale financial assets				
– Debt securities	176,791	1,282,194	2,839	1,461,824
– Equity instruments and funds	8,181	63,806	4,419	76,406
<b>Total</b>	<b>189,171</b>	<b>1,845,273</b>	<b>165,202</b>	<b>2,199,646</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
<i>Financial liabilities designated as at fair value through profit or loss</i>				
–	–	413,676	472	414,148
Negative fair value of derivatives	–	79,769	98	79,867
<b>Total</b>	<b>–</b>	<b>493,445</b>	<b>570</b>	<b>494,015</b>

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT (CONTINUED)

#### (5) Fair value of financial instruments (continued)

##### (c) *Financial instruments measured at fair value (continued)*

###### (i) *Fair value hierarchy (continued)*

	2016			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
<i>Financial assets held for trading purpose</i>				
– Debt securities	3,134	138,196	–	141,330
– Equity instruments and funds	1,825	–	–	1,825
<i>Financial assets designated as at fair value through profit or loss</i>				
– Debt securities	–	–	8,690	8,690
– Equity instruments and funds	421	–	16,132	16,553
– Other debt instruments	–	55,116	264,856	319,972
Positive fair value of derivatives	–	89,320	466	89,786
Available-for-sale financial assets				
– Debt securities	59,380	1,283,715	5,719	1,348,814
– Equity instruments and funds	40,617	231,378	9,349	281,344
Total	105,377	1,797,725	305,212	2,208,314
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
<i>Financial liabilities designated as at fair value through profit or loss</i>				
–	395,883	708	396,591	
Negative fair value of derivatives	–	89,788	545	90,333
Total	–	485,671	1,253	486,924

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed wealth management products, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial asset at fair value through profit or loss classified as level 3 is the underlying assets of principal guaranteed wealth management products. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate.

As at 31 December 2017 and 2016, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group.

## 65 RISK MANAGEMENT (CONTINUED)

### (5) Fair value of financial instruments (continued)

#### (c) Financial instruments measured at fair value (continued)

##### (ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2017										
	Financial assets designated as at fair value through profit or loss			Positive fair value of derivatives	Available-for-sale financial assets			Financial liabilities designated as at fair value through profit or loss		Negative fair value of derivatives	Total liabilities
	Debt securities	Equity instruments and funds	Other debt instruments		Debt securities	Equity instruments and funds	Total assets	Profit or loss			
As at 1 January 2017	8,690	16,132	264,856	466	5,719	9,349	305,212	(708)	(545)	(1,253)	
Total gains or losses:											
In profit or loss	114	162	2,398	(243)	(264)	(46)	2,121	204	242	446	
In other comprehensive income	-	-	-	-	(81)	(50)	(131)	-	-	-	
Purchases	3,546	19,532	396,578	-	715	5,160	425,531	(287)	-	(287)	
Sales and settlements	(2,139)	(13,587)	(538,437)	(124)	(3,250)	(9,994)	(576,531)	319	205	524	
As at 31 December 2017	10,211	22,239	125,395	99	2,839	4,419	165,202	(472)	(98)	(570)	

	2016										
	Financial assets designated as at fair value through profit or loss			Positive fair value of derivatives	Available-for-sale financial assets			Financial liabilities designated as at fair value through profit or loss		Negative fair value of derivatives	Total liabilities
	Debt securities	Equity instruments and funds	Other debt instruments		Debt securities	Equity instruments and funds	Total assets	Profit or loss			
As at 1 January 2016	586	2,326	208,204	883	9,604	5,027	226,630	(519)	(864)	(1,383)	
Total gains or losses:											
In profit or loss	(19)	(113)	7,600	(361)	275	(19)	7,363	55	275	330	
In other comprehensive income	-	-	-	-	424	(34)	390	-	-	-	
Purchases	8,221	20,155	397,871	-	690	9,837	436,774	(369)	-	(369)	
Sales and settlements	(98)	(6,236)	(348,819)	(56)	(5,274)	(5,462)	(365,945)	125	44	169	
As at 31 December 2016	8,690	16,132	264,856	466	5,719	9,349	305,212	(708)	(545)	(1,253)	

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### 65 RISK MANAGEMENT (CONTINUED)

#### (5) Fair value of financial instruments (continued)

##### (c) Financial instruments measured at fair value (continued)

###### (ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2017			2016		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains/(losses)	1,964	603	2,567	7,782	(89)	7,693

##### (d) Financial instruments not measured at fair value

###### (i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments and investment classified as receivables.

*Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements.*

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

*Loans and advances to customers*

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

*Investments*

The following table shows the carrying values and the fair values of investment classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

	2017					2016				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Investment classified as receivables	465,810	480,353	–	466,521	13,832	507,963	512,409	–	358,488	153,921
Held-to-maturity investments	2,586,722	2,535,280	23,186	2,512,094	–	2,438,417	2,494,243	1,351	2,492,892	–
Total	3,052,532	3,015,633	23,186	2,978,615	13,832	2,946,380	3,006,652	1,351	2,851,380	153,921

###### (ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 31 December 2017 was RMB211,511 million (as at 31 December 2016: RMB212,166 million), and their carrying value was RMB203,829 million (as at 31 December 2016: RMB205,383 million). The carrying values of other financial liabilities approximated their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified as the Level 2 of the fair value hierarchy.

## 65 RISK MANAGEMENT (CONTINUED)

### (6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 31 December 2017, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

### (7) Insurance Risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholder's behavior and decision.

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### **65 RISK MANAGEMENT (CONTINUED)**

#### **(8) Capital management**

The Bank has implemented comprehensive capital management, covering capital management policies design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Systematically important domestic banks should also meet the 1% additional capital requirement, with their Common Equity Tier 1 capital. Meanwhile, in accordance with CBRC's "Notice of relevant transitional arrangement for implementation of Measures for Capital Management of Commercial Banks (trial)", a capital conservation buffer will be introduced progressively during the transitional period, which will be raised through Common Equity Tier 1 capital. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure.

## 65 RISK MANAGEMENT (CONTINUED)

### (8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Measures for Capital Management of Commercial Banks (trial)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	2017	2016
<b>Common Equity Tier 1 ratio</b>	(a)(b)(c)	<b>13.09%</b>	12.98%
<b>Tier 1 ratio</b>	(a)(b)(c)	<b>13.71%</b>	13.15%
<b>Total capital ratio</b>	(a)(b)(c)	<b>15.50%</b>	14.94%
 <b>Common Equity Tier 1 capital</b>			
– Qualifying common share capital		<b>250,011</b>	250,011
– Capital reserve	(d)	<b>109,968</b>	132,800
– Surplus reserve		<b>198,613</b>	175,445
– General reserve		<b>259,600</b>	211,134
– Retained earnings		<b>883,184</b>	784,164
– Non-controlling interest recognised in Common Equity Tier 1 capital		<b>3,264</b>	4,069
– Others	(e)	<b>(4,256)</b>	798
 <b>Deductions for Common Equity Tier 1 capital</b>			
– Goodwill	(f)	<b>2,556</b>	2,752
– Other intangible assets (excluding land use rights)	(f)	<b>2,274</b>	2,083
– Cash-flow hedge reserve		<b>320</b>	(150)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		<b>3,902</b>	3,902
 <b>Additional Tier 1 capital</b>			
– Other directly issued qualifying additional Tier 1 instruments including related premium		<b>79,636</b>	19,659
– Non-controlling interest recognised in Additional Tier 1 capital		<b>152</b>	82
 <b>Tier 2 capital</b>			
– Directly issued qualifying Tier 2 instruments including related premium		<b>138,848</b>	155,684
– Provisions in Tier 2	(g)	<b>92,838</b>	58,281
– Non-controlling interest recognised in Tier 2 capital		<b>266</b>	375
 <b>Common Equity Tier 1 capital after deduction</b>	(h)	<b>1,691,332</b>	1,549,834
<b>Tier 1 capital after deduction</b>	(h)	<b>1,771,120</b>	1,569,575
<b>Total capital after deduction</b>	(h)	<b>2,003,072</b>	1,783,915
 <b>Risk-weighted assets</b>	(i)	<b>12,919,980</b>	11,937,774

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### 65 RISK MANAGEMENT (CONTINUED)

#### (8) Capital management (continued)

Notes:

- (a) Since the Half Year report of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.
- (b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total Capital ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.
- (c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).
- (d) Capital reserve includes investment revaluation reserve.
- (e) Others mainly include foreign exchange reserve.
- (f) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
- (g) Since the Half Year report of 2014, eligible excessive loan provisions was measured based on the advanced approach and implemented parallel period rules.
- (h) 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.
- (i) At 31 December 2017, according to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excessive risk-weighted assets due to the application of capital floor.

## 66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	2017	2016
<b>Assets:</b>		
Cash and deposits with central banks	2,973,506	2,842,072
Deposits with banks and non-bank financial institutions	126,766	389,062
Precious metals	157,036	202,851
Placements with banks and non-bank financial institutions	286,797	318,511
Financial assets at fair value through profit or loss	395,536	360,628
Positive fair value of derivatives	75,851	81,425
Financial assets held under resale agreements	194,850	67,391
Interest receivable	111,436	98,040
Loans and advances to customers	12,081,328	11,084,938
Available-for-sale financial assets	1,402,017	1,473,168
Held-to-maturity investments	2,550,066	2,410,110
Investment classified as receivables	575,994	508,363
Investments in subsidiaries	51,660	37,024
Investment in consolidated structured entities	187,486	211,908
Fixed assets	144,042	145,421
Land use rights	13,657	14,277
Intangible assets	1,831	1,588
Deferred tax assets	43,821	28,281
Other assets	91,671	106,344
<b>Total assets</b>	<b>21,465,351</b>	20,381,402
<b>Liabilities:</b>	<b>2017</b>	<b>2016</b>
Borrowings from central banks	546,633	438,660
Deposits from banks and non-bank financial institutions	1,323,371	1,582,881
Placements from banks and non-bank financial institutions	318,488	311,095
Financial liabilities at fair value through profit or loss	413,523	395,769
Negative fair value of derivatives	73,730	83,332
Financial assets sold under repurchase agreements	53,123	170,067
Deposits from customers	16,064,638	15,114,993
Accrued staff costs	29,908	31,779
Taxes payable	51,772	43,653
Interest payable	197,153	210,035
Provisions	8,543	7,336
Debt securities issued	538,989	386,491
Deferred tax liabilities	39	53
Other liabilities	95,324	54,015
<b>Total liabilities</b>	<b>19,715,234</b>	18,830,159

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK  
(CONTINUED)

	2017	2016
<b>Equity:</b>		
Share capital	250,011	250,011
Other equity instruments Preference Shares	79,636	19,659
Capital reserve	135,791	134,520
Investment revaluation reserve	(24,463)	(1,213)
Surplus reserve	198,613	175,445
General reserve	254,864	206,697
Retained earnings	856,109	766,312
Exchange reserve	(444)	(188)
 Total equity	 1,750,117	 1,551,243
 <b>Total liabilities and equity</b>	 21,465,351	 20,381,402

Approved and authorised for issue by the Board of Directors 27 March 2018.

**Wang Ziji**  
*Vice chairman, executive director and president*

**Chung Shui Ming Timpson**  
*Independent non-executive director*

**Carl Walter**  
*Independent non-executive director*

## 66 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	Share capital	Other equity instruments-preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
<b>As at 31 December 2016</b>	250,011	19,659	134,520	(1,213)	175,445	206,697	766,312	(188)	1,551,243
<b>Movements during the year</b>	-	59,977	1,271	(23,250)	23,168	48,167	89,797	(256)	198,874
<b>(1) Total comprehensive income for the year</b>	-	-	1,271	(23,250)	-	-	231,680	(256)	209,445
<b>(2) Changes in share capital</b>									
i Capital injection by other equity holders	-	59,977	-	-	-	-	-	-	59,977
<b>(3) Profit distribution</b>									
i Appropriation to surplus reserve	-	-	-	-	23,168	-	(23,168)	-	-
ii Appropriation to general reserve	-	-	-	-	-	48,167	(48,167)	-	-
iii Dividends paid to ordinary shareholders	-	-	-	-	-	-	(69,503)	-	(69,503)
iv Dividends paid to preference shareholders	-	-	-	-	-	-	(1,045)	-	(1,045)
<b>As at 31 December 2017</b>	250,011	79,636	135,791	(24,463)	198,613	254,864	856,109	(444)	1,750,117

	Share capital	Other equity instruments-preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
<b>As at 31 December 2015</b>	250,011	19,659	135,441	22,549	153,032	182,319	658,545	(1,460)	1,420,096
<b>Movements during the year</b>	-	-	(921)	(23,762)	22,413	24,378	107,767	1,272	131,147
<b>(1) Total comprehensive income for the year</b>	-	-	(921)	(23,762)	-	-	224,128	1,272	200,717
<b>(2) Profit distribution</b>									
i Appropriation to surplus reserve	-	-	-	-	22,413	-	(22,413)	-	-
ii Appropriation to general reserve	-	-	-	-	-	24,378	(24,378)	-	-
iii Dividends paid to ordinary shareholders	-	-	-	-	-	-	(68,503)	-	(68,503)
iv Dividends paid to preference shareholders	-	-	-	-	-	-	(1,067)	-	(1,067)
<b>As at 31 December 2016</b>	250,011	19,659	134,520	(1,213)	175,445	206,697	766,312	(188)	1,551,243

## 67 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

## 68 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the presentation and disclosures in the current period.

## 69 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

## NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

### **70 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2017 and have not been adopted in the financial statements.

Standards	Effective for annual periods beginning on or after
(1) IFRS 9, "Financial Instruments"	1 January 2018
(2) IFRS 15, "Revenue from Contracts with Customers"	1 January 2018
(3) IFRS 16, "Leases"	1 January 2019
(4) IFRS 17, "Insurance Contracts"	1 January 2021

#### **(1) IFRS 9, "Financial Instruments"**

IFRS 9 was issued in July 2014. It will replace the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 has three financial asset classifications categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classifications categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

Credit risk assessment and ECL estimates must reflect unbiased and probability-weighted amounts, and incorporate all available information relevant to the assessments, including reasonable and supportable information on past events, and current and forecasted economic conditions. In addition, ECL estimation should also consider the time value of money. In comparison with IAS 39, IFRS 9 intends impairment recognition and measurement to be more forward-looking.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS39.

The Group estimated that the adoption of IFRS 9 would reduce its net assets by approximately 1% as at 1 January 2018, mainly due to the application of ECL model.

## 70 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

### (2) IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition.

The Group anticipates that adoption of IFRS 15 will not have a significant impact on the Group's consolidated financial statements.

### (3) IFRS 16, "Leases"

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces IAS 17 "Leases", and related interpretations. The Group is currently assessing the impact of IFRS 16 upon initial application.

### (4) IFRS 17, "Insurance Contracts"

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The Group is currently assessing the impact of IFRS 17 upon initial application.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

## 1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the “Bank”) prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the “Group”), in accordance with International Financial Reporting Standards and its interpretations (“IFRS”) promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People’s Republic of China (the “PRC”) and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2017 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively “PRC GAAP and regulations”).

There is no difference in the net profit for the year ended 31 December 2017 or total equity as at 31 December 2017 between the Group’s consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

## 2 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 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

### 3 CURRENCY CONCENTRATIONS (CONTINUED)

	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.

### 4 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				Total
	Banks	Public sector entities	Non-bank private institutions	Others	
Asia Pacific	346,088	93,120	1,055,030	118,362	1,612,600
– of which attributed to Hong Kong	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				Total
	Banks	Public sector entities	Non-bank private institutions	Others	
Asia Pacific	188,101	90,991	1,037,518	85,452	1,402,062
– of which attributed to Hong Kong	43,286	25,919	347,324	1,904	418,433
Europe	29,742	15,499	47,330	–	92,571
North and South America	32,377	99,318	76,207	–	207,902
Total	250,220	205,808	1,161,055	85,452	1,702,535

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

**5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR**

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

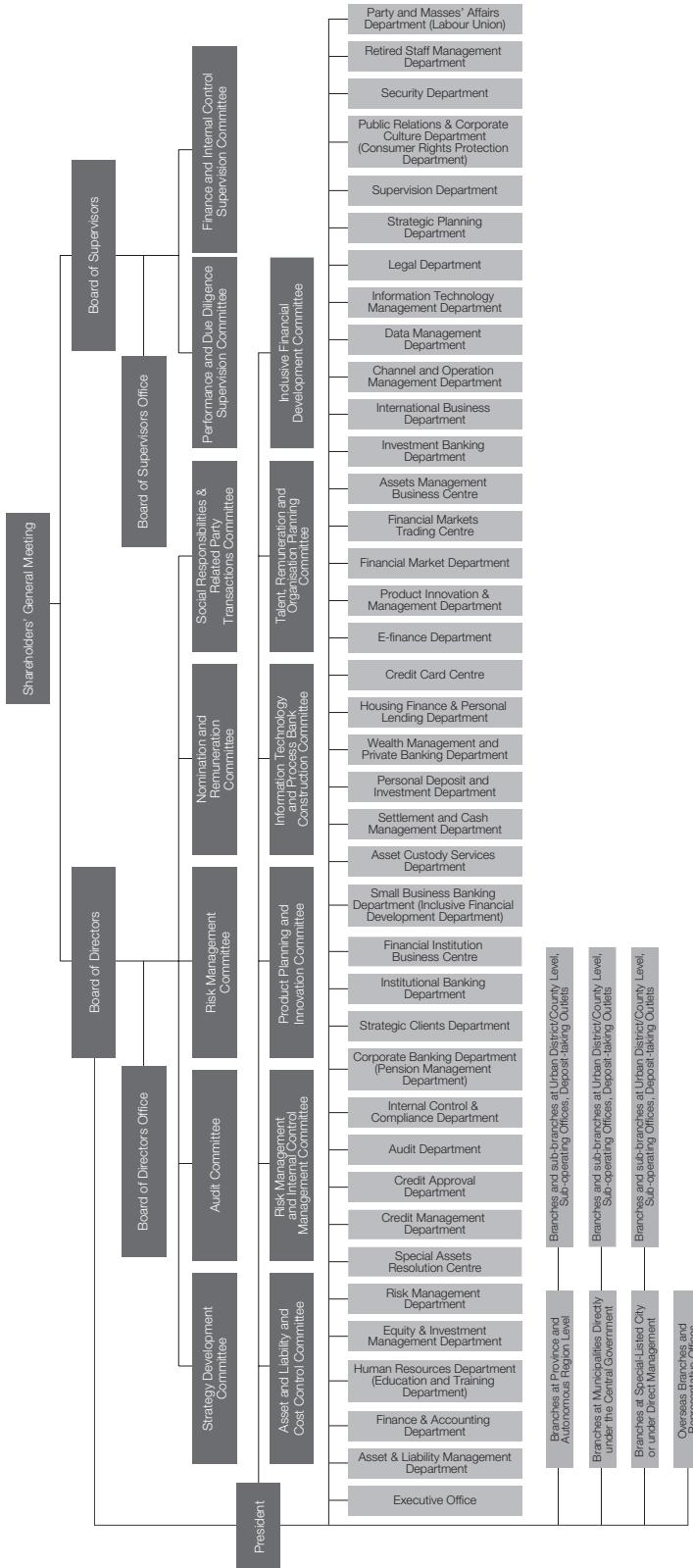
**6 EXPOSURES TO NON-BANKS IN MAINLAND CHINA**

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. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

# ORGANISATIONAL STRUCTURE

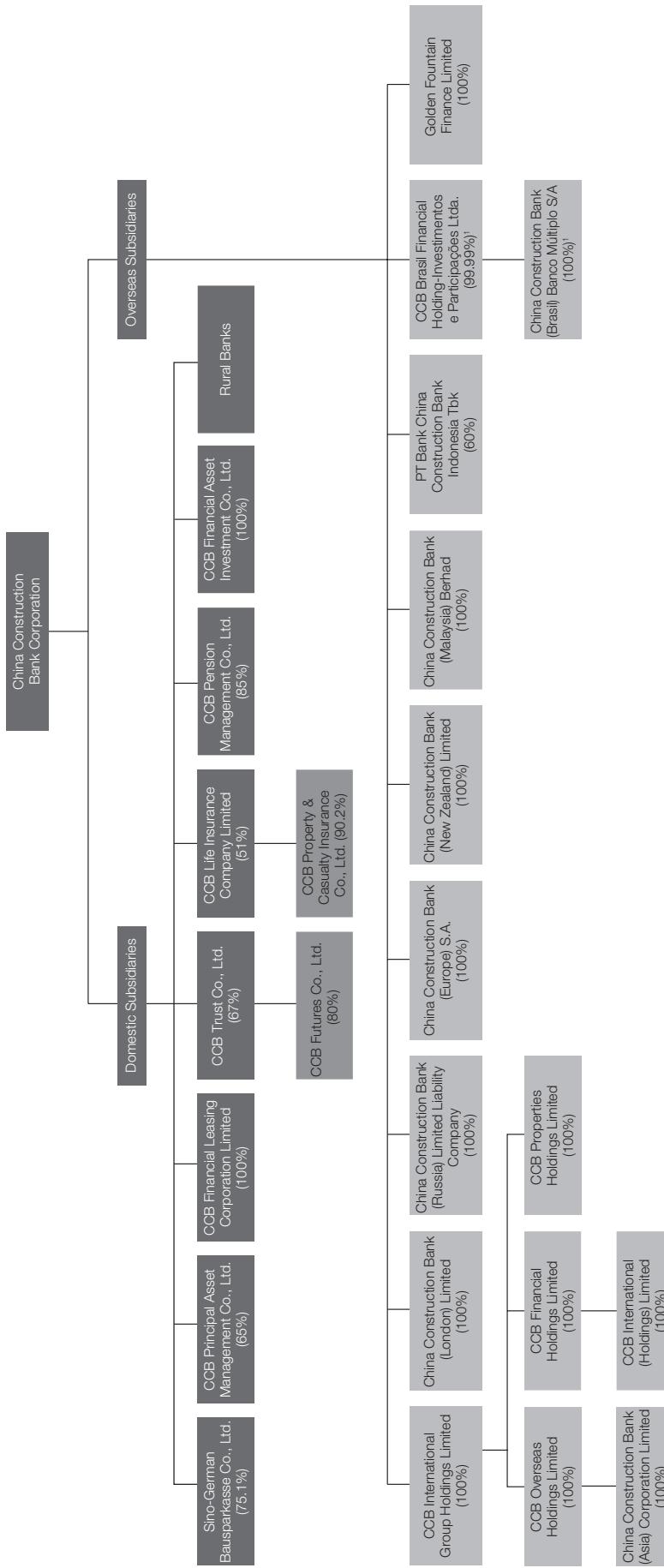
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CCB'S MANAGEMENT STRUCTURE



## ORGANISATIONAL STRUCTURE

### CCB'S EQUITY INVESTMENT STRUCTURE



1. As at 31 December 2017, the Bank held 100% of the total share capital of China Construction Bank (Brasil) Banco Múltiplo S/A, and held 100% of its total issued voting shares.

# BRANCHES AND SUBSIDIARIES

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## TIER-ONE BRANCHES IN MAINLAND CHINA

Branches	Address	Telephone	Facsimile
<b>Anhui Branch</b>	No. 255, Huizhou Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
<b>Beijing Branch</b>	Entry 4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
<b>Chongqing Branch</b>	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
<b>Dalian Branch</b>	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
<b>Fujian Branch</b>	No. 298, Jiangbinzhong Road, Fuzhou Postcode: 350009	(0591) 87838467	(0591) 87856865
<b>Gansu Branch</b>	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
<b>Guangdong Branch</b>	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
<b>Guangxi Branch</b>	No. 90, Minzu Avenue, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
<b>Guizhou Branch</b>	No. 148, Zhonghua North Road, Guiyang Postcode: 550001	(0851) 86696000	(0851) 86696377
<b>Hainan Branch</b>	CCB Plaza, No. 8, Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
<b>Hebei Branch</b>	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 87888866	(0311) 88601001
<b>Henan Branch</b>	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
<b>Heilongjiang Branch</b>	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 53619009	(0451) 53625552
<b>Hubei Branch</b>	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
<b>Hunan Branch</b>	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419910	(0731) 84419141
<b>Jilin Branch</b>	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 80835310	(0431) 88988748
<b>Jiangsu Branch</b>	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316

Branches	Address	Telephone	Facsimile
<b>Jiangxi Branch</b>	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
<b>Liaoning Branch</b>	No. 176, Zhongshan Road, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22857427
<b>Inner Mongolia Branch</b>	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593751	(0471) 4593890
<b>Ningbo Branch</b>	No. 31, Guangji Street, Ningbo Postcode: 315010	(0574) 87313888	(0574) 87325019
<b>Ningxia Branch</b>	No. 98, Nanxun West Street, Yinchuan Postcode: 750001	(0951) 4126111	(0951) 4106165
<b>Qingdao Branch</b>	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
<b>Qinghai Branch</b>	No. 59, West Street, Xining Postcode: 810000	(0971) 8261333	(0971) 8261549
<b>Shandong Branch</b>	No. 178, Luoyuan Street, Jinan Postcode: 250012	(0531) 82088108	(0531) 86169108
<b>Shaanxi Branch</b>	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87617515	(029) 87606014
<b>Shanxi Branch</b>	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
<b>Shanghai Branch</b>	No. 900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
<b>Shenzhen Branch</b>	Block A, Rongchao Business Centre, No.6003 Yitian Road, Futian District, Shenzhen Postcode: 518026	(0755) 23828888	(0755) 23828111
<b>Sichuan Branch</b>	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
<b>Suzhou Branch</b>	No. 18, Suzhou Road West, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
<b>Tianjin Branch</b>	Plus 1 No.19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 23401166	(022) 23401811
<b>Tibet Branch</b>	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6836818
<b>Xiamen Branch</b>	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
<b>Xinjiang Branch</b>	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
<b>Yunnan Branch</b>	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060858	(0871) 63060333
<b>Zhejiang Branch</b>	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

## BRANCHES OUTSIDE MAINLAND CHINA

<b>Chile Branch</b>	Isidora Goyenechea 2800, 30/F, Santiago, Chile Postcode: 7550000 Telephone: (56) 2 27289100
<b>DIFC Branch</b>	31/F, Tower 2, A1 Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE Telephone: (971) 4-5674888 Facsimile: (971) 4-5674777
<b>Frankfurt Branch</b>	Bockenheimer Landstrasse 75, 60325 Frankfurt am Main, Germany Telephone: (49) 69-9714950 Facsimile: (49) 69-97149588, 97149577
<b>Ho Chi Minh City Branch</b>	1105-1106 Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam Telephone: (84) 2-8-38295533 Facsimile: (84) 2-8-38275533
<b>Hong Kong Branch</b>	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39186939 Facsimile: (852) 39186001
<b>Johannesburg Branch</b>	95 Grayston Drive, Morningside, Sandton, South Africa 2196 Telephone: (27) 11-5209400 Facsimile: (27) 11-5209411
<b>Cape Town Branch</b>	15/F, Portside Building, 4 Bree Street, Cape Town, South Africa Telephone: (27) 21-4197300 Facsimile: (27) 21-4433671
<b>London Branch</b>	111 Old Broad Street, London, EC2N 1AP, UK Telephone: (44) 20-70386000 Facsimile: (44) 20-70386001
<b>Luxembourg Branch</b>	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: (352) 286688 Facsimile: (352) 28668801
<b>Macau Branch</b>	5/F, Circle Square, 61 Avenida de Almeida Ribeiro, Macau Telephone: (853) 82911880 Facsimile: (853) 82911804
<b>New York Branch</b>	33/F, 1095 Avenue of the Americas, New York, USA NY 10036 Telephone: (1) 646-7812400 Facsimile: (1) 212-2078288
<b>Seoul Branch</b>	China Construction Bank Tower, 24 Myeongdong 11-gil, Jung-gu, Seoul 04538, Korea Telephone: (82) 2-67303600 Facsimile: (82) 2-67303601
<b>Singapore Branch</b>	9 Raffles Place, #33-01/02, Republic Plaza, Singapore 048619 Telephone: (65) 65358133 Facsimile: (65) 65356533
<b>Sydney Branch</b>	Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia Telephone: (61) 2-80316100 Facsimile: (61) 2-92522779

<b>Brisbane Branch</b>	<i>340 Queen Street, Brisbane, QLD 4000, Australia</i> <i>Telephone: (61) 7-30691900</i> <i>Facsimile: (61) 2-92522779</i>
<b>Melbourne Branch</b>	<i>Level 40, 525 Collins Street, Melbourne, VIC 3000, Australia</i> <i>Telephone: (61) 3-94528500</i> <i>Facsimile: (61) 2-92522779</i>
<b>Perth Branch</b>	<i>Level 9, 32 St Georges Terrace, Perth, WA 6000, Australia</i> <i>Telephone: (61) 8-62463300</i> <i>Facsimile: (61) 2-92522779</i>
<b>Taipei Branch</b>	<i>1/F, No.108, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan</i> <i>Telephone: (886) 2-87292008, (886)-2-87298088</i> <i>Facsimile: (886) 2-27236633, (886)-2-27236611</i>
<b>Tokyo Branch</b>	<i>13F/1F, West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004, Japan</i> <i>Telephone: (81) 3-52935218</i> <i>Facsimile: (81) 3-32145157</i>
<b>Osaka Branch</b>	<i>1/F, Itoh Building, 3-6-14 Minamihonnachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan</i> <i>Telephone: (81) 6-61209080</i> <i>Facsimile: (81) 6-62439080</i>
<b>Toronto Branch</b>	<i>181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3</i> <i>Telephone: (1) 647-7777700</i> <i>Facsimile: (1) 647-7777739</i>
<b>Zurich Branch</b>	<i>Beethovenstrasse 33, 8002 Zurich, Switzerland</i> <i>Telephone: (41) 43-5558800</i> <i>Facsimile: (41) 43-5558898</i>

## SUBSIDIARIES

**CCB Financial Asset Investment Co., Ltd.**

5/F, Block A, Fengming International Building, No.22, Fengsheng Hutong, Xicheng District, Beijing  
Postcode: 100032  
Telephone: (010) 61979444  
Facsimile: (010) 61979481

**CCB Financial Leasing Corporation Limited**

6/F, Building 4, ChangAnXingRong Centre, No. 1, Naoshikou Street, Xicheng District, Beijing  
Postcode: 100031  
Telephone: (010) 67594082/4131  
Facsimile: (010) 66275808/9  
Website: [www.ccbleasing.com](http://www.ccbleasing.com)

**CCB Futures Co., Ltd.**

5/F, No. 99 (CCB Shanghai Tower), Yincheng Road, Pudong New District, Shanghai  
Postcode: 200120  
Telephone: (021) 60635551  
Facsimile: (021) 60635520  
Website: [www.ccbfutures.com](http://www.ccbfutures.com)

**CCB International (Holdings) Limited**

12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong  
Telephone: (852) 39118000  
Facsimile: (852) 25301496  
Website: [www.ccbintl.com.hk](http://www.ccbintl.com.hk)

**CCB Life Insurance Company Limited**

30/F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai  
Postcode: 200120  
Telephone: (021) 60638288  
Facsimile: (021) 60638204  
Website: [www.ccb-life.com.cn](http://www.ccb-life.com.cn)

**CCB Pension Management Co., Ltd.**

11/F, A Section, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing  
Postcode: 100191  
Telephone: (010) 56731294  
Facsimile: (010) 56731202  
Website: [www.ccgpension.com](http://www.ccgpension.com)

**CCB Principal Asset Management Co., Ltd.**

16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing  
Postcode: 100033  
Telephone: (010) 66228888  
Facsimile: (010) 66228889  
Website: [www.ccbfund.cn](http://www.ccbfund.cn)

**CCB Property & Casualty Insurance Co., Ltd.**

19/F-20/F, Borui Building, Jia 26, Dongsanhuanbei Road, Chaoyang District, Beijing  
Postcode: 100026  
Telephone: (010)-85098000  
Facsimile: (010)-85098100/(010)-85098004  
Website: [www.ccbpi.com.cn](http://www.ccbpi.com.cn)

**CCB Trust Co., Ltd.**

10/F, Chang'an Xingrong Centre, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing  
Postcode: 100031  
Telephone: (010) 67596584  
Facsimile: (010) 67596590  
Website: [www.ccbtrust.com.cn](http://www.ccbtrust.com.cn)

<b>China Construction Bank (Asia Corporation Limited</b>	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39186939 Facsimile: (852) 39186001
<b>China Construction Bank (Brasil Banco Múltiplo S/A</b>	Avenida Brigadeiro Faria Lima, 4440, 1-5F, Itaim Bibi – São Paulo – SP04538-132 Postcode: 04538-132 Telephone: (55) 11 2173 9450 Facsimile: (55) 11 2173 9101 Website: <a href="http://www.bicbanco.com.br">www.bicbanco.com.br</a>
<b>China Construction Bank (Europe) S.A.</b>	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: (352) 286688 Facsimile: (352) 28668801
<b>Amsterdam Branch</b>	<i>Claude Debussyalaan 32, 1082MD Amsterdam, the Netherlands</i> Telephone: (31) 0-205047899 Facsimile: (31) 0-205047898
<b>Barcelona Branch</b>	<i>Avenida Diagonal, 640 5a planta D, 08017, Barcelona, Spain</i> Telephone: (34) 935225000 Facsimile: (34) 935225078
<b>Milan Branch</b>	<i>Viale della Liberazione 13, 20124 Milan, Italy</i> Telephone: (39) 02-32163000 Facsimile: (39) 02-58215400
<b>Paris Branch</b>	<i>86-88 bd Haussmann 75008 Paris, France</i> Telephone: (33) 155309908 Facsimile: (33) 155309998
<b>Warsaw Branch</b>	<i>Warsaw Financial Center, ul. Emilii Plater 53, 00-113 Warsaw, Poland</i> Telephone: (48) 22-1666666 Facsimile: (48) 22-1666600
<b>PT Bank China Construction Bank Indonesia Tbk</b>	9/F, Equity Tower, SCBD Lot 9 Jln Jend Sudirman Kav 52-53, Jakarta Postcode: 12190 Telephone: (62) 2151401707 Facsimile: (62) 2151401708/9 Website: <a href="http://www.bankwindu.com">www.bankwindu.com</a>
<b>China Construction Bank (London Limited</b>	111 Old Broad Street, London, EC2N 1AP, UK Telephone: (44) 20-70386000 Facsimile: (44) 20-70386001
<b>China Construction Bank (Malaysia Berhad</b>	P.O. Box 11, Ground & Mezzanine Floor, South Block, Wisma Selangor Dredging, 142A Jalan Ampang, 50450 Kuala Lumpur, Malaysia Postcode: 50450 Telephone: (60) 175732858 Facsimile: (60) 3-27121819
<b>China Construction Bank (New Zealand) Limited</b>	Level 16, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: (64) 9-3388200 Facsimile: (64) 9-3744275
<b>China Construction Bank (Russia Limited Liability Company</b>	Lubyanskiy Proezd, 11/1, Building 1, 101000 Moscow, Russia Telephone: (7) 495-6759800-140 Facsimile: (7) 495-6759810

<b>Sino-German Bausparkasse Co., Ltd.</b>	No.19, Guizhou Road, Heping District, Tianjin Postcode: 300051 Telephone: (022) 58086699 Facsimile: (022) 58086808 Website: <a href="http://www.sgb.cn">www.sgb.cn</a>
<b>Anhui Fanchang Jianxin Rural Bank Company Limited</b>	1/F, Oversea-Chinese International Hotel, Fanyang Town, Fanchang County, Anhui Province Postcode: 241200 Telephone: (0553) 7853939 Facsimile: (0553) 7853939
<b>Chongqing Wanzhou Jianxin Rural Bank Company Limited</b>	Block A, Huanfangqunlou, Across to Sunjashufang and Binjiang Road, Wanzhou District, Chongqing City Postcode: 404000 Telephone: (023) 58690690 Facsimile: (023) 58690692
<b>Hebei Fengning Jianxin Rural Bank Company Limited</b>	No. 5-7, Fengheyuan Community, Xinfeng Road, Dage Town, Fengning County, Hebei Province Postcode: 068350 Telephone: (0314) 5975005 Facsimile: (0314) 5975005
<b>Heilongjiang Zhaodong Jianxin Rural Bank Company Limited</b>	Block E, Jiang Shan Di Jing, Zheng Yang South 15 Road, Zhaodong City, Heilongjiang Province Postcode: 151100 Telephone: (0455) 7917001 Facsimile: (0455) 7917001
<b>Henan Xinye Jianxin Rural Bank Company Limited</b>	North Chaoyang Road, Xinye County, Henan Province Postcode: 473500 Telephone: (0377) 60917789 Facsimile: (0377) 60917111
<b>Hunan Taojiang Jianxin Rural Bank Corporation Limited</b>	Junction of Furong Road and Taohui Road, Taohuaijiang Town, Taojiang County, Hunan Province Postcode: 413400 Telephone: (0737) 8213820 Facsimile: (0737) 8213820
<b>Jiangsu Gaochun Wujiazui Jianxin Rural Bank Company Limited</b>	No. 97, Danyanghu North Road, Chunxi Town, Gaochun County, Jiangsu Province Postcode: 211300 Telephone: (025) 57336988 Facsimile: (025) 57336981
<b>Jiangsu Haimen Jianxin Rural Bank Company Limited</b>	No. 248, Middle Jiefang Road, Haimen Town, Haimen City, Jiangsu Province Postcode: 226100 Telephone: (0513) 81262289 Facsimile: (0513) 81262292
<b>Jiangsu Taixing Jianxin Rural Bank Company Limited</b>	No. 177, Zhongxing Avenue, Taixing City, Jiangsu Province Postcode: 225400 Telephone: (0523) 80737889 Facsimile: (0523) 87091017
<b>Jiangsu Wujin Jianxin Rural Bank Company Limited</b>	No. 104, Hutang Changwu North Road, Wujin District, Changzhou City, Jiangsu Province Postcode: 213161 Telephone: (0519) 86711369 Facsimile: (0519) 86707719

<b>Jiangsu Xishan Jianxin Rural Bank Company Limited</b>	No. 10-20, 21, 22, Youyi South Road, Dongting Street, Xishan District, Wuxi City, Jiangsu Province Postcode: 214101 Telephone: (0510) 88824910 Facsimile: (0510) 88824910
<b>Ningbo Cixi Jianxin Rural Bank Company Limited</b>	No. 1582, Beierhuan East Road, Baishalu Street, Cixi County, Ningbo City, Zhejiang Province Postcode: 315311 Telephone: (0574) 63993505 Facsimile: (0574) 63993506
<b>Ningbo Ninghai Jianxin Rural Bank Company Limited</b>	No. 600, Qixiang North Road, Ninghai County, Ningbo City, Zhejiang Province Postcode: 315600 Telephone: (0574) 82535268 Facsimile: (0574) 82535268
<b>Shaanxi Ansai Jianxin Rural Bank Company Limited</b>	Chengbei District, Ansai County, Shaanxi Province Postcode: 717400 Telephone: (0911) 6211077 Facsimile: (0911) 6211077
<b>Shandong Tengzhou Jianxin Rural Bank Company Limited</b>	No. 42, North Shanguo Road, Tengzhou City, Shandong Province Postcode: 277500 Telephone: (0632) 3598159 Facsimile: (0632) 3598159
<b>Shandong Wendeng Jianxin Rural Bank Company Limited</b>	No. 29, Wenshan East Road, Wendeng City, Shandong Province Postcode: 264400 Telephone: (0631) 8360189 Facsimile: (0631) 8360189
<b>Shandong Zhaoyuan Jianxin Rural Bank Company Limited</b>	Wenfeng Investment Building, Wenquan Road, Zhaoyuan Economic Development Zone, Yantai City, Shandong Province Postcode: 265400 Telephone: (0535) 8063938 Facsimile: (0535) 8255208
<b>Shandong Zhucheng Jianxin Rural Bank Company Limited</b>	No. 39, Xinghua East Road, Zhucheng City, Shandong Province Postcode: 262200 Telephone: (0536) 2160601 Facsimile: (0536) 2160621
<b>Shandong Zoucheng Jianxin Rural Bank Company Limited</b>	No. 518, Taiping East Road, Zoucheng City, Jining City, Shandong Province Postcode: 273500 Telephone: (0537) 5219639 Facsimile: (0537) 5219876
<b>Shanghai Pudong Jianxin Rural Bank Company Limited</b>	No. 26, Beishi Street, Chuansha Town, Pudong New District, Shanghai Postcode: 201200 Telephone: (021) 58385876 Facsimile: (021) 58385938
<b>Suzhou Changshu Jianxin Rural Bank Company Limited</b>	No. 33, North Haiyu Road, Changshu City, Jiangsu Province Postcode: 215500 Telephone: (0512) 51910510 Facsimile: (0512) 51910526

<b>Zhejiang Cangnan Jianxin Rural Bank Corporation Limited</b>	No. 102-104, Building 2 , Yihe City Homeland, Yucang Road, Lingxi Town, Cangnan County, Zhejiang Province Postcode: 325800 Telephone: (0577) 68857896 Facsimile: (0577) 68857893
<b>Zhejiang Chun'an Jianxin Rural Bank Company Limited</b>	No. 15-51, Xin'an South Road, Qiandaohu Town, Chun'an County, Zhejiang Province Postcode: 311700 Telephone: (0571) 65090006 Facsimile: (0571) 65092226
<b>Zhejiang Jiangshan Jianxin Rural Bank Company Limited</b>	No. 56, the First Street, South Hushan Street, Jiangshan County, Zhejiang Province Postcode: 324100 Telephone: (0570) 4037890 Facsimile: (0570) 4037895
<b>Zhejiang Lishui Liandu Jianxin Rural Bank Company Limited</b>	No. 519, Renmin Street, Liandu District, Lishui City, Zhejiang Province Postcode: 323000 Telephone: (0578) 2227227 Facsimile: (0578) 2227228
<b>Zhejiang Qingtian Jianxin Oversea-Chinese Rural Bank Company Limited</b>	No. 59-75, Shengzhi Street, Qingtian County, Zhejiang Province Postcode: 323900 Telephone: (0578) 6812966 Facsimile: (0578) 6812910
<b>Zhejiang Wuyi Jianxin Rural Bank Company Limited</b>	1/F, No. 4 Area, Business Hall, Jiefang Middle Street, Wuyi County, Zhejiang Province Postcode: 321200 Telephone: (0579) 87679091 Facsimile: (0579) 87679091

# APPENDIX: INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF THE BANK

The Group calculated the indicators for assessing global systemic importance of the Bank in accordance with the *Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks issued by the CBRC and Notes for Reporting on the Assessment of Global Systemically Important Banks* of the Basel Committee. The following table sets forth the Group's indicators as at 31 December 2017.

(In billions of RMB)		As at 31 December 2017
No.	Indicator	Amount <sup>3</sup>
1	Total on- and off- balance sheet assets after adjustments <sup>1</sup>	23,565
2	Intra-financial system assets	1,087.3
3	Intra-financial system liabilities	1,686.4
4	Securities outstanding and other financing tools	2,172.2
5	Total payments through payment system and as a correspondent for other banks	337,544.4
6	Assets under custody	9,416.2
7	Securities underwriting activity	1,141.7
8	Notional amount of over-the-counter (OTC) derivatives	5,823.1
9	Trading and available-for-sale securities <sup>2</sup>	590.2
10	Level 3 assets	138.3
11	Cross-jurisdictional claims	677.3
12	Cross-jurisdictional liabilities	1,178.2

1. On-balance sheet assets after adjustments include derivatives using the current exposure approach and other on-balance sheet assets. Off-balance sheet items after adjustments include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet assets.
2. Trading and available-for-sale securities are calculated by netting off the level 1 and level 2 assets, in accordance with the CBRC requirements. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks (Trial)* issued by the CBRC.
3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under regulatory scope of consolidation, which are different from the data under accounting scope of consolidation. The indicators are not comparable to other business statistics as data related to inside transactions are eliminated.

# DEFINITIONS

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

“Bank”	China Construction Bank Corporation
“Baowu Steel Group”	China Baowu Steel Group Corporation Limited
“Basis Point”	A unit that measures the changes of interest and exchange rates, 1% of one percentage point
“Board”	Board of directors
“CBRC”	China Banking Regulatory Commission
“CCB Asia”	China Construction Bank (Asia) Corporation Limited
“CCB Brasil”	China Construction Bank (Brasil) Banco Múltiplo S/A
“CCB Europe”	China Construction Bank (Europe) S.A.
“CCB Financial Leasing”	CCB Financial Leasing Corporation Limited
“CCB Futures”	CCB Futures Co., Ltd.
“CCB Indonesia”	PT Bank China Construction Bank Indonesia Tbk
“CCB International”	CCB International (Holdings) Limited
“CCB Investment”	CCB Financial Asset Investment Co., Ltd.
“CCB Life”	CCB Life Insurance Company Limited
“CCB London”	China Construction Bank (London) Limited
“CCB Malaysia”	China Construction Bank (Malaysia) Berhad
“CCB New Zealand”	China Construction Bank (New Zealand) Limited
“CCB Pension”	CCB Pension Management Co., Ltd.
“CCB Principal Asset Management”	CCB Principal Asset Management Co., Ltd.
“CCB Property & Casualty”	CCB Property & Casualty Insurance Co., Ltd.
“CCB Russia”	China Construction Bank (Russia) Limited Liability Company
“CCB Trust”	CCB Trust Co., Ltd.
“CIC”	China Investment Corporation

"Company Law"	The Company Law of the People's Republic of China
"CSRC"	China Securities Regulatory Commission
"Financial Services for Housing Reform"	A general term for credit activities of money collection, financing, etc., in connection with the reform of housing system
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	Ministry of Finance of the People's Republic of China
"PBC"	People's Bank of China
"PRC GAAP"	<i>Accounting Standards for Business Enterprises</i> promulgated by the MOF on 15 February 2006 and afterwards and other relevant requirements
"RMB"	Renminbi
"SAFE"	State Administration of Foreign Exchange
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Council"	State Council of the People's Republic of China
"State Grid"	State Grid China Co., Ltd.
"Yangtze Power"	China Yangtze Power Co., Limited

# IMPORTANT NOTICE

The Board and the board of supervisors of the Bank and its directors, supervisors and senior management warrant that the information contained in this report is truthful, accurate and complete and there are no false presentations or misleading statements contained in, or material omissions from, this report, and that they assume severally and jointly legal liability.

This annual report and results announcement have been reviewed and approved at the Board meeting of the Bank held on 27 March 2018. All 15 directors of the Bank attended the meeting in person.

The Board proposed a cash dividend of RMB0.291 per share (including tax) for 2017 to all the shareholders.

The financial report of the Group prepared in accordance with PRC GAAP for the year of 2017 has been audited by PricewaterhouseCoopers Zhong Tian LLP, and the financial report of the Group prepared under IFRS has been audited by PricewaterhouseCoopers. Both of them have provided audit report with unqualified audit opinion.

Mr. Tian Guoli, legal representative of the Bank, Mr. Xu Yiming, chief financial officer, and Mr. Fang Qiuyue, general manager of finance & accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, liquidity risk, market risk, operational risk, reputational risk and country risk. We proactively took measures to manage various risks effectively. For more information, please refer to "Risk Management" in the "Management Discussion & Analysis".

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)



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