中国建设银行
China Construction Bank

中國建設銀行股份有限公司

CHINA CONSTRUCTION BANK CORPORATION

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

Stock Code: 939 (Ordinary H-share)

4606 (Offshore Preference Share)

ANNOUNCEMENT OF ANNUAL RESULTS 2018

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the audited results, which have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules of Hong Kong Stock Exchange") and International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2018. The annual results for the year of 2018 have been reviewed by the audit committee of the Bank's board of directors, and the external auditors of the Bank have provided audit report with unqualified audit opinion.

1 FINANCIAL HIGHLIGHTS

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

(Expressed in millions of RMB unless otherwise stated)	2018	2017	Change (%)	2016	2015	2014
For the year						
Net interest income	486,278	452,456	7.48	417,799	457,752	437,398
Net fee and commission income	123,035	117,798	4.45	118,509	113,530	108,517
Other net non-interest income	24,459	23,777	2.87	23,552	15,405	10,825
Operating income	633,772	594,031	6.69	559,860	586,687	556,740
Operating expenses	(174,764)	(167,043)	4.62	(171,515)	(194,826)	(195,988)
Impairment losses	(150,988)	(127,362)	18.55	(93,204)	(93,639)	(61,911)
Profit before tax	308,160	299,787	2.79	295,210	298,497	299,086
Net profit	255,626	243,615	4.93	232,389	228,886	228,247
Net profit attributable to equity shareholders of the Bank	254,655	242,264	5.11	231,460	228,145	227,830
As at 31 December						
Net loans and advances to customers	13,365,430	12,574,473	6.29	11,488,355	10,234,523	9,222,897
Total assets	23,222,693	22,124,383	4.96	20,963,705	18,349,489	16,744,093
Deposits from customers	17,108,678	16,363,754	4.55	15,402,915	13,668,533	12,899,153
Total liabilities	21,231,099	20,328,556	4.44	19,374,051	16,904,406	15,492,245
Total equity	1,991,594	1,795,827	10.90	1,589,654	1,445,083	1,251,848
Total equity attributable to equity shareholders of the Bank	1,976,463	1,779,760	11.05	1,576,500	1,434,020	1,241,510
Share capital	250,011	250,011	-	250,011	250,011	250,011
Common Equity Tier 1 capital after deductions[1]	1,889,390	1,691,332	11.71	1,549,834	1,408,127	1,236,112
Tier 1 capital after deduction[1]	79,720	79,788	(0.09)	19,741	19,720	37
Tier 2 capital after deduction[1]	379,536	231,952	63.63	214,340	222,326	280,161
Total capital after deduction[1]	2,348,646	2,003,072	17.25	1,783,915	1,650,173	1,516,310
Risk-weighted assets[1]	13,659,497	12,919,980	5.72	11,937,774	10,722,082	10,203,754
Per share (In RMB)						
Basic and diluted earnings per share	1.00	0.96	4.17	0.92	0.91	0.91
Final cash dividend proposed after the reporting period	0.306	0.291	5.15	0.278	0.274	0.301
Net assets per share	7.65	6.86	11.52	6.28	5.78	5.01

1. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)* and the advanced capital measurement approaches, and the regulations during the transitional period have been applicable.

Financial ratios (%)	2018	2017	Change +/(-)	2016	2015	2014
Profitability indicators						
Return on average assets[1]	1.13	1.13	-	1.18	1.30	1.42
Return on average equity	14.04	14.80	(0.76)	15.44	17.27	19.74
Net interest spread	2.18	2.10	0.08	2.06	2.46	2.61
Net interest margin	2.31	2.21	0.10	2.20	2.63	2.80
Net fee and commission income to operating income	19.41	19.83	(0.42)	21.17	19.35	19.49
Cost-to-income ratio[2]	26.61	27.15	(0.54)	27.51	27.02	28.92
Capital adequacy indicators						
Common Equity Tier 1 ratio[3]	13.83	13.09	0.74	12.98	13.13	12.11
Tier 1 ratio[3]	14.42	13.71	0.71	13.15	13.32	12.11
Total Capital ratio[3]	17.19	15.50	1.69	14.94	15.39	14.86
Total equity to total assets	8.58	8.12	0.46	7.58	7.88	7.48
Asset quality indicators						
Non-performing loan (NPL) ratio	1.46	1.49	(0.03)	1.52	1.58	1.19
Allowances to NPLs[4]	208.37	171.08	37.29	150.36	150.99	222.33
Allowances to total loans[4]	3.04	2.55	0.49	2.29	2.39	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)* and the advanced capital measurement approaches, and the regulations during the transitional period have been applicable.
4.Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income.

2 Financial statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017	Change(%)
Interest income	811,026	750,154	8.11
Interest expense	(324,748)	(297,698)	9.09
Net interest income	486,278	452,456	7.48
Fee and commission income	138,017	131,322	5.10
Fee and commission expense	(14,982)	(13,524)	10.78
Net fee and commission income	123,035	117,798	4.45
Net trading gain	12,614	4,858	159.65
Dividend income	773	2,195	(64.78)
Net gain/(loss) arising from investment securities	3,444	(835)	(512.46)
Net losses on derecognition of financial assets measured at amortised cost	(2,241)	N/A	N/A
Other operating income, net:			
- Other operating income	35,918	49,009	(26.71)
- Other operating expense	(26,049)	(31,450)	(17.17)
Other operating income, net	9,869	17,559	(43.80)
Operating income	633,772	594,031	6.69
Operating expenses	(174,764)	(167,043)	4.62
	459,008	426,988	7.50
Impairment losses on:			
- Loans and advances to customers	(143,045)	(123,389)	15.93
- Others	(7,943)	(3,973)	99.92
Impairment losses	(150,988)	(127,362)	18.55
Share of profit of associates and joint ventures	140	161	(13.04)
Profit before tax	308,160	299,787	2.79
Income tax expense	(52,534)	(56,172)	(6.48)
Net profit	255,626	243,615	4.93

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017	Change(%)
Other comprehensive income:			
(1)Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	(296)	593	(149.92)
Changes of equity instruments designated as measured at fair value through other comprehensive income	120	N/A	N/A
Others	43	208	(79.33)
Subtotal	(133)	801	(116.60)
(2)Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income	35,887	N/A	N/A
Losses of available-for-sale financial assets arising during the period	N/A	(38,151)	N/A
Income tax impact relating to available-for-sale financial assets	N/A	9,230	N/A
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	303	N/A	N/A
Reclassification adjustments included in profit or loss due to disposals	(149)	N/A	N/A
Reclassification adjustments included in profit or loss	N/A	3,403	N/A
Net (loss)/gain on cash flow hedges	(267)	470	(156.81)
Exchange difference on translating foreign operations	2,573	(4,748)	(154.19)
Subtotal	38,347	(29,796)	(228.70)
Other comprehensive income for the year, net of tax	38,214	(28,995)	(231.80)

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017	Change(%)
Total comprehensive income for the year	293,840	214,620	36.91
Net profit attributable to:			
Equity shareholders of the Bank	254,655	242,264	5.11
Non-controlling interests	971	1,351	(28.13)
	255,626	243,615	4.93
Total comprehensive income attributable to:			
Equity shareholders of the Bank	292,705	213,837	36.88
Non-controlling interests	1,135	783	44.96
	293,840	214,620	36.91
Basic and diluted earnings per share (in RMB Yuan)	1.00	0.96	4.17

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017	Change(%)
Assets:			
Cash and deposits with central banks	2,632,863	2,988,256	(11.89)
Deposits with banks and non-bank financial institutions	486,949	175,005	178.25
Precious metals	33,928	157,036	(78.39)
Placements with banks and non-bank financial institutions	349,727	325,233	7.53
Positive fair value of derivatives	50,601	82,980	(39.02)
Financial assets held under resale agreements	201,845	208,360	(3.13)
Interest receivable	N/A	116,993	
Loans and advances to customers	13,365,430	12,574,473	6.29
Financial investments			
Financial assets measured at fair value through profit or loss	731,217	578,436	26.41
Financial assets measured at amortised cost	3,272,514	N/A	N/A
Financial assets measured at fair value through other comprehensive income	1,711,178	N/A	N/A
Available-for-sale financial assets	N/A	1,550,680	N/A
Held-to-maturity investments	N/A	2,586,722	N/A
Investments classified as receivables	N/A	465,810	N/A
Long-term equity investments	8,002	7,067	13.23
Fixed assets	169,574	169,679	(0.06)
Land use rights	14,373	14,545	(1.18)
Intangible assets	3,622	2,752	31.61
Goodwill	2,766	2,751	0.55
Deferred tax assets	58,730	46,189	27.15
Other assets	129,374	71,416	81.16
Total assets	23,222,693	22,124,383	4.96

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017	Change(%)
Liabilities:			
Borrowings from central banks	554,392	547,287	1.30
Deposits from banks and non-bank financial institutions	1,427,476	1,336,995	6.77
Placements from banks and non-bank financial institutions	420,221	383,639	9.54
Financial liabilities measured at fair value through profit or loss	431,334	414,148	4.15
Negative fair value of derivatives	48,525	79,867	(39.24)
Financial assets sold under repurchase agreements	30,765	74,279	(58.58)
Deposits from customers	17,108,678	16,363,754	4.55
Accrued staff costs	36,213	32,632	10.97
Taxes payable	77,883	54,106	43.95
Interest payable	N/A	199,588	N/A
Provisions	37,928	10,581	258.45
Debt securities issued	775,785	596,526	30.05
Deferred tax liabilities	485	389	24.68
Other liabilities	281,414	234,765	19.87
Total liabilities	21,231,099	20,328,556	4.44

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017	Change(%)
Equity:			
Share capital	250,011	250,011	-
Other equity instruments			
Preference Shares	79,636	79,636	-
Capital reserve	134,537	135,225	(0.51)
Investment revaluation reserve	-	(26,004)	
Other comprehensive income	18,451	-	
Surplus reserve	223,231	198,613	12.39
General reserve	279,725	259,680	7.72
Retained earnings	990,872	886,921	11.72
Exchange reserve	-	(4,322)	
Total equity attributable to equity shareholders of the Bank	1,976,463	1,779,760	11.05
Non-controlling interests	15,131	16,067	(5.83)
Total equity	1,991,594	1,795,827	10.90
Total liabilities and equity	23,222,693	22,124,383	4.96

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank										
	Share capital	Other equity instruments -preference shares	Capital reserve	Investment revaluation reserve	Other comprehe -nsive income	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2017	250,011	79,636	135,225	(26,004)	-	198,613	259,680	886,921	(4,322)	16,067	1,795,827
Changes in accounting policies	-	-	(688)	26,004	(19,599)	-	-	(29,352)	4,322	(138)	(19,451)
As at 1 January 2018	250,011	79,636	134,537	-	(19,599)	198,613	259,680	857,569	-	15,929	1,776,376
Movements during the year	-	-	-	-	38,050	24,618	20,045	133,303	-	(798)	215,218
(1) Total comprehensive income for the year	-	-	-	-	38,050	-		254,655	-	1,135	293,840
(2) Changes in share capital											
i Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(8)	(8)
ii Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	-	-	(138)	(138)
iii Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(1,667)	(1,667)
(3) Profit distribution											
i Appropriation to surplus reserve	-	-	-	-	-	24,618	-	(24,618)	-	-	-
ii Appropriation to general reserve	-	-	-	-	-	-	20,045	(20,045)	-	-	-
iii Appropriation to ordinary shareholders	-	-	-	-	-	-	-	(72,753)	-	-	(72,753)
iv Dividends paid to preference shareholders	-	-	-	-	-	-	-	(3,936)	-	-	(3,936)
v Dividends paid to non-controlling interests	-	-	-	-	-	-	-		-	(120)	(120)
As at 31 December 2018	250,011	79,636	134,537	-	18,451	223,231	279,725	990,872	-	15,131	1,991,594

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

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

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017
Cash flows from operating activities		
Profit before tax	308,160	299,787
Adjustments for:		
- Impairment losses	150,988	127,362
- Depreciation and amortisation	17,874	17,414
- Interest income from impaired financial assets	(3,312)	(3,182)
- Revaluation (gain)/loss on financial instruments at fair value through profit or loss	(144)	32
- Share of profit of associates and joint ventures	(140)	(161)
- Dividend income	(773)	(2,195)
- Unrealised foreign exchange gain	(6,981)	(531)
- Interest expense on bonds issued	12,975	
- Net (gain)/loss on disposal of investment securities	(3,444)	835
- Net gain on disposal of fixed assets and other long-term assets	(135)	(138)
	475,068	451,333

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017
Cash flows from operating activities (continued)		
Changes in operating assets:		
Net decrease in deposits with central banks and with banks and non-bank financial institutions	367,756	32,837
Net (increase)/decrease in placements with banks and non-bank financial institutions	(50,390)	47,448
Net increase in loans and advances to customers	(852,702)	(1,299,971)
Net decrease/(increase) in financial assets held under resale agreements	6,778	(105,468)
Net increase in financial assets measured at fair value through profit or loss	(35,256)	(92,424)
Net decrease in other operating assets	47,322	56,768
	(516,492)	(1,360,810)
Changes in operating liabilities:		
Net (decrease)/increase in borrowings from central banks	(3,121)	110,473
Net increase in placements from banks and non-bank financial institutions	16,211	79,857
Net increase in deposits from customers and from banks and non-bank financial institutions	602,520	766,290
Net decrease in financial assets sold under repurchase agreements	(44,616)	(115,297)
Net increase in certificates of deposit issued	40,963	141,011
Income tax paid	(49,174)	(54,551)
Net increase in financial liabilities measured at fair value through profit or loss	11,922	18,588
Net increase in other operating liabilities	82,550	42,196
	657,255	988,567
Net cash from operating activities	615,831	79,090

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017
Cash flows from investing activities		
Proceeds from sale and redemption of financial investments	1,202,207	1,446,732
Dividends received	1,037	2,237
Proceeds from disposal of fixed assets and other long-term assets	2,612	2,911
Purchase of investment securities	(1,553,492)	(1,525,529)
Purchase of fixed assets and other long-term assets	(20,783)	(22,263)
Acquisition of subsidiaries, associates and joint ventures	(1,360)	(1,544)
Net cash used in investing activities	(369,779)	(97,456)
Cash flows from financing activities		
Issue of bonds	123,524	34,989
Capital contribution by non-controlling interests	-	3,569
Contribution by preference shareholders	-	59,977
Consideration paid for acquisition of non-controlling interests	(138)	-
Dividends paid	(76,811)	(70,688)
Repayment of borrowings	(6,319)	(6,347)
Interest paid on bonds issued	(11,335)	(12,708)
Net cash from financing activities	28,921	8,792

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2018	2017
Effect of exchange rate changes on cash and cash equivalents	14,390	(18,211)
Net increase/(decrease) in cash and cash equivalents	289,363	(27,785)
Cash and cash equivalents as at 1 January	571,339	599,124
Cash and cash equivalents as at 31 December	860,702	571,339
Cash flows from operating activities include:		
Interest received	825,909	730,411
Interest paid, excluding interest expense on bonds issued	(308,323)	(297,536)

Notes:

(1) The financial statements of the Group for the year ended 31 December 2018 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. These financial statements also comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622), and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Except for the new or revised IFRS and Interpretations effective for the year ended 31 December 2018 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2017.

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

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

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

	2018	2017
Net gain related to financial assets designated as measured at fair value through profit or loss	15,567	N/A
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(14,761)	N/A
Net gain related to other financial assets measured at fair value through profit or loss	1,938	N/A
Net gain related to financial assets measured at fair value through other comprehensive income	499	N/A
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	204	(4,048)
Net gain on sale of available-for-sale financial assets	N/A	2,549
Net gain on sale of held-to-maturity investments	N/A	278
Net gain on sale of receivables	N/A	33
Others	(3)	353
Total	3,444	(835)

(6) Operating expenses

	2018	2017
Staff costs		
- Salaries, bonuses, allowances and subsidies	66,788	64,274
- Other social insurance and welfare	11,187	10,213
- Housing funds	6,390	6,214
- Union running costs and employee education costs	2,820	2,609
- Defined contribution plans	14,850	12,923
- Early retirement expenses	20	37
- Compensation to employees for termination of employment relationship	2	4
	102,057	96,274
Premises and equipment expenses		
- Depreciation charges	15,447	14,049
- Rent and property management expenses	9,926	9,578
- Maintenance	3,000	2,882
- Utilities	1,953	1,988
- Others	2,064	1,988
	32,390	30,485
Taxes and surcharges	6,132	5,767
Amortisation expenses	2,427	2,306
Audit fees	162	172
Other general and administrative expenses	31,596	32,039
Total	174,764	167,043

(7) Income tax expense

a. Income tax expense

	2018	2017
Current tax	72,531	63,737
- Mainland China	69,949	60,753
- Hong Kong	1,444	1,377
- Other countries and regions	1,138	1,607
Adjustments for prior years	(1,928)	(352)
Deferred tax	(18,069)	(7,213)
Total	52,534	56,172

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.

b. Reconciliation between income tax expense and accounting profit

	Note	2018	2017
Profit before tax		308,160	299,787
Income tax calculated at 25% statutory tax rate		77,040	74,947
Effects of different applicable rates of tax prevailing in other countries/regions		(740)	(573)
Non-deductible expenses	(i)	9,212	9,340
Non-taxable income	(ii)	(31,050)	(27,190)
Adjustments on income tax for prior years which affect profit or loss		(1,928)	(352)
Income tax expense		52,534	56,172

(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.

(8) Earnings per share

Basic earnings per share for the year ended 31 December 2018 and 2017 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 2018 and 2017, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2018	2017
Net profit attributable to equity shareholders of the Bank	254,655	242,264
Less: profit for the year attributable to preference shareholders of the Bank	(3,936)	(1,045)
Net profit attributable to ordinary shareholders of the Bank	250,719	241,219
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)	1.00	0.96
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	1.00	0.96

(9) Derivatives and hedge accounting

a. Analysed by type of contract

	Note	2018			2017		
		Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		302,322	1,998	1,902	332,480	980	487
Exchange rate contracts		4,947,440	47,749	44,772	5,307,995	78,909	78,581
Other contracts	*(a)*	89,325	854	1,851	182,632	3,091	799
Total		5,339,087	50,601	48,525	5,823,107	82,980	79,867

b. Analysed by credit risk-weighted assets

	Note	2018	2017
Counterparty credit default risk-weighted assets			
- Interest rate contracts		1,365	651
- Exchange rate contracts		21,402	47,728
- Other contracts	*(a)*	2,276	5,395
Subtotal		25,043	53,774
Credit value adjustment		12,493	20,545
Total		37,536	74,319

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 rules set out by the CBIRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of counterparty status and maturity characteristic, and back-to-back client-driven transactions.

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

(9) Derivatives and hedge accounting (continued)

c. Hedge accounting

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

	2018			2017		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	46,452	559	(88)	49,087	469	(98)
Foreign exchange swaps	-	-	-	325	12	-
Cross currency swaps	344	17	-	-	-	-
Cash flow hedges						
Foreign exchange swaps	45,146	324	(330)	33,193	1,051	(418)
Foreign exchange forwards	-	-	-	51,684	918	(69)
Cross currency swaps	4,007	238	(6)	-	-	-
Interest rate swaps	17,156	37	(79)	-	-	-
Total	113,105	1,175	(503)	134,289	2,450	(585)

(a) Fair value hedge

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, certificates of deposit issued, deposits from customers and non-bank financial institutions, and loans and advances to customers arising from changes in interest rates and exchange rates.

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

	2018	2017
Net gains/(losses) on		
- hedging instruments	72	(77)
- hedged items	(69)	71

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the year ended 31 December 2018 and 2017.

(b) Cash flow hedge

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of deposits from customers and non-bank financial institutions, loans and advances to customers, certificates of deposit issued, placement from banks and non-bank financial institutions and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2018, the Group's net loss from the cash flow hedge of RMB267 million were recognised in other comprehensive income (2017: net gain from the cash flow hedge of RMB470 million) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial.

(10) Deposits from customers

	2018	2017
Demand deposits		
- Corporate customers	5,922,676	5,767,595
- Personal customers	3,313,664	3,204,950
Subtotal	9,236,340	8,972,545
Time deposits (including call deposits)		
- Corporate customers	3,037,130	3,312,456
- Personal customers	4,657,959	4,078,753
Subtotal	7,695,089	7,391,209
Accrued interest	177,249	N/A
Total	17,108,678	16,363,754

Deposits from customers include:

		2018	2017
a.	Pledged deposits		
	- Deposits for acceptance	63,385	83,365
	- Deposits for guarantee	76,609	97,050
	- Deposits for letter of credit	19,260	22,491
	- Others	170,860	290,235
	Total	330,114	493,141
b.	Outward remittance and remittance payables	15,341	29,635

(11) Commitments and contingent liabilities

a. 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.

	2018	2017
Loan commitments		
- with an original maturity within one year	150,257	192,768
- with an original maturity of one year or over	306,838	396,467
Credit card commitments	923,508	801,618
	1,380,603	1,390,853
Bank acceptances	230,756	276,629
Financing guarantees	51,422	60,821
Non-financing guarantees	1,006,748	898,422
Sight letters of credit	34,159	41,216
Usance letters of credit	130,195	266,865
Others	14,841	94,366
Total	2,848,724	3,029,172

b. 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.

	2018	2017
Credit risk-weighted amount of contingent liabilities and commitments	985,503	1,110,481

(11) Commitments and contingent liabilities (continued)

c. 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:

	2018	2017
Within one year	6,353	5,720
After one year but within two years	4,876	4,289
After two years but within three years	3,571	3,024
After three years but within five years	4,175	3,350
After five years	3,376	2,423
Total	22,351	18,806

d. Capital commitments

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

	2018	2017
Contracted for	11,792	5,882

(11) Commitments and contingent liabilities (continued)

e. Underwriting obligations

As at 31 December 2018, there was no unexpired underwriting commitment of the Group (as at 31 December 2017: nil).

f. 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 2018, were RMB81,331 million (as at 31 December 2017: RMB79,431 million).

g. Outstanding litigation and disputes

As at 31 December 2018, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,070 million (as at 31 December 2017: RMB10,499 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

h. Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(12) Operating segments

The Group 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, Auckland 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.

a. 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, Auckland 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.

(12) Operating segments (continued)

a. Geographical segments (continued)

	2018								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	56,645	52,140	41,781	59,244	56,944	14,066	188,612	16,846	486,278
Internal net interest income/(expense)	19,917	15,545	32,295	26,350	24,542	10,289	(123,248)	(5,690)	-
Net interest income	76,562	67,685	74,076	85,594	81,486	24,355	65,364	11,156	486,278
Net fee and commission income	16,983	17,338	17,995	15,775	10,535	4,178	36,987	3,244	123,035
Net trading gain/(loss)	369	608	408	336	257	58	11,250	(672)	12,614
Dividend income	112	7	1	52	10	-	60	531	773
Net (loss)/gain arising from investment securities	(1,367)	(571)	(504)	29	(103)	(37)	4,157	1,840	3,444
Net gain/(loss) on derecognition of financial assets measured at amortised cost	13	-	-	1	-	-	(2,391)	136	(2,241)
Other operating (expense)/income, net	(410)	574	2,138	516	2,245	107	(17)	4,716	9,869
Operating income	92,262	85,641	94,114	102,303	94,430	28,661	115,410	20,951	633,772
Operating expenses	(27,709)	(22,399)	(26,989)	(30,949)	(29,138)	(11,302)	(18,254)	(8,024)	(174,764)
Impairment losses	(14,799)	(14,364)	(33,980)	(30,650)	(22,661)	(16,577)	(15,584)	(2,373)	(150,988)
Share of profit/(loss) of associates and joint ventures	-	-	1	427	-	-	-	(288)	140
Profit before tax	49,754	48,878	33,146	41,131	42,631	782	81,572	10,266	308,160
Capital expenditure	1,530	1,874	3,917	2,987	2,240	1,261	2,112	2,944	18,865
Depreciation and amortisation	2,594	1,819	2,583	3,536	2,837	1,495	2,522	488	17,874

	2018								
Segment assets	4,552,907	3,568,920	5,294,858	4,200,214	3,448,750	1,179,534	9,090,812	1,693,490	33,029,485
Long-term equity investments	1	-	6	6,966	-	-	-	1,029	8,002
	4,552,908	3,568,920	5,294,864	4,207,180	3,448,750	1,179,534	9,090,812	1,694,519	33,037,487
Deferred tax assets									58,730
Elimination									(9,873,524)
Total assets									23,222,693
Segment liabilities	4,545,367	3,572,390	5,280,416	4,208,014	3,453,631	1,189,598	7,280,378	1,574,344	31,104,138
Deferred tax liabilities									485
Elimination									(9,873,524)
Total liabilities									21,231,099
Off-balance sheet credit commitments	512,137	461,552	653,558	495,996	378,075	143,531	100	203,775	2,848,724

(12) Operating segments (continued)

a. Geographical segments (continued)

	2017								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	48,813	44,573	38,519	52,282	53,586	12,290	186,954	15,439	452,456
Internal net interest income/(expense)	23,973	19,223	33,632	28,890	25,935	11,576	(136,706)	(6,523)	-
Net interest income	72,786	63,796	72,151	81,172	79,521	23,866	50,248	8,916	452,456
Net fee and commission income	17,095	15,584	18,332	16,872	11,383	3,813	31,780	2,939	117,798
Net trading gain/(loss)	1,022	1,567	637	362	407	189	(1,392)	2,066	4,858
Dividend income	1,288	5	-	189	11	-	245	457	2,195
Net gain/(loss) arising from investment securities	481	-	35	658	199	-	(2,846)	638	(835)
Other operating income, net	58	790	1,569	561	2,625	149	3,394	8,413	17,559
Operating income	92,730	81,742	92,724	99,814	94,146	28,017	81,429	23,429	594,031
Operating expenses	(25,727)	(21,426)	(26,204)	(30,140)	(27,754)	(11,324)	(16,748)	(7,720)	(167,043)
Impairment losses	(13,724)	(16,877)	(31,377)	(21,669)	(20,555)	(14,243)	(5,324)	(3,593)	(127,362)
Share of profit of associates and joint ventures	-	-	-	100	-	-	-	61	161
Profit before tax	53,279	43,439	35,143	48,105	45,837	2,450	59,357	12,177	299,787
Capital expenditure	1,932	1,916	7,655	2,666	2,006	1,054	1,687	6,209	25,125
Depreciation and amortisation	2,581	1,750	3,166	3,343	2,704	1,417	1,624	829	17,414
	2017								
Segment assets	4,687,992	3,479,166	4,916,680	4,058,155	3,294,459	1,100,318	8,672,547	1,723,881	31,933,198
Long-term equity investments	1	-	-	4,904	-	-	-	2,162	7,067
	4,687,993	3,479,166	4,916,680	4,063,059	3,294,459	1,100,318	8,672,547	1,726,043	31,940,265
Deferred tax assets									46,189
Elimination									(9,862,071)
Total assets									22,124,383
Segment liabilities	4,675,179	3,479,313	4,887,516	4,058,490	3,303,501	1,110,903	7,050,551	1,624,785	30,190,238
Deferred tax liabilities									389
Elimination									(9,862,071)
Total liabilities									20,328,556
Off-balance sheet credit commitments	600,582	422,504	767,363	492,226	348,508	155,452	-	242,537	3,029,172

(12) Operating segments (continued)

b. Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

(12) Operating segments (continued)

b. Business segments (continued)

	2018				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	171,838	123,046	170,952	20,442	486,278
Internal net interest income/(expense)	65,135	59,385	(116,334)	(8,186)	-
Net interest income	236,973	182,431	54,618	12,256	486,278
Net fee and commission income	28,713	72,303	12,251	9,768	123,035
Net trading (loss)/gain	(285)	(91)	4,652	8,338	12,614
Dividend income	-	-	-	773	773
Net (loss)/gain arising from investment securities	(3,929)	(4,373)	15,220	(3,474)	3,444
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(2,691)	184	116	150	(2,241)
Other operating income, net	13	619	8,511	726	9,869
Operating income	258,794	251,073	95,368	28,537	633,772
Operating expenses	(64,005)	(85,083)	(11,014)	(14,662)	(174,764)
Impairment losses	(120,621)	(26,256)	381	(4,492)	(150,988)
Share of profit of associates and joint ventures	-	-	-	140	140
Profit before tax	74,168	139,734	84,735	9,523	308,160
Capital expenditure	5,616	8,076	955	4,218	18,865
Depreciation and amortisation	6,535	9,399	1,111	829	17,874
	2018				
Segment assets	7,555,369	6,043,043	8,252,601	1,526,264	23,377,277
Long-term equity investments	-	-	-	8,002	8,002
	7,555,369	6,043,043	8,252,601	1,534,266	23,385,279
Deferred tax assets					58,730
Elimination					(221,316)
Total assets					23,222,693
Segment liabilities	10,098,929	8,256,278	1,058,771	2,037,952	21,451,930
Deferred tax liabilities					485
Elimination					(221,316)
Total liabilities					21,231,099
Off-balance sheet credit commitments	1,771,513	873,436	-	203,775	2,848,724

(12) Operating segments (continued)

b. Business segments (continued)

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

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

3 Unaudited supplementary financial information

3.1 Liquidity coverage ratio and net stable funding ratio

	Fourth quarter of 2018	Third quarter of 2018	Second quarter of 2018	First quarter of 2018
Liquidity coverage ratio	140.78%	132.11%	137.68%	135.83%

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.

According to the regulatory requirements, definitions and accounting standards applicable in the current period, as at the end of December 2018, the Group's available stable funding was RMB15,994,683million against the required stable funding of RMB12,650,978 million, and the Bank thus met the regulatory requirements with a net stable funding ratio of 126.43%.

3.2 Currency concentrations

	2018			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,053,925	336,580	402,370	1,792,875
Spot liabilities	(1,029,400)	(371,917)	(291,300)	(1,692,617)
Forward purchases	2,765,210	181,417	205,064	3,151,691
Forward sales	(2,760,568)	(106,381)	(296,062)	(3,163,011)
Net options position	(13,216)	16	-	(13,200)
Net long position	15,951	39,715	20,072	75,738
Net structural position	37,835	2,131	(15,523)	24,443

3 Unaudited supplementary financial information (continued)

3.2 Currency concentrations (continued)

	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

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

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

3 Unaudited supplementary financial information (continued)

3.3 International claims

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

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

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

	2018				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	414,821	88,488	849,512	7,726	1,360,547
- of which attributed to Hong Kong	76,294	34,337	142,935	1,791	255,357
Europe	28,634	30,677	48,577	764	108,652
North and South America	23,568	129,100	77,530	16,593	246,791
Total	467,023	248,265	975,619	25,083	1,715,990

	2017				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	346,088	93,120	1,055,030	118,362	1,612,600
- of which attributed to 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

3.4 Overdue loans and advances to customers by geographical sector

	2018	2017
Central	21,981	20,327
Western	22,512	19,555
Bohai Rim	22,079	18,824
Yangtze River Delta	17,528	18,205
Pearl River Delta	14,564	17,965
Northeastern	13,512	11,247
Head office	6,730	5,223
Overseas	1,770	1,136
Total	120,676	112,482

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

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

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

3.5 Exposures to non-banks in Mainland China

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2018, substantial amounts of the Bank’s exposures arose from businesses with Mainland China entities or individuals.

4 MANAGEMENT DISCUSSION & ANALYSIS

4.1 FINANCIAL REVIEW

In 2018, the global economy maintained its overall growth, but at a slower pace, and became less synchronised. The US economy experienced a strong growth, but began to exhibit signs of slowing down. The growth of the Eurozone continued to level off. The Japanese economy underwent increased fluctuations. The UK economy continued its low growth and face Brexit uncertainties. The performance of emerging economies continued to diverge. The financial markets were experiencing greater volatilities and the economies were subject to greater downside risks, due to global trade frictions and changes in financial environments.

In 2018, China's economy maintained stable development on the whole and the economic structure continued to improve. The service industry continued its stable and moderately fast development; consumptions made greater contributions to the economic growth; imports and exports both maintained relatively fast growth; and the price level remained stable. In 2018, China's GDP reached RMB90.03 trillion, up by 6.6% year on year; the total volume of imports and exports increased by 9.7% year on year; the consumer price index grew by 2.1% year on year; and the producer price index rose by 3.5%.

China's money markets and bond markets maintained overall stable operations, while the stock markets experienced relatively drastic fluctuations. Compared to the the previous year, the interest rates in the money market dropped, while the trading volume increased rapidly; the interest rates of bonds issued fell, but volume of issuance increased; the stock indices dipped, and the trading volume and the funds raised decreased; the asset growth rate in the insurance sector levelled off.

In 2018, CBIRC took a series of robust measures to redress market irregularities and Internet finance risks, and restore proper order in the financial markets. With the implementation of the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions and detailed rules, commercial banks accelerated their pace in setting up asset management subsidiaries and a new paradigm in the asset management sector began to take shape. The release of policies for promoting capital instrument innovations in the banking sector enabled the banking industry to move forward steadily with more diversified capital replenishment channels. China's banking industry continued to grow in scale, as the overall credit quality remained stable, the overall market liquidity remained solid and the industry's capability to mitigate risks continued to improve.

The Group has stayed committed to prudent operations and innovation-driven development, and its efforts have delivered solid results. It achieved balanced growth in its assets and liabilities and organic growth in capital base during the year, as its asset quality and profitability continued to improve.

4.1.1 Statement of Comprehensive Income Analysis

In 2018, the profitability of the Group achieved steady growth with profit before tax of RMB308,160 million, an increase of 2.79% over 2017, and net profit of RMB255,626 million, an increase of 4.93% over 2017. Key factors affecting the Group's profitability are as follows. First, net interest income increased by RMB33,822 million, or 7.48% over 2017, mainly thanks to moderate increase in interest-earning assets, deposit reserve ratio cuts, increase in return on assets and structure optimisation, among other factors. Second, net fee and commission income increased by RMB5,237 million, or 4.45% over 2017 despite negative impact from the market environment and regulatory policies, partly due to the fast growth in income from credit card business and electronic finance. Third, the Group continued to improve its cost management and optimised its expenses structure. Operating expenses increased by 4.62% over 2017, matching the growth rate of profitability. Cost-to-income ratio remained solid at 26.61%, down by 0.54 percentage points from 2017. In line with its prudent approach, the Group made sufficient provisions for impairment losses on loans and advances, resulting in an impairment loss charge of RMB150,988 million, an increase of 18.55% over 2017.

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)	**2018**	**2017**	**Change (%)**
Net interest income	486,278	452,456	7.48
Net non-interest income	147,494	141,575	4.18
- Net fee and commission income	123,035	117,798	4.45
Operating income	633,772	594,031	6.69
Operating expenses	(174,764)	(167,043)	4.62
Impairment losses	(150,988)	(127,362)	18.55
Share of profit of associates and joint ventures	140	161	(13.04)
Profit before tax	308,160	299,787	2.79
Income tax expense	(52,534)	(56,172)	(6.48)
Net profit	255,626	243,615	4.93

Net interest income

In 2018, the Group's net interest income amounted to RMB486,278 million, an increase of RMB33,822 million, or 7.48% over 2017. The net interest income accounted for 76.73% 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)	2018			2017		
	Average balance	**Interest income/ expense**	**Average yield/cost (%)**	**Average balance**	**Interest income/ expense**	**Average yield/cost (%)**
Assets						
Gross loans and advances to customers	13,071,979	566,942	4.34	12,332,949	515,427	4.18
Financial investments	4,595,289	172,147	3.75	4,567,181	170,713	3.74
Deposits with central banks	2,543,067	38,892	1.53	2,847,380	43,027	1.51
Deposits and placements with banks and non-bank financial institutions	717,699	23,996	3.34	578,376	15,279	2.64
Financial assets held under resale agreements	316,993	9,049	2.85	191,028	5,708	2.99
Total interest-earning assets	21,245,027	811,026	3.82	20,516,914	750,154	3.66
Total allowances for impairment losses	(384,314)			(304,369)		
Non-interest-earning assets	2,037,521			1,895,179		
Total assets	22,898,234	811,026		22,107,724	750,154	
Liabilities						
Deposits from customers	16,711,441	232,877	1.39	16,037,819	213,313	1.33
Deposits and placements from banks and non-bank financial institutions	1,840,607	50,125	2.72	1,875,668	46,621	2.49
Debt securities issued	682,886	24,735	3.62	539,251	19,887	3.69
Borrowings from central banks	488,340	15,671	3.21	484,099	14,486	2.99
Financial assets sold under repurchase agreements	46,654	1,340	2.87	101,842	3,391	3.33
Total interest-bearing liabilities	19,769,928	324,748	1.64	19,038,679	297,698	1.56
Non-interest-bearing liabilities	1,293,641			1,383,210		
Total liabilities	21,063,569	324,748		20,421,889	297,698	
Net interest income		**486,278**			452,456	
Net interest spread			**2.18**			2.10
Net interest margin			**2.31**			2.21

In 2018, in response to the PBC's targeted cuts in deposit reserve ratio, the Group took measures such as optimising the structure of assets and liabilities, improving the pricing management of assets and liabilities, and increasing its efforts in deposit growth, and the Group's yield on interest-earning assets rose faster than the cost of interest-bearing liabilities. As a result, the net interest spread reached 2.18%, up by 8 basis points over 2017; the net interest margin was 2.31%, up by 10 basis points over 2017.

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 2018 versus 2017.

(In millions of RMB)	**Volume factor[1]**	**Interest rate factor[1]**	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	31,435	20,080	51,515
Financial investments	1,000	434	1,434
Deposits with central banks	(4,693)	558	(4,135)
Deposits and placements with banks and non-bank financial institutions	4,150	4,567	8,717
Financial assets held under resale agreements	3,619	(278)	3,341
Change in interest income	35,511	25,361	60,872
Liabilities			
Deposits from customers	9,433	10,131	19,564
Deposits and placements from banks and non-bank financial institutions	(862)	4,366	3,504
Financial assets sold under repurchase agreements	(1,634)	(417)	(2,051)
Debt securities issued	5,230	(382)	4,848
Borrowings from central banks	126	1,059	1,185
Change in interest expense	12,293	14,757	27,050
Change in net interest income	23,218	10,604	33,822

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 RMB33,822 million over 2017. In this amount, an increase of RMB23,218 million was due to the movement of average balances of assets and liabilities, and an increase of RMB10,604 million was due to the movements of average yields or costs.

Interest income

In 2018, the Group achieved interest income of RMB811,026 million, an increase of RMB60,872 million or 8.11% over 2017. In this amount, interest income from loans and advances to customers, interest income from financial investments, interest income from deposits with the central bank, interest income from deposits and placements with banks and non-bank financial institutions accounted for 69.90%, 21.23%, 4.80% and 2.96% 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)	2018			2017		
	Average balance	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
Corporate loans and advances	6,559,434	284,346	4.33	6,291,705	267,676	4.25
Short-term loans	2,165,102	92,314	4.26	2,314,327	95,743	4.14
Medium to long-term loans	4,394,332	192,032	4.37	3,977,378	171,933	4.32
Personal loans and advances	5,167,810	236,588	4.58	4,537,703	202,473	4.46
Short-term loans	472,760	22,724	4.81	378,095	16,927	4.48
Medium to long-term loans	4,695,050	213,864	4.56	4,159,608	185,546	4.46
Discounted bills	137,720	4,972	3.61	214,118	6,894	3.22
Overseas operations and subsidiaries	1,207,015	41,036	3.40	1,289,423	38,384	2.98
Gross loans and advances to customers	13,071,979	566,942	4.34	12,332,949	515,427	4.18

Interest income from loans and advances to customers amounted to RMB566,942 million, an increase of RMB51,515 million or 9.99% over 2017, mainly driven by increases in both the average balances and average yields of loans and advances to both corporate and personal borrowers.

Interest income from financial investments

Interest income from financial investments amounted to RMB172,147 million, an increase of RMB1,434 million over 2017. This was mainly because the average balance of financial investments increased by 0.62% and the average yield of financial investments rose by 1 basis point over 2017.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB38,892 million, a decrease of RMB4,135 million or 9.61% from 2017, mainly due to a decrease of 10.69% in the average balance of deposits with central banks following deposit reserve ratio cuts.

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 RMB23,996 million, an increase of RMB8,717 million or 57.05% over the previous year. This was mainly because the average balance of deposits and placements with banks and non-bank financial institutions increased by 24.09% and the average yield rose by 70 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 RMB9,049 million, an increase of RMB3,341 million or 58.53% over 2017. This was mainly because the average balance of financial assets held under resale agreements increased by 65.94% from the previous year, offsetting the impact from the decrease in average yield.

Interest expense

In 2018, the Group's interest expense were RMB324,748 million, an increase of RMB27,050 million or 9.09% from the previous year. In this amount, interest expense on deposits from customers accounted for 71.71%, interest expense on deposits and placements from banks and non-bank financial institutions accounted for 15.44%, and interest expense on debt securities issued accounted for 7.62%.

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)	2018			2017		
	Average balance	**Interest expense**	**Average cost (%)**	**Average balance**	**Interest expense**	**Average cost (%)**
Corporate deposits	8,728,970	111,300	1.28	8,430,224	104,137	1.24
Demand deposits	5,673,929	39,921	0.70	5,406,626	35,532	0.66
Time deposits	3,055,041	71,379	2.34	3,023,598	68,605	2.27
Personal deposits	7,459,776	111,147	1.49	7,078,489	100,088	1.41
Demand deposits	3,164,811	9,612	0.30	3,063,410	9,298	0.30
Time deposits	4,294,965	101,535	2.36	4,015,079	90,790	2.26
Overseas operations and subsidiaries	522,695	10,430	2.00	529,106	9,088	1.72
Total deposits from customers	16,711,441	232,877	1.39	16,037,819	213,313	1.33

Interest expense on deposits from customers was RMB232,877 million, an increase of RMB19,564 million or 9.17% from the previous year, mainly because the average balance of deposits from customers increased by 4.20% and the average cost rose by 6 basis points over 2017.

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 RMB3,504 million or 7.52% over 2017 to RMB50,125 million, mainly due to the fact that the increase of 23 basis points in the average cost of deposits and placements from banks and non-bank financial institutions more than offset the effect of the decrease in their average balances.

Interest expense on debt securities issued

Interest expense on debt securities issued was RMB24,735 million, an increase of RMB4,848 million or 24.38% over 2017, mainly because the average balance of debt securities issued, including eligible Tier 2 capital bonds and certificates of deposits, increased by 26.64% over 2017, offsetting the effect of the decrease in average cost.

Interest expenses on borrowings from central banks

Interest expense on borrowings from central banks increased by RMB1,185 million or 8.18% to RMB15,671 million over 2017, mainly because the average cost of borrowings from central banks increased by 22 basis points over 2017.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements amounted to RMB1,340 million, down by RMB2,051 million or 60.48% from 2017, mainly because the average balance of financial assets sold under repurchase agreements decreased by 54.19% and the average cost dropped by 46 basis points from 2017.

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)	**2018**	**2017**	**Change (%)**
Fee and commission income	138,017	131,322	5.10
Fee and commission expense	(14,982)	(13,524)	10.78
Net fee and commission income	123,035	117,798	4.45
Other net non-interest income	24,459	23,777	2.87
Total other net non-interest income	147,494	141,575	4.18

In 2018, the Group's net non-interest income reached RMB147,494 million, an increase of RMB5,919 million or 4.18% over 2017. Net non-interest income accounted for 23.27% of operating income.

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)	**2018**	**2017**	**Change (%)**
Fee and commission income	138,017	131,322	5.10
Bank card fees	46,192	42,242	9.35
Electronic banking service fees	18,585	9,341	98.96
Agency service fees	16,044	16,256	(1.30)
Commission on trust and fiduciary activities	12,748	11,857	7.51
Settlement and clearing fees	12,101	13,211	(8.40)
Wealth management service fees	11,113	20,040	(44.55)
Consultancy and advisory fees	10,441	9,906	5.40
Guarantee fees	3,414	3,330	2.52
Credit commitment fees	1,573	1,525	3.15
Others	5,806	3,614	60.65
Fee and commission expense	(14,982)	(13,524)	10.78
Net fee and commission income	123,035	117,798	4.45

In 2018, thanks to its increased attention to market innovation and service optimisation, and its intensive marketing efforts to attract customers, the Group earned a net fee and commission income of RMB123,035 million, up by 4.45% over 2017. The ratio of net fee and commission income to operating income was 19.41%.

Bank card fees grew by 9.35% to RMB46,192 million, mainly because of the rapid growth of the number of credit cards issued, instalment business and spending over bank cards. The associated fee income grew by more than 15% to over RMB35 billion.

Electronic banking service fees increased significantly by 98.96% to RMB18,585 million, mainly attributed to the continued increase in the number of mobile banking and online banking users and the rapid rise of mobile financial transaction volume, following the Group's intensified efforts in promoting its electronic financial services and applications to meet all-round financial needs of its customers.

Agency service fees decreased by 1.30% to RMB16,044 million, mainly because the income from agency insurance services fell.

Commission on trust and fiduciary activities rose by 7.51% to RMB12,748 million. Custodial income achieved solid growth mainly driven by the continued growth of assets under custody, including assets from funds and insurance sectors. Commission on syndicated loans also achieved rapid growth, as the Group continued to improve its capabilities in organising and arranging syndicated loans as lead bank.

Settlement and clearing fees decreased by 8.40% to RMB12,101 million, mainly due to decreases in income from RMB settlement and international settlement, as a result of reductions and exemptions of base settlement fees and the decline of trade finance business, among other factors.

Wealth management service fees decreased by 44.55% to RMB11,113 million year on year, mainly due to the implementation of new regulations on asset management and the increase in costs of WMPs.

Consultancy and advisory fees increased by 5.40% to RMB10,441 million, mainly due to the sound growth of consultancy and advisory services following the Group's increased efforts in system development and applications in investment consultancy and enhanced capabilities in investment research.

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)	**2018**	**2017**	**Change (%)**
Net trading gain	12,614	4,858	159.65
Net gain/(loss) arising from investment securities	3,444	(835)	(512.46)
Dividend income	773	2,195	(64.78)
Net loss on derecognition of financial assets measured at amortised cost	(2,241)	N/A	N/A
Other net operating income	9,869	17,559	(43.80)
Total other net non-interest income	24,459	23,777	2.87

Other net non-interest income of the Group was RMB24,459 million, an increase of RMB682 million, or 2.87% from the previous year. In this amount, net trading gain and net gain arising from investment securities increased by RMB7,756 million and RMB4,279 million respectively over 2017, mainly because the Group reclassified interest income from financial assets at fair value through profit or loss; dividend income decreased by RMB1,422 million from 2017 to RMB773 million, mainly because the dividend income of the Group's subsidiaries decreased; net loss on derecognition of financial assets measured at amortised cost was RMB2,241 million, mainly because the Group carried out asset securitisation business in order to optimise its asset structure, and incurred net losses when derecognising the related underlying assets; other net operating income was RMB9,869 million, a decrease of RMB7,690 million over 2017, mainly because the increase in foreign exchange business volume and the gain on valuation of foreign exchange derivative transactions in 2017 led to a higher base.

Operating expenses

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

(In millions of RMB, except percentages)	2018	2017
Staff costs	102,057	96,274
Premises and equipment expenses	32,390	30,485
Taxes and surcharges	6,132	5,767
Others	34,185	34,517
Total operating expenses	174,764	167,043
Cost-to-income ratio (%)	26.61	27.15

In 2018, the Group continuously strengthened cost management and optimised expenses structure. Cost-to-income ratio decreased by 0.54 percentage points from 2017 to 26.61%. Operating expenses were RMB174,764 million, an increase of RMB7,721 million or 4.62% over 2017. In this amount, staff costs were RMB102,057 million, an increase of RMB5,783 million or 6.01% over 2017; premises and equipment expenses were RMB32,390 million, an increase of RMB1,905 million or 6.25% over 2017; taxes and surcharges were RMB6,132 million, an increase of RMB365 million or 6.33% over previous year.

Impairment losses

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

(In millions of RMB)	2018	2017
Loans and advances to customers	143,045	123,389
Financial investments at amortised cost	1,072	N/A
Financial investments at fair value through other comprehensive income	16	N/A
Available-for-sale debt securities	N/A	457
Held-to-maturity investments	N/A	413
Investment classified as receivables	N/A	796
Others	6,855	2,307
Total impairment losses	150,988	127,362

In 2018, the Group's impairment losses were RMB150,988 million, an increase of RMB23,626 million or 18.55% over 2017. This was mainly because impairment losses on loans and advances to customers increased by RMB19,656 million, and other impairment losses increased by RMB4,548 million due to the increase in impairment losses on off-balance sheet items.

Income tax expense

In 2018, income tax expense was RMB52,534 million, a decrease of RMB3,638 million from 2017. The effective income tax rate was 17.05%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

4.1.2 Statement of Financial Position Analysis

Assets

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

(In millions of RMB, except percentages)	31 December 2018		31 December 2017		31 December 2016	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans and advances to customers[1]	13,365,430	57.55	12,574,473	56.84	11,488,355	54.80
Loans and advances to customers measured at amortised cost	13,405,030	57.72	12,903,441	58.33	11,757,032	56.08
Allowances for impairment losses on loans	(417,623)	(1.80)	(328,968)	(1.49)	(268,677)	(1.28)
Book values of loans and advances to customers at fair value through other comprehensive income	308,368	1.33	N/A	N/A	N/A	N/A
Book values of loans and advances to customers at fair value through profit or loss	32,857	0.14	N/A	N/A	N/A	N/A
Accrued interest	36,798	0.16	N/A	N/A	N/A	N/A
Financial investments[1]	5,714,909	24.61	5,181,648	23.42	5,068,584	24.18
Financial assets at amortised cost	3,272,514	14.09	N/A	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income	1,711,178	7.37	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss	731,217	3.15	578,436	2.61	488,370	2.33
Held-to-maturity investments	N/A	N/A	2,586,722	11.69	2,438,417	11.63
Available-for-sale financial assets	N/A	N/A	1,550,680	7.01	1,633,834	7.80
Investment classified as receivables	N/A	N/A	465,810	2.11	507,963	2.42
Cash and deposits with	2,632,863	11.34	2,988,256	13.51	2,849,261	13.59

central banks						
Deposits and placements with banks and non-bank financial institutions	836,676	3.60	500,238	2.26	755,288	3.60
Financial assets held under resale agreements	201,845	0.87	208,360	0.94	103,174	0.49
Interest receivable	N/A	N/A	116,993	0.53	101,645	0.49
Others[2]	470,970	2.03	554,415	2.50	597,398	2.85
Total assets	23,222,693	100.00	22,124,383	100.00	20,963,705	100.00

1. Under the new financial instruments standard, these comprise financial assets measured at amortised cost, at fair value through profit or loss, and at fair value through other comprehensive income, in line with their business models and contractual cash flow characteristics.
2. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.
3. In accordance with requirements of the new financial instruments standard for the transitional period, the Group has elected not to restate information of the comparative period. Discrepancies between the book values as at 1 January 2018 and 31 December 2017 are due to the implementation of the new financial instruments standard.

As at 31 December 2018, the Group's total assets stood at RMB23.22 trillion, an increase of RMB1,098,310 million or 4.96% over 2017. To support the real economy, loans and advances to customers increased by RMB790,957 million or 6.29% over 2017. Taking into consideration the adjustments made at the beginning of the period in accordance with requirements of the new financial instruments standard and the inclusion of accrued interest, the actual increase was RMB769,110 million or 6.12%. Financial investments increased by RMB533,261 million or 10.29% over 2017, mainly due to further investment in PRC government bonds. Taking into consideration the adjustments made at the beginning of the period in accordance with requirements of the new financial instruments standard and the inclusion of accrued interest, the actual increase was RMB447,690 million or 8.62%. Due to the PBC's cuts in required reserve ratio, cash and deposits with central banks decreased by RMB355,393 million or 11.89% from 2017. The Group increased its liquidity portfolio at the end of 2018 as planned, and the deposits and placements with banks and non-bank financial institutions increased by RMB336,438 million or 67.26% over 2017. As a result, in the total assets, the proportion of net loans and advances to customers increased by 0.71 percentage points to 57.55%, that of financial investments increased by 1.19 percentage points to 24.61%, that of cash and deposits with central banks decreased by 2.17 percentage points to 11.34%, and that of deposits and placements with banks and non-bank financial institutions increased by 1.34 percentage points to 3.60%.

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)	31 December 2018		31 December 2017		31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Corporate loans and advances	6,497,678	47.14	6,443,524	49.94	5,864,895	49.89
Short-term loans	2,000,945	14.52	2,050,273	15.89	1,786,442	15.20
Medium to long-term loans	4,496,733	32.62	4,393,251	34.05	4,078,453	34.69
Personal loans and advances	5,839,803	42.37	5,193,853	40.25	4,338,349	36.90
Residential mortgages	4,753,595	34.49	4,213,067	32.65	3,585,647	30.50
Credit card loans	651,389	4.73	563,613	4.37	442,001	3.76
Personal consumer loans	210,125	1.52	192,652	1.49	75,039	0.64
Personal business loans	37,287	0.27	36,376	0.28	46,395	0.39
Other loans[1]	187,407	1.36	188,145	1.46	189,267	1.61
Discounted bills	308,368	2.24	122,495	0.95	495,140	4.21
Overseas operations and subsidiaries	1,100,406	7.98	1,143,569	8.86	1,058,648	9.00
Accrued interest	36,798	0.27	N/A	N/A	N/A	N/A
Gross loans and advances to customers	13,783,053	100.00	12,903,441	100.00	11,757,032	100.00

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

As at 31 December 2018, the Group's gross loans and advances to customers stood at RMB13,783,053 million, an increase of RMB879,612 million or 6.82% over 2017, mainly due to the increase in domestic loans.

Corporate loans and advances reached RMB6,497,678 million, an increase of RMB54,154 million or 0.84% over 2017, mainly extended to infrastructure sectors. In this amount, short-term loans dropped by RMB49,328 million, while the medium to long-term loans increased by RMB103,482 million year on year.

Personal loans and advances reached RMB5,839,803 million, an increase of RMB645,950 million or 12.44% over 2017. In this amount, residential mortgages experienced an increase of RMB540,528 million or 12.83% to RMB4,753,595 million; credit card loans were RMB651,389 million, an increase of RMB87,776 million or 15.57%; personal consumer loans rose by RMB17,473 million or 9.07% to RMB210,125 million, mainly due to the increase of "Rapid Loans", the self-service personal loan.

Discounted bills reached RMB308,368 million, an increase of RMB185,873 million or 151.74% over 2017, mainly to meet the short-term funding demand of the corporate customers.

Loans and advances made by overseas operations and subsidiaries were RMB1,100,406 million, a decrease of RMB43,163 million or 3.77% from 2017.

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)	31 December 2018		31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	4,301,972	31.21	3,885,329	30.11
Guaranteed loans	2,024,072	14.69	2,123,492	16.46
Loans secured by tangible assets other than monetary assets	6,218,435	45.12	5,539,863	42.93
Loans secured by monetary assets	1,201,776	8.72	1,354,757	10.50
Accrued interest	36,798	0.26	N/A	N/A
Gross loans and advances to customers	13,783,053	100.00	12,903,441	100.00

Allowances for impairment losses on loans and advances to customers

	2018			
(In millions of RMB)	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	149,796	65,887	128,666	343,802
Transfers:				
Transfers in (out) to Stage 1	3,153	(2,578)	(575)	-
Transfers in (out) to Stage 2	(4,241)	5,041	(800)	-
Transfers in (out) to Stage 3	(1,476)	(16,077)	17,553	-
Newly originated or purchased financial assets	88,574	-	-	88,574
Transfer out/repayment	(60,428)	(9,578)	(40,718)	(110,724)
Remeasurements	8,784	50,929	73,514	133,227
Write-off	-	-	(43,879)	(43,879)
Recoveries of loans and advances previously written off	-	-	6,623	6,623
As at 31 December 2018	183,615	93,624	140,384	417,623

The Group made provisions for impaired losses in line with changes in the quality of its credit assets as required by the new financial instruments standard. As at 31 December 2018, the allowances for impairment losses on loans and advances measured at amortised cost were RMB417,623 million. In addition, the allowances for impairment losses on discounted bills at fair value through other comprehensive income were RMB946 million.

Distribution of loans by five-category classification

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

(In millions of RMB, except percentages)	**As at 31 December 2018**		**As at 31 December 2017**	
	Amount	**% of total**	**Amount**	**% of total**
Normal	13,157,944	95.46	12,345,554	95.67
Special mention	387,430	2.81	365,596	2.83
Substandard	81,432	0.59	72,919	0.57
Doubtful	93,270	0.68	97,522	0.76
Loss	26,179	0.19	21,850	0.17
Accrued interest	36,798	0.27	N/A	N/A
Gross loans and advances to customers	13,783,053	100.00	12,903,441	100.00
NPLs	200,881		192,291	
NPL ratio		1.46		1.49

In 2018, the Group adopted stringent risk management, and proactively enhanced credit risk management. It strived to optimise credit asset structure and improve the credit asset mechanism and process, and consolidated the steady improvement of asset quality. As at 31 December 2018, the Group's NPLs were RMB200,881 million, an increase of RMB8,590 million over 2017. The NPL ratio stood at 1.46%, a decrease of 0.03 percentage points from 2017. The special mention loans accounted for 2.81% of the gross loans and advances to customers, a decrease of 0.02 percentage points from 2017.

Distribution of loans and NPLs by product type

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

(In millions of RMB, except percentages)	As at 31 December 2018			As at 31 December 2017		
	Loans	**NPLs**	**NPL ratio (%)**	**Loans**	**NPLs**	**NPL ratio (%)**
Corporate loans and advances	6,497,678	169,248	2.60	6,443,524	166,044	2.58
Short-term loans	2,000,945	73,974	3.70	2,050,273	80,638	3.93
Medium to long-term loans	4,496,733	95,274	2.12	4,393,251	85,406	1.94
Personal loans and advances	5,839,803	24,076	0.41	5,193,853	21,811	0.42
Residential mortgages	4,753,595	11,414	0.24	4,213,067	10,199	0.24
Credit card loans	651,389	6,387	0.98	563,613	5,039	0.89
Personal consumer loans	210,125	2,302	1.10	192,652	1,386	0.72
Personal business loans	37,287	1,391	3.73	36,376	1,620	4.45
Other loans	187,407	2,582	1.38	188,145	3,567	1.90
Discounted bills	308,368	-	-	122,495	-	-
Overseas operations and subsidiaries	1,100,406	7,557	0.69	1,143,569	4,436	0.39
Accrued interest	36,798	-	-	N/A	N/A	N/A
Total	13,783,053	200,881	1.46	12,903,441	192,291	1.49

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 2018				As at 31 December 2017			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**
Corporate loans	6,497,678	47.14	169,248	2.60	6,443,524	49.94	166,044	2.58
Transportation, storage and postal services	1,307,712	9.48	16,033	1.23	1,304,691	10.11	13,806	1.06
Manufacturing	1,092,369	7.92	79,422	7.27	1,178,373	9.13	75,000	6.36
Leasing and commercial services	962,465	6.98	4,647	0.48	913,395	7.08	3,282	0.36
- Commercial services	928,327	6.74	4,338	0.47	819,916	6.35	2,998	0.37
Production and supply of electric power, heat, gas and water	803,746	5.83	9,075	1.13	822,782	6.38	4,210	0.51
Wholesale and retail trade	373,246	2.71	26,064	6.98	436,275	3.38	33,564	7.69
Real estate	510,045	3.70	8,505	1.67	414,867	3.22	9,236	2.23
Water, environment and public utilities management	390,220	2.83	2,390	0.61	378,620	2.93	778	0.21
Construction	281,932	2.05	5,907	2.10	252,989	1.96	6,549	2.59
Mining	222,771	1.62	11,281	5.06	222,694	1.73	11,625	5.22
- Exploitation of petroleum and natural gas	3,231	0.02	90	2.79	6,199	0.05	-	-
Education	64,212	0.47	397	0.62	67,471	0.52	412	0.61
Information transmission, software and information technology services	53,230	0.39	410	0.77	41,510	0.32	394	0.95
- Telecommunications, broadcast and television, and satellite transmission services	26,382	0.19	38	0.14	25,245	0.20	8	0.03
Others	435,730	3.16	5,117	1.17	409,857	3.18	7,188	1.75
Personal Loans	5,839,803	42.37	24,076	0.41	5,193,853	40.25	21,811	0.42
Discounted bills	308,368	2.24	-	-	122,495	0.95	-	-
Overseas operations and subsidiaries	1,100,406	7.98	7,557	0.69	1,143,569	8.86	4,436	0.39
Accrued interest	36,798	0.27	-	-	N/A	N/A	N/A	N/A
Total	13,783,053	100.00	200,881	1.46	12,903,441	100.00	192,291	1.49

In 2018, the Group optimised its credit policies, refined customer selection criteria, maintained strict industry limits, and made continuous and concrete efforts to support the real economy. The NPL ratio of infrastructure sectors remained relatively low. The NPL ratio of manufacturing industry was up by 91 basis points. The amount and ratio of NPLs in the wholesale and retail trade industry both decreased compared to 2017. The NPL ratio of personal loans was also down by one basis point.

Financial investments

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

(In millions of RMB, except percentages)	31 December 2018		31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Debt securities investments	5,260,061	92.04	4,714,014	90.97
Equity instruments and funds	104,270	1.82	113,244	2.19
Other debt instruments	350,578	6.14	354,390	6.84
Total financial investments	5,714,909	100.00	5,181,648	100.00

In 2018, the Group steadily implemented its investment tactics and risk policies established at the beginning of the year, actively responded to domestic and overseas market fluctuations, and continuously optimised the mix and structure of its products, so as to raise the overall investment income. As at 31 December 2018, the Group's financial investments totalled RMB5,714,909 million, an increase of RMB533,261 million or 10.29% over 2017. In this amount, debt securities investments increased by RMB546,047 million or 11.58% over 2017, and accounted for 92.04% of total financial investments, up by 1.07 percentage points over 2017; equity instruments and funds decreased by RMB8,974 million from 2017, and accounted for 1.82% of total investments, a decrease of 0.37 percentage points from 2017. Other debt instruments, mainly including deposits with banks and non-bank financial institutions, debt securities and credit assets that the Bank held through issuance of on-balance sheet principal-guaranteed WMPs, decreased by RMB3,812 million, with its proportion in total financial investments down to 6.14%.

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)	31 December 2018		31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
RMB	5,008,914	95.22	4,474,161	94.91
USD	147,218	2.80	142,899	3.03
HKD	53,664	1.02	43,256	0.92
Other foreign currencies	50,265	0.96	53,698	1.14
Total debt securities investments	5,260,061	100.00	4,714,014	100.00

As at 31 December 2018, the total investments in RMB debt securities totalled RMB5,008,914 million, an increase of RMB534,753 million or 11.95% over 2017. Total investments in foreign-currency debt securities were RMB251,147 million, an increase of RMB11,294 million or 4.71% over 2017.

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)	31 December 2018		31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Government	3,753,874	71.36	3,254,126	69.03
Central banks	38,852	0.74	37,712	0.80
Policy banks	791,660	15.05	814,909	17.29
Banks and non-bank financial institutions	227,713	4.33	170,730	3.62
Others	447,962	8.52	436,537	9.26
Total debt securities investments	5,260,061	100.00	4,714,014	100.00

Interest receivable

In accordance with the *2018 Formats of Financial Statements for Financial Enterprises* issued by the Ministry of Finance, interest accrued from financial instruments using the effective interest rate method should be included in the carrying value of corresponding financial instruments and presented as appropriate in the financial statements, and no longer be separately presented as "interest receivable".

Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. As at 31 December 2018, the Group's repossessed assets were RMB3,110 million, and the impairment allowances for repossessed assets were RMB1,165 million.

Liabilities

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

(In millions of RMB, except percentages)	31 December 2018		31 December 2017		31 December 2016	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	17,108,678	80.58	16,363,754	80.50	15,402,915	79.50
Deposits and placements from banks and non-bank financial institutions	1,847,697	8.70	1,720,634	8.46	1,935,541	9.99
Debt securities issued	775,785	3.66	596,526	2.93	451,554	2.33
Borrowings from central banks	554,392	2.61	547,287	2.69	439,339	2.27
Financial assets sold under repurchase agreements	30,765	0.15	74,279	0.37	190,580	0.98
Other liabilities[1]	913,782	4.30	1,026,076	5.05	954,122	4.93
Total liabilities	21,231,099	100.00	20,328,556	100.00	19,374,051	100.00

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

As at 31 December 2018, the Group's total liabilities were RMB21.23 trillion, an increase of RMB902,543 million or 4.44% over 2017. In this amount, deposits from customers amounted to RMB17.11 trillion, up by RMB744,924 million or 4.55% over 2017. Taking into consideration the inclusion of accrued interest, the actual increase was RMB567,675 million or 3.47%. Deposits and placements from banks and non-bank financial institutions increased by RMB127,063 million or 7.38% over 2017 to RMB1,847,697 million. Debt securities issued were RMB775,785 million, an increase of RMB179,259 million or 30.05% over 2017, mainly due to issuance of 2 batches of Tier 2 capital bonds totalling RMB83 billion. Borrowings from central banks were RMB554,392 million, an increase of 1.30% over 2017. Accordingly, in the Group's total liabilities, deposits from customers accounted for 80.58% of total liabilities, an increase of 0.08 percentage points over 2017. Deposits and placements from banks and non-bank financial institutions accounted for 8.70% of total liabilities, an increase of 0.24 percentage points over 2017. Debt securities issued accounted for 3.66% of total liabilities, an increase of 0.73 percentage points over 2017. Borrowings from central banks accounted for 2.61% of total liabilities, a decrease of 0.08 percentage points from 2017.

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)	31 December 2018		31 December 2017		31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Corporate deposits	8,667,322	50.66	8,700,872	53.17	8,008,460	51.99
Demand deposits	5,854,542	34.22	5,723,939	34.98	5,145,626	33.41
Time deposits	2,812,780	16.44	2,976,933	18.19	2,862,834	18.58
Personal deposits	7,771,165	45.42	7,105,813	43.43	6,927,182	44.98
Demand deposits	3,271,246	19.12	3,169,395	19.37	2,986,109	19.39
Time deposits	4,499,919	26.30	3,936,418	24.06	3,941,073	25.59
Overseas operations and subsidiaries	492,942	2.88	557,069	3.40	467,273	3.03
Accrued interest	177,249	1.04	N/A	N/A	N/A	N/A
Total deposits from customers	17,108,678	100.00	16,363,754	100.00	15,402,915	100.00

As at 31 December 2018, domestic corporate deposits of the Bank were RMB8,667,322 million, a decrease of 0.39% from 2017, mainly due to the decrease in corporate time deposits as a result of centralised deposits of third-party payment platforms' settlement reserve funds with the PBC. Domestic personal deposits of the Bank were RMB7,771,165 million, an increase of RMB665,352 million or 9.36% over 2017, and accounted for 47.27% of domestic deposits from customers, up by 2.32 percentage points over 2017. Deposits from overseas operations and subsidiaries amounted to RMB492,942 million, a decrease of RMB64,127 million, and accounted for 2.88% of the total deposits from customers. The Bank's domestic demand deposits were RMB9,125,788 million, up by RMB232,454 million or 2.61% over 2017, and accounted for 55.51% of the domestic deposits from customers. The time deposits were RMB7,312,699 million, up by RMB399,348 million or 5.78% over 2017, and accounted for 44.49% of domestic deposits from customers, up by 0.75 percentage points over 2017.

Debt securities issued

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

Shareholder's equity

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

(In millions of RMB)	As at 31 December 2018	As at 31 December 2017
Share capital	250,011	250,011
Other equity instruments - preference shares	79,636	79,636
Capital reserve	134,537	135,225
Investment revaluation reserve	N/A	(26,004)
Other comprehensive income	18,451	N/A
Surplus reserve	223,231	198,613
General reserve	279,725	259,680
Retained earnings	990,872	886,921
Exchange reserve	N/A	(4,322)
Total equity attributable to equity shareholders of the Bank	1,976,463	1,779,760
Non-controlling interests	15,131	16,067
Total equity	1,991,594	1,795,827

As at 31 December 2018, the Group's equity was RMB1,991,594 million, an increase of RMB195,767 million or 10.90% over 2017, primarily driven by the increase of RMB103,951 million in retained earnings. Taking into consideration the adjustments made at the beginning of the period in accordance with requirements of the new financial instruments standard, the actual increase was RMB215,218 million or12.12%. As the growth rate of total equity surpassed that of assets, the ratio of total equity to total assets for the Group reached 8.58%, an increase of 0.46 percentage points over 2017.

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, etc. 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, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. As at 31 December 2018, credit commitments balance was RMB2,848,724 million, a decrease of RMB180,448 million or 5.96% from 2017.

4.1.3 Significant Accounting Estimates and Judgements and Changes in Accounting Polices

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. The main items affected by accounting estimates and judgements include classification of financial assets, measurement of expected credit losses, fair value of financial instruments, income taxes, employee retirement benefit obligations and scope of consolidation.

As the Bank had transferred out all its equity interests in the 27 rural banks, rural banks were not included in consolidation scope of the financial statements for the year ended 31 December 2018.

The Group has adopted IFRS 9 which was issued by International Accounting Standards Board in July 2014 taking effect from 1 January 2018. This constitutes a change in the accounting policies, and the adjustments of relevant amounts have been recognised in the financial statements. The Group had not chosen early adoption of IFRS 9 during the previous periods. According to the transition requirements of IFRS 9, the Group chose not to restate information in the comparative period.

On 1 January 2018, the Group adopted IFRS 9. Compared to the financial statements as at 31 December 2017 prepared under IAS 39, the Group's total equity decreased by RMB19,451 million.

4.2 BUSINESS REVIEW

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

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

(In millions of RMB, except percentages)	2018		2017	
	Amount	**% of total**	**Amount**	**% of total**
Corporate banking	74,168	24.07	82,724	27.59
Personal banking	139,734	45.34	137,736	45.95
Treasury business	84,735	27.50	54,617	18.22
Others	9,523	3.09	24,710	8.24
Profit before tax	308,160	100.00	299,787	100.00

In 2018, the profit before tax of the Group's corporate banking business was RMB74,168 million, a decrease of 10.34% from 2017, accounting for 24.07% of the profit before tax of the Group; the profit before tax of personal banking business reached RMB139,734 million, an increase of 1.45% over 2017, accounting for 45.34% of the profit before tax of the Group, a decrease of 0.61 percentage points over 2017; the profit before tax of treasury business reached RMB84,735 million, a year-on-year increase of 55.14%, accounting for 27.50% of the profit before tax of the Group, an increase of 9.28 percentage points over 2017.

4.2.1 Corporate Banking

Corporate deposits

In 2018, the Bank continued to consolidate its customer base and maintained stable corporate deposits. At the end of 2018, domestic corporate deposits of the Bank amounted to RMB8,667,322 million, a decrease of RMB33,550 million or 0.39% from 2017. In this amount, demand deposits increased by 2.28% while time deposits decreased by 5.51%.

Corporate loans

The Bank continued to optimise its credit structure, and maintained steady growth of corporate loans and stable asset quality to vigorously support the development of the real economy. At the end of 2018, domestic corporate loans and advances of the Bank amounted to RMB6,497,678 million, an increase of RMB54,154 million or 0.84% over 2017. The NPL ratio of corporate loans and advances was 2.60%, a slight increase of 0.02 percentage points over 2017.

The loans to infrastructure sectors were RMB3,459,618 million, representing an increase of RMB102,165 million or 3.04% over last year, and accounting for 53.24% of the balance of corporate loans and advances, with the NPL ratio staying at a low level of 0.92%. Agriculture-related loans amounted to RMB1.76 trillion. A cumulative total of RMB538.5 billion of network supply chain financing was distributed to 33 thousand enterprises, and the number of network supply chain cooperation platforms reached 1,184. The balance of property development loans was RMB365,654 million, an increase of RMB46,654 million over 2017. The property development loans were mainly extended to high quality real estate developers and general commercial residential housing projects. With list-based management, the loans to industries with severe overcapacity dropped by RMB5,736 million to RMB120,109 million compared to 2017. The Bank strictly controlled the total amount of loans to government financing vehicles. The outstanding balance of loans classified under the regulated category amounted to RMB130,926 million, a decrease of RMB39,899 million from 2017.

Inclusive finance business

The Bank innovated and improved the service model of inclusive finance, and promoted the accelerated business development. At the end of 2018, the inclusive finance loans increased by RMB212,515 million over 2017 to RMB631,017 million; the number of inclusive finance loan borrowers increased by 477.4 thousand over 2017 to 1,191.9 thousand. The Bank has established an intelligent risk control system, with digitalised, end-to-end and refined risk management and control capabilities, to safeguard the high-quality development of inclusive finance business.

Institutional business

The Bank took sole lead among peers in launching the “Smart City Government Affairs and Service Platform”, building bridges from root-level population to government customers, and creating a “prototype” for electronic government affairs and services. The platform has been rolled out in 38 provinces and cities. The Bank was the first bank to initiate the “Integrated Management Platform for Religious Affairs”, and issued more than 19.3 million religious co-branded cards in total. The electronic charity boxes had been set up for more than 600 religious sites. In fulfilling the duty of serving the people’s livelihood, the Bank supported the 4th China “Internet Plus” College Students Innovation and Entrepreneurship Competition as the sole sponsor. The total number of financial social security cards issued reached 125 million, and the Bank took the lead in introducing the “electronic social security cards” in the banking industry. The Bank was the only bank to participate in the “Home of Government Affairs” pilot programme of the MOF, built an ecosystem for civil servants, won the bid to act as the authorised agent for fiscal payments of the central government, and cooperate exclusively with the Ministry of Industry and Information Technology in the financial shared service centre project. It also participated in the establishment of a national financing guarantee fund to address financing problems for small and micro enterprises, as well as those in relation to "agriculture, farmers and rural areas." The Bank successfully promoted the house leasing project of Beijing Jiaotong University and entered into strategic cooperation with the university. It also signed strategic cooperation agreements with key universities, such as Fudan University, China Agricultural University, Xiamen University and Guizhou University.

International business

The Bank took the lead in establishing a blockchain trade finance platform in the industry, with participation from nearly 40 domestic and overseas institutions in the Group, and the Bank signed cooperation agreements with 20 bank and non-bank financial institutions. By the end of 2018, the cumulative transaction amount of the platform had exceeded RMB200 billion. The Bank actively promoted the connection between its "cross-border e+" system and the customs' "single international trade window" to provide end-to-end online financial services for import and export enterprises. Using the big data technology, it released the innovative "Cross-border Rapid Loan" series products, providing purely credit-based and fully online financing services for small and micro import and export enterprises. The AI-assisted review project became the first successful application of its kind in the industry, and the phase-one functions had been successfully launched.

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 continued to maintain the largest RMB clearing volume outside Asia, with a cumulative clearing amount of RMB30 trillion. Thanks to the active expansion of the offshore RMB customer base and further improvement of the RMB market-making and pricing capability in the offshore market, the Bank's position as an RMB market maker in Hong Kong, Taiwan and South Korea was further strengthened. The Bank continued to improve its overseas correspondent bank and clearing service network. By the end of 2018, it had established ties with financial institutions in more than 140 countries and regions, 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), the Bank facilitated the development of direct trading markets between RMB and minor currencies of the Belt and Road countries.

In 2018, the Bank's international settlement volume amounted to USD1.11 trillion, and the volume of domestic and overseas cross-border RMB settlement was RMB2.76 trillion. The Bank's domestic customers of international payment services amounted to 100,800, including 54,900 customers at its "cross-border e+" platform, an increase of 334.45% over 2017. The cross-border RMB settlement customers reached 27,400, an increase of 20.25% over 2017.

Custody service

The Bank took various measures, including promoting the marketing and development of its custody services, stepping up efforts in custody product innovation, improving its business model, strengthening the risk control and compliance management. The Custody Operation Centre successfully went into operation, which greatly enhanced its operation capabilities. The Bank won the bid as the main custodian of the Central Government Occupational Pension. It was appointed as the custody and outsourcing service provider of top global asset management companies, and its service capability was highly recognised by the customers. The Bank also maintained its market leader position in businesses relating to Mainland-Hong Kong Mutual Recognition of Funds and pension target funds custody. At the end of 2018, assets under custody of the Bank amounted to RMB12.22 trillion, up RMB681,732 million or 5.91% over 2017. In this amount, insurance assets under custody of the Bank was RMB3.92 trillion, up RMB362,712 million or 10.19% over 2017.

Settlement and cash management business

The settlement and cash management business continued to grow steadily. The Bank launched its innovative "Huishibao - comprehensive service platform for high-end corporate settlement", and built "Jianguanyi", a multi-level fund supervision model, to meet diversified treasury management needs of customers in specialised markets, fund supervision and other areas. The Bank improved the global account information reporting system, expanded the global fund collection and payment function, and provided customers with efficient and convenient global cash management services. As a result, its electronic commercial draft business developed rapidly, and the online tax payment service brought more convenience to customers. At the end of 2018, the Bank had 9.45 million corporate RMB settlement accounts, an increase of 1.51 million over 2017, while its active cash management customers increased by 0.53 million to 2.16 million.

4.2.2 Personal banking

Personal finance

In 2018, the Bank adhered to the customer-oriented philosophy, actively promoted the strategy to set retail business as its priority to accelerate the building of CCB new retail business, and continued to improve customer services to deliver the best customer experience. The Bank reinforced innovation in personal deposits, and strengthened the coordinated planning of on and off-balance sheet funds by actively responding to the interest rate liberalisation trend. The Bank relied on fintech to improve its ability in structuring investment and wealth management assets, and launched the "Long Fortune" personal wealth management platform. It increased the efforts in building its mobile payment portfolio and scenario offerings, and created the "Long Payment" enterprise-level digital payment brand. It also established and refined the "Yunongtong" comprehensive service platform to serve the national country revitalisation strategy, and created a new ecology for inclusive finance services at the county level. The personal customer base was further consolidated. At the end of 2018, the number of personal customers with assets placed with the Bank increased by 36 million from 2017, and the financial assets of personal customers increased by RMB1.05 trillion from 2017.

Personal deposits

The Bank strengthened its fintech applications, developed high quality and efficient innovative products and services, and maintained steady growth in personal deposits. At the end of 2018, domestic personal deposits of the Bank rose by RMB665,352 million or 9.36% over 2017, to RMB7,771,165 million. In this amount, demand deposits increased by 3.21%, and time deposits increased by 14.32%.

Personal loans

The Bank continued its innovation in personal loan products and enhanced its leading position. At the end of 2018, domestic personal loans of the Bank increased by RMB645,950 million, or

12.44% over 2017 to RMB5,839,803 million. For residential mortgages, in accordance with the macro-control 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. The Bank took the lead in terms of the balance of residential mortgage loans, which increased by RMB540,528 million or 12.83% over 2017, to RMB4,753,595 million. The Bank maintained its top position as an innovative leader in personal consumer loan and business loan and actively applied internet and big data technologies to drive its business transformation and development. The balance of self-service personal loans through "Rapid Loan" online channels was RMB189,934 million. The balance of offline personal consumer loans, personal business loans and agriculture-related personal loans was RMB20,191 million, RMB37,287 million and RMB2,756 million respectively.

Debit card business

The Bank focused on solidifying the foundation of its debit card business, intensifying innovation in the field of mobile payment, and serving the people to meet their everyday needs. At the end of 2018, the number of active debit cards was 1,041 million, including 559 million financial IC debit cards. During the year, the volume of debit card transactions was RMB21 trillion, an increase of 36.37% year on year. The Bank continued to upgrade its "Long Pay" business, attracting a cumulative number of 85.02 million users with 316 million transactions conducted in the year, making the Bank a leading presence in brand awareness and business scale.

Credit card business

The Bank continued to improve its credit card business structure and steadily enhance its service capabilities. The Bank expanded its young customer base and high-quality customers, made every effort to develop customers for agency salary payment services, and offered a number of new products, such as JOY Card, Bonus Card, MUSE Card and Long Card Credit (Daiba) virtual card, furthering improving the quality and activeness of customers. The Bank strengthened its payment innovation and mobile payment binding, increased information and fund exchanges between accounts, and established itself as a major player in the payment market. The Bank innovatively created a car consumer finance ecosystem, developed education, foreign study, medical treatment and other market segments, and built the CCB "Home Improvement Festival" brand. Relying on its "Hui Dou Quan" platform, the Bank promoted more than 180 industry applications, including food and car repair and maintenance, to create value and convenience for the people, and had become an integral part of the people's everyday life. At the end of 2018, the cumulative number of credit cards issued by the Bank increased by 14.47 million over 2017 to 121.40 million. The amount spent through credit cards for the year reached RMB2,992,736 million, a year-on-year increase of RMB373,824 million or 14.27%, and the loan balance was RMB651,389 million. The Bank led the market in terms of multiple core indicators, including the total number of customers, loan balance and asset quality.

Private banking

The Bank's private banking achieved steady growth. Drawing on fintech, the Bank led the market in creating its mobile private bank and launching a special mobile edition of its private banking services. Also, the Bank built a product system designed to "help customers structure their assets", and vigorously promoted its wealth advisory services. The money under custody of new family trust customers was RMB26.1 billion and the assets under administration were RMB24.8 billion. Moreover, the Bank launched the innovative service of Family Office. At the end of 2018, the assets under management (AUM) of private banking customers amounted to

RMB1,348,512 million, up by RMB188,982 million or 16.30% over 2017. The number of private banking customers increased to 127,211, up 17,009 or 15.43% over 2017.

Entrusted housing finance business

In line with the national policy on strengthening the use of provident housing funds, the Bank innovated its service models and improved its business processes and service efficiency to further consolidate its leading position in the entrusted housing finance market. At the end of 2018, housing fund deposits were RMB799,866 million, while personal provident housing fund loans amounted to RMB2,210,306 million. The Bank supported low- and middle-income residents' housing needs for their own residential purpose.

4.2.3 Treasury business

Financial market business

In 2018, the Bank steadily pushed forward its financial market operations, and continued to improve its trading capabilities and product mix, strengthen its customer base, build channel platforms, and enhance risk control compliance. With these efforts, it maintained the leading position in terms of key operational indicators and steadily sharpened its competitive edge.

Money market business

The Bank adhered to the business strategy of combining prudence and active operations to maintain adequate RMB and foreign-currency positions and ensure sound liquidity throughout the Bank. With regard to RMB funds, the Bank remained sensitive to market funding fluctuations, and strengthened forward-looking predictions to maintain stable positions and maximise returns on its funds. With regard to foreign currency funds, the Bank closely monitored the liquidity changes in the global markets, especially the impact of trade frictions and the interest rate raises by the Federal Reserve, and made well-informed decisions to maintain the optimal maturity structure for incoming and outgoing funds, so as to ensure its liquidity safety.

Debt securities investments

The Bank proactively responded to internal and external situation changes to achieve a reasonable balance between security, liquidity and returns. With regard to investment in RMB debt securities, the Bank adhered to the principle of value investment, intensified market trend analysis, continuously improved the portfolio structure, strengthened the business linkage between the Head Office and branches, and supported the development of the real economy, in order to maximise returns throughout the Bank. With regard to investment in foreign-currency debt securities, the Bank proactively adjusted the portfolio structure based on the interest rate trends in the global markets, as part of its efforts to improve overall returns.

Customer-based trading business

With continued efforts in market-making activities, customer development and compliance management, the Bank achieved sound and steady development of customer-based trading business. The Bank strengthened its self-discipline and compliance with regulatory requirements and was one of the first entities to sign the statements on the FX Global Code and the Guidelines for China's Foreign Exchange Market; it actively expanded its customer base, and the number of customers continued to grow. In 2018, customer-based trading business amounted to

US$425,639 million, with the foreign exchange market-making transaction volume reaching US$3.05 trillion. The Bank maintained the leading position in the comprehensive ranking of interbank foreign exchange market maker.

Precious metals and commodities

The Bank continued to enrich its product line, and realised sound development of the precious metals and commodities business in compliance with regulations. The Bank launched the first platinum lease products in the industry, and innovatively launched the prepayment forward operation, providing customers with comprehensive financial solutions by combining the financing and hedging activities of customers for commodity trading. In 2018, the total trading volume of precious metals of the Bank reached 56,617 tonnes, and the number of personal customers for precious metal and commodity trading reached 39.26 million.

Asset management

The Bank proactively adapted itself to new regulatory policies, accelerated the transformation of its asset management practices, and continuously improved its product structure and asset structure. The Bank achieved rapid growth in net worth products, with 192 net worth products launched throughout the year. At the end of 2018, the balance of net worth products amounted to RMB299,624 million, an increase of RMB297,509 million over 2017. The proportion of product offerings for personal customers rose substantially, with a year-end balance of WMPs to personal customers of RMB1,684,329 million, accounting for 76.96% of the total. The asset structure and maturity matching were improved significantly. The share of standardised assets increased significantly, with a balance of RMB813,810 million, accounting for 36.82% of the total assets, an increase of RMB139,886 million or 20.76% over the previous year. The Bank strengthened the coordinated development of the Group's asset management and launched the building of the "Mega Asset Manager" system. The Bank was the first bank to obtain approval from the CBIRC for the establishment of an asset management subsidiary. In 2018, the Bank independently issued various WMPs totalling RMB7,519,123 million to effectively meet the investment needs of customers. In this amount, the Bank issued 1,222 principal-guaranteed WMPs totalling RMB785,773 million and 10,075 non-principal-guaranteed WMPs totalling RMB6,733,350 million. A total of 1,641 principal-guaranteed WMPs totalling RMB796,683 million and a total of 8,794 non-principal-guaranteed WMPs totalling RMB6,616,042 million expired in 2018. At the end of 2018, the balance of WMPs was RMB2,188,303 million. In this amount, the balance of the remaining 344 principal-guaranteed WMPs was RMB341,779 million, a decrease of RMB12,657 million from 2017, and the balance of the remaining 4,598 non-principal-guaranteed WMPs was RMB1,846,524 million, an increase of RMB115,703 million over 2017.

Investment banking business

The Bank provided customers with comprehensive financial solutions that combined financing with intelligence through fintech, realising a fee income of RMB5,092 million from transaction services. In 2018, the Bank offered direct financing service totalling RMB1.40 trillion to the real economy, with a total of 622 batches of debt financing instruments for non-financial enterprises totalling RMB426,533 million, an increase of 25.66% and 6.65% respectively over 2017. It intensified its support for private enterprises by adopting the portfolio of Credit Risk Mitigation Warrants (CRMW). The balance of bonds underwritten for private enterprises and the annual underwriting amount were RMB160,367 million and RMB58,310 million respectively, both leading the market. Relying on the intelligent financial advisory service system, the Bank provided such services as customised reports, risk assessment and financial automatic diagnosis for customers, reaping a financial advisory income of RMB3,480 million, an increase of 8.40% over 2017. By virtue of the leading role played by Guangdong and Shanghai M&A centres, the income from M&A and restructuring financial advisory services reached RMB631 million, doubling that of the previous year. The Bank cooperated with the NDRC to jointly initiate a national strategic emerging industry development fund to fully leverage equity financing in support of the development of national strategic emerging industries. The Bank has undertaken a cumulative total of RMB2.3 billion debt financing instruments for innovative and start-up businesses and RMB6 billion bills of poverty alleviation. The Bank helped channel private funds of RMB18.9 billion into the house leasing market, and registered bonds of RMB35.4 billion in house leasing sector. It is the first bank to achieve solid results in the pilot asset-backed securitisation programmes in the Green Financial Reform and Innovation Pilot Zone, and facilitated registered green bond projects for enterprises totaling RMB114.7 billion. It issued over UD$40 billion oversea bonds for premium Chinese enterprises in support of their "Going Global" strategy and the Belt and Road Initiatives, and issued six batches of corporate loan asset-backed securitisation products, totaling RMB50,855 million, leading in the market.

Financial institutional business

The Bank's financial institution business remained stable. The financial institution cooperation platform was successfully launched, while a number of products became available, including the AI-assisted risk management and control for the retail business. The functions of the financial institution business system were further improved, with a new mobile banking channel for financial institutions to conduct transactions, while online self-service inquiry and offer functions also became available. At the end of 2018, the Bank's assets placed with domestic financial institutions amounted to RMB765,671 million, a year-on-year increase of RMB307,169 million. The balance of due to other financial institutions (including insurance deposits) amounted to RMB1,279,253 million, a year-on-year increase of RMB81,245 million.

4.2.4 Overseas Commercial Banking Business

The Group steadily expanded its overseas business and institutional network, continuously broadened its service channels, enriched its financial products, and enhanced globalised customer service capability and international competitiveness. In February 2018, New Zealand Branch officially opened for business. By the end of 2018, the Group had established overseas institutions in 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 commercial banking institutions in 2018 was RMB7,999 million, a year-on-year increase of 11.17%.

CCB Asia

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

CCB Asia holds a license to engage in multiple lines of business, with its core base in Hong Kong and Macau and a wide reach that spreads to Mainland China and Southeast Asia. The targeted customers of its wholesale business include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates and multinational corporations, while it also provides top financial services to premium local customers. CCB Asia has rich experience and traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance, and has achieved rapid growth in comprehensive financial services in international settlements, trade finance, financial market trading, large structured deposits and financial advisory service. CCB Asia is the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 47 branches (including wealth management centres and personal loan centres). At the end of 2018, total assets of CCB Asia amounted to RMB395,008 million, and shareholders' equity was RMB54,833 million. Net profit in 2018 was RMB3,018 million.

CCB London

China Construction Bank (London) Limited, established in the UK in 2009, is a wholly-owned subsidiary of the Bank, with a registered capital of US$200 million and RMB1.5 billion.

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 2018, total assets of CCB London amounted to RMB4,828 million, and shareholders' equity was RMB3,597 million. Net profit in 2018 was RMB12 million.

CCB Russia

China Construction Bank (Russia) Limited, established in Russia in 2013, is a wholly-owned subsidiary of the Bank, 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 enterprises in Russian, large Russian enterprises and multinational enterprises involved in Sino-Russia bilateral trade. CCB Russia is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business, clearing, etc. At the end of 2018, total assets of CCB Russia amounted to RMB2,544 million, and shareholders' equity was RMB620 million. Net profit in 2018 was RMB37 million.

CCB Europe

China Construction Bank (Europe) S.A., established in Luxembourg in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of EUR200 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan and Warsaw.

CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe 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, etc. At the end of 2018, total assets of CCB Europe amounted to RMB9,772 million, and shareholders' equity was RMB1,421 million. Net profit in 2018 was RMB35 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited, a wholly-owned subsidiary of the Bank, was established in New Zealand in 2014 with a registered capital of NZD 199 million.

CCB New Zealand holds wholesale and retail business licence, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of 2018, total assets of CCB New Zealand amounted to RMB5,250 million, and shareholders' equity was RMB990 million. Net profit in 2018 was RMB51 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brasil in 2014. Its predecessor, Banco Industrial e Comercial S.A., was delisted and changed to its present name in 2015.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has nine domestic branches and sub-branches in Brazil, one Cayman branch, five wholly-owned subsidiaries, and one joint venture. These subsidiaries provide personal loans, credit cards, equipment leasing and other services, while the joint venture focuses on factoring and forfaiting. At the end of 2018, total assets of CCB Brasil amounted to RMB33,181 million, and shareholders' equity was RMB2,882 million. Net profit in 2018 was negative RMB323 million.

CCB Malaysia

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

As a licensed commercial bank, CCB Malaysia can provide 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 projects involved in the Belt and Road Initiative, Sino-Malaysian bilateral trade enterprises, and large local infrastructure projects in Malaysia. At the end of 2018, total assets of CCB Malaysia amounted to RMB7,293 million, and shareholders' equity was RMB1,373 million. Net profit in 2018 was RMB16 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange with a registered capital of IDR1.66 trillion. Headquartered in Jakarta, CCB Indonesia has 94 branches and sub-branches across Indonesia, covering all major islands of Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017.

CCB Indonesia is committed to promoting the bilateral investment and trade between China and Indonesia, including providing major support to the Belt and Road Initiative, promoting local development and serving Blue-Chip companies in Indonesia, and its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of 2018, total assets of CCB Indonesia amounted to RMB7,686 million, and shareholders' equity was RMB1,224 million. Net profit in 2018 was RMB51 million.

4.2.5 Integrated Operation Subsidiaries

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment and CCB International. In 2018, the overall business development of integrated operation subsidiaries was robust with steady business expansion. Due to fluctuations in overseas capital markets, the profit slightly declined, but the decline had been foreseen and fell within the expected range. At the end of 2018, total assets of the integrated operation subsidiaries were RMB474,479 million, a year-on-year increase of 7.37%. Net profit reached RMB5,602 million, a decrease of 9.90%.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd., established in 2005, has a registered capital of RMB200 million, to which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10% respectively. It is engaged in the raising and selling of funds, and assets management.

In 2018, CCB Principal Asset Management achieved record-high operating results in various areas. At the end of 2018, the total assets managed by CCB Principal Asset Management was RMB1.62 trillion. In this amount, mutual funds were RMB633,139 million, the third largest in the industry. The size of its separately managed accounts was RMB464,024 million, the first in the industry. The total assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB520,338 million, the first in the industry. At the end of 2018, total assets of CCB Principal Asset Management were RMB5,954 million, and shareholders' equity was RMB4,722 million. Net profit in 2018 was RMB1,146 million.

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., established in 2007, 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 and placement, borrowing from financial institutions, overseas borrowing, sales and disposal of leased properties, economic consulting, establishing special purpose entities to provide leasing in domestic bonded areas, and providing guarantees for external financing by its subsidiaries and special purpose entities.

In 2018, CCB Financial Leasing increased its efforts in developing innovative products and services in three major lines, namely aircraft leasing, green leasing and livelihood service, and in six areas, including integrated urban infrastructure and high-end equipment manufacturing, to improve its overall competitiveness. It enhanced its international presence by actively and steadily expanding its overseas business, and maintained stable asset quality and achieved high quality business development by adopting active and effective risk prevention and control measures. At the end of 2018, total assets of CCB Financial Leasing were RMB147,386 million, and shareholders' equity was RMB14,472 million. Net profit in 2018 was RMB1,315 million.

CCB Trust

CCB Trust Co., Limited, established in 2009 after restructuring, 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, and the trust assets are mainly used for loans and investments. Investment banking mainly includes financial advisory service, equity trust and bonds underwriting. Proprietary business mainly includes lending, equity investment and securities investment with the equity funds.

In 2018, CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered strong operating results. At the end of 2018, trust assets under management amounted to RMB1,403,939 million. Total assets of CCB Trust were RMB22,273 million, and shareholders' equity was RMB13,581 million. Net profit in 2018 was RMB2,056 million.

CCB Life

CCB Life Insurance Company Limited was incorporated in 1998 with 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 2018, its business structure was optimised and its financial results continued to improve. Its core indicators such as business size and net profit topped the bank-affiliated insurance companies. At the end of 2018, total assets of CCB Life were RMB132,428 million, and shareholders' equity was RMB10,429 million. Net profit in 2018 was RMB615 million. According to the requirements of accounting standard, CCB Life did not implement the new financial instruments standard in 2018.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was incorporated in 2004 with 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, granting housing savings loans, residential mortgages, and real estate development loans for indemnificatory housing supported by state policies

In 2018, Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products increased to RMB27,950 million. At the end of 2018, the total assets of Sino-German Bausparkasse were RMB25,830 million, and shareholders' equity was RMB2,903 million. Net profit in 2018 was negative RMB14 million.

CCB Futures

CCB Futures Co., Ltd. was established in 2014 after restructuring with a registered capital of RMB561 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. 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 2018, CCB Futures maintained stable development in all business lines and strengthened its ability to serve the real economy. At the end of 2018, total assets of CCB Futures were RMB6,996 million, and shareholders' equity was RMB677 million. Net profit in 2018 was RMB27 million.

CCB Pension

CCB Pension Management Co., Ltd. was incorporated in 2015 with a registered capital of RMB2.3 billion. The Bank and the National Council for Social Security Fund hold 85% and 15% of its shares 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 2018, CCB Pension introduced a product model that combined real estate-based wealth management and pension ("House depositing + Pension"), developed "Jian Yi Ren Sheng" APP as a comprehensive pension service platform and gave full play to the advantages of pension finance to address the major concerns and issues in elderly care in China. As the Bank continued to improve its investment management capabilities, it secured a top spot among market players for its investment performance. It also achieved remarkable success in the occupational annuity market, as it won all the public tenders for government-administered occupational annuity plans. Along with the increasing competitiveness and influence in the market, CCB Pension had assets under management reaching RMB442,086 million. At the end of 2018, total assets of CCB Pension were RMB2,760 million, and shareholders' equity was RMB2,275 million. Net profit in 2018 was RMB61 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was officially incorporated in 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, liability insurance, hull and cargo insurance, short-term health and accident injury insurance, and reinsurance of the above-mentioned offerings.

In 2018, CCB Property & Casualty witnessed a good momentum of business development. At the end of 2018, total assets of CCB Property & Casualty were RMB1,111 million, and shareholders' equity was RMB641 million. Net profit in 2018 was a negative value of RMB99 million.

CCB Investment

CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was incorporated in 2017, with a registered capital of RMB12 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses, raising funds from qualified social investors for debt-for-equity swaps in pursuant with laws and regulations, issuance of financial debt securities exclusively used for debt-for-equity swaps, and other businesses.

CCB Investment adopted a market-oriented and law-based approach, and made active efforts to explore opportunities with innovations. By the end of 2018, it led the industry with a total of 71 framework agreements on market-oriented debt-for-equity swaps, a total contractual amount of RMB723.3 billion, and actual investment of RMB153.4 billion. At the end of 2018, total assets of CCB Investment were RMB32,760 million, and shareholders' equity was RMB12,268 million. Net profit in 2018 was RMB62 million.

CCB International

CCB International (Holdings) Limited, established in 2004 with a registered capital of US$601 million, is one of the Bank's wholly-owned subsidiaries in Hong Kong. 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 2018, CCB International maintained stable development in all 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 2018, total assets of CCB International were RMB84,085 million, and shareholders' equity was RMB9,749 million.

Rural banks

With the approval of the Ministry of Finance, the Bank sought to transfer all its equity interests in 27 rural banks by listing them on Beijing Financial Assets Exchange in June 2018. In August 2018, the Bank entered into equity transfer agreements with the transferees, Bank of China Limited and Fullerton Financial Holdings Pte Ltd. With the approval of CIBRC and local regulators of the 27 rural banks, the equity transfer as a whole was completed in December 2018. The transfer of these equity interests enables the Group to more efficiently manage and allocate its resources, refocus its strengths, and leverage fintech and product and service innovation, to be better positioned to promote the economic development in relation to "agriculture, farmers and rural areas".

4.2.6 Analysed by Geographical Segments

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

(In millions of RMB, except percentages)	2018		2017	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	49,754	16.15	53,279	17.77
Pearl River Delta	48,878	15.86	43,439	14.49
Bohai Rim	33,146	10.76	35,143	11.72
Central	41,131	13.35	48,105	16.05
Western	42,631	13.83	45,837	15.29
Northeastern	782	0.25	2,450	0.82
Head Office	81,572	26.47	59,357	19.80
Overseas	10,266	3.33	12,177	4.06
Profit before tax	308,160	100.00	299,787	100.00

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

(In millions of RMB, except percentages)	31 December 2018		31 December 2017	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	4,552,908	13.78	4,687,993	14.68
Pearl River Delta	3,568,920	10.80	3,479,166	10.89
Bohai Rim	5,294,864	16.03	4,916,680	15.39
Central	4,207,180	12.73	4,063,059	12.72
Western	3,448,750	10.44	3,294,459	10.32
Northeastern	1,179,534	3.57	1,100,318	3.45
Head Office	9,090,812	27.52	8,672,547	27.15
Overseas	1,694,519	5.13	1,726,043	5.40
Total assets[1]	33,037,487	100.00	31,940,265	100.00

1. Total assets exclude elimination and deferred tax assets.

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

(In millions of RMB, except percentages)	31 December 2018				31 December 2017			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	2,386,931	17.31	26,234	1.10	2,288,830	17.74	31,460	1.37
Pearl River Delta	2,085,684	15.13	24,077	1.15	1,941,337	15.05	27,777	1.43
Bohai Rim	2,292,606	16.63	42,331	1.85	2,131,045	16.52	38,302	1.80
Central	2,418,013	17.54	34,087	1.41	2,176,159	16.86	32,154	1.48
Western	2,277,666	16.53	36,092	1.58	2,117,740	16.41	34,973	1.65
Northeastern	712,310	5.17	25,850	3.63	672,309	5.21	18,920	2.81
Head Office	685,733	4.98	8,123	1.18	574,506	4.45	5,867	1.02
Overseas	887,312	6.44	4,087	0.46	1,001,515	7.76	2,838	0.28
Accrued interest	36,798	0.27	-	-	N/A	N/A	N/A	N/A
Gross loans and advances to customers	13,783,053	100.00	200,881	1.46	12,903,441	100.00	192,291	1.49

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

(In millions of RMB, except percentages)	31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Yangtze River Delta	2,933,998	17.15	2,951,029	18.03
Pearl River Delta	2,514,306	14.70	2,551,496	15.59
Bohai Rim	3,106,230	18.16	2,896,463	17.70
Central	3,498,480	20.44	3,200,877	19.56
Western	3,262,605	19.07	3,137,692	19.18
Northeastern	1,115,627	6.52	1,044,470	6.38
Head Office	7,241	0.04	24,658	0.15
Overseas	492,942	2.88	557,069	3.41
Accrued interest	177,249	1.04	N/A	N/A
Total deposits from customers	17,108,678	100.00	16,363,754	100.00

4.3 CAPITAL MANAGEMENT

The Group has implemented comprehensive capital management, which covers managing activities such as formulation of capital management policies, capital blueprint and planning, capital measurement, assessment on internal capital adequacy, capital allocation, capital incentive, restraint and transmission, capital raising, monitoring and reporting, and application of the advanced capital measurement approach in its daily operations. The Bank's general principle of capital management is to effectively balance the supply and demand of capital, by relying on internal capital accumulation supplemented with external capital replenishment and strengthening capital restraints and incentives on business development, and keep capital level above regulatory requirements, with proper safety margin and buffer band.

In 2018, the Group proactively promoted the intensive use of capital, by continuously improving its capital management framework, and enhancing the awareness to save on capital across the group, and expanding the methods and measures to take up less capital. With careful planning of risk weighted assets and further improvements in asset business structure, the light capital businesses with higher returns achieved fast growth, delivering rising capital use efficiency. In 2018, the Group enhanced its ability to achieve the balance between the supply and demand of capital. Taking no account of the external capital replenishment, the Group achieved a self-driven growth in capital, with growth rate of capital after deduction exceeding that of risk-weighted assets by 7.39 percentage points. It also actively supplemented external capital by successfully issuing RMB83 billion domestic Tier 2 capital bonds, pushing up the Group's capital adequacy ratio by 0.64 percentage points. At the end of the year, the Group's capital adequacy remained strong, reflecting notable enhancement in its risk withstanding capabilities and overall competitiveness, which provided effective support to the steady business development and strategy implementation of the Group.

4.3.1 Capital Adequacy Ratios

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 ratios

As at 31 December 2018, considering relevant rules for the transitional period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 17.19%, 14.42% and 13.83%, respectively, all in compliance with the regulatory requirements. The total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio increased by 1.69 percentage points, 0.71 percentage points and 0.74 percentage points respectively compared with those as at 31 December 2017.

The increase in the Group's capital adequacy ratios was mainly attributable to the following three factors. Firstly, the profits maintained steady growth. Secondly, the Group promoted the intensive capital development, reinforced the capital-centred planning and incentive and restraint mechanism, optimised the business structure and strengthened the refined management of capital, thus effectively reducing inefficient and invalid capital occupation and raising the efficiency of capital utilisation. Thirdly, the Group issued Tier 2 capital bonds with an amount of RMB83 billion in China, further enhancing its capital strength.

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

	As at 31 December 2018		**As at 31 December 2017**	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	**The Group**	**The Bank**
Capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*				
Capital after regulatory adjustments:				
Common Equity Tier 1 capital	1,889,390	1,766,840	1,691,332	1,579,469
Tier 1 capital	1,969,110	1,838,956	1,771,120	1,652,142
Total capital	2,348,646	2,215,308	2,003,072	1,881,181
Capital adequacy ratios:				
Common equity Tier 1 ratio	13.83%	13.74%	13.09%	12.87%
Tier 1 ratio	14.42%	14.30%	13.71%	13.47%
Total capital ratio	17.19%	17.22%	15.50%	15.33%
Capital adequacy ratios calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*				
Core capital adequacy ratio	12.89%	12.83%	12.38%	12.31%
Capital adequacy ratio	16.37%	16.14%	15.40%	15.11%

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 ratings-based approach, the retail credit risk-weighted assets are calculated with the internal ratings-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 2018	As at 31 December 2017
Credit risk-weighted assets	12,473,529	11,792,974
Covered by the internal ratings-based approach	8,369,011	8,166,348
Uncovered by the internal ratings-based approach	4,104,518	3,626,626
Market risk-weighted assets	120,524	94,832
Covered by the internal models approach	72,578	50,734
Uncovered by the internal models approach	47,946	44,098
Operational risk-weighted assets	1,065,444	1,032,174
Additional risk-weighted assets due to the application of capital floor	-	-
Total risk-weighted assets	13,659,497	12,919,980

4.3.2 Leverage Ratio

From the first quarter of 2015 on, the Group calculated its leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. Leverage ratio is calculated by dividing Tier 1 capital after regulatory adjustments by on- and off-balance sheet assets after adjustments. Leverage ratio of a commercial bank shall not be below 4%. As at 31 December 2018, calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Bank*, the Group's leverage ratio was 8.05%, 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 2018	As at 30 September 2018	As at 30 June 2018	As at 31 March 2018
Leverage ratio	**8.05%**	**7.78%**	**7.61%**	**7.53%**
Tier 1 capital after regulatory adjustments	1,969,110	1,914,471	1,840,291	1,826,713
On- and off-balance sheet assets after adjustments	24,460,149	24,610,588	24,176,438	24,252,119

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. Tier 1 capital after regulatory adjustments 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 – Regulatory adjustments to 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 2018	As at 31 December 2017
Total on-balance sheet assets[1]	23,222,693	22,124,383
Consolidated adjustment[2]	(125,786)	(146,210)
Derivatives adjustment	64,440	71,599
Securities financing transactions adjustment	678	168
Off-balance sheet items adjustment[3]	1,307,807	1,515,080
Other adjustments[4]	(9,683)	(9,052)
On- and off-balance sheet assets after adjustments	**24,460,149**	**23,555,968**

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 regulatory adjustments to Tier 1 capital.

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

(In millions of RMB, except percentages)	As at 31 December 2018	As at 31 December 2017
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	22,847,332	21,690,628
Less: Regulatory adjustments to Tier 1 capital	(9,683)	(9,052)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**22,837,649**	**21,681,576**
Replacement costs of various derivatives (excluding eligible margin)	53,984	91,739
Potential risk exposures of various derivatives	60,899	62,831
Nominal principals arising from sales of credit derivatives	80	10
Derivative assets	**114,963**	**154,580**
Accounting assets arising from securities financing transactions	199,052	204,564
Counterparty credit risk exposure arising from securities financing transactions	678	168
Securities financing transactions assets	**199,730**	**204,732**
Off-balance sheet assets	2,848,724	3,029,172
Less: Decrease in off-balance sheet assets due to credit conversion	(1,540,917)	(1,514,092)
Off-balance sheet assets after adjustments	**1,307,807**	**1,515,080**
Tier 1 capital after regulatory adjustments	1,969,110	1,771,120
On- and off-balance sheet assets after adjustments	**24,460,149**	**23,555,968**
Leverage Ratio[2]	**8.05%**	**7.52%**

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

4.4 PROSPECTS

In 2019, the global economy continues to recover despite the increased risk of economic downturn due to the trade friction and policy uncertainties. China's economy shows potential and resilience with the advancement of the supply-side reform and reinforcement of the reform and opening up, and it is and will continue to be in an important period of strategic opportunity for development for a long time to come. Domestic demand is constantly driving the economic growth, and emerging industries are flourishing, while traditional industries keep a good momentum in transformation and upgrading. As a result, the economic structure continues to improve and the employment situation remains stable.

The banking industry in China will still face a complex operating environment, which presents both challenges and opportunities. On the one hand, the negative impact of the trade friction on global economy surfaces, the financial market volatility rises, and the banking industry is faced with increasing difficulties in maintaining prudent operations. Fintech giants are accelerating pace to expand businesses from customers to merchants, and to build an ecosystem of services covering credit, payment, wealth management, insurance, lending and marketing to create a closed fund loop, making cross-business competition more of a trend. On the other hand, the implementation of national strategies, including the development of Xiong'an New Area and Guangdong-Hong Kong-Macao Greater Bay Area, rural revitalisation and new-type urbanisation, broadens channels for business development of the banking industry. Huge demands for financial services come along with consumption upgrading, strategic emerging industries and green finance. Policies on large reductions of taxes and fees help to build up the market confidence and creativity of micro-economic entities, building better conditions for banks to expand customer base and businesses. Intensified regulatory requirements also further standardise the financial discipline, creating a more secure external environment for the healthy development of banks.

In 2019, the Group will adopt the new development philosophy on all fronts, stay committed to prudent operations and innovation-driven development, continue to improve financial services and prevent financial risks, deepen the supply-side structural reform in the financial sector, and enhance its capabilities of serving the real economy. The Group will focus on the following tasks: Firstly, by coordinating Group-wide resources, it will improve its capabilities of serving the real economy and providing comprehensive financial services, provide more support for the development of private enterprises and small and micro enterprises, and contribute to the advancement of the supply-side structural reform. Secondly, following the new philosophy for development, it will carry forward the implementation of three strategies of house leasing, inclusive finance and fintech, and accelerate its paces to fostering new business advantages. Thirdly, it will implement the strategy of prioritised development of retail banking and corporate transactional businesses, quickly foster its advantages, and continue to strengthen its competitiveness in these businesses. Fourthly, it will deepen the refined management, stress the restraint of funds and capital, improve the asset-liability structure and profitability structure, and strengthen product and service innovation, in order to enhance the overall operation management. Fifthly, it will further advance the reform and innovation in key areas, accelerate the development of asset management and emerging consumer finance services, and strengthen its ability to provide modern financial services. Lastly, it will fortify its active and comprehensive risk management, and strengthen its efforts in compliance management both at home and abroad.

5 OTHER INFORMATION

5.1 DETAILS OF SECURITIES ISSUANCE AND LISTING

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

According to the resolution of the shareholders' general meeting and upon approvals from CBIRC and PBC, in September 2018, the Bank issued the first batch of domestic Tier 2 capital bonds of RMB43 billion in the domestic interbank bond market; and in October 2018, the Bank issued the second batch of 2018 domestic Tier 2 capital bonds of RMB40 billion in the domestic interbank bond market. These bonds have a fixed interest rate with a term of 10 years, of which the issuer shall have a redemption right at the end of the fifth year. All funds raised are used to replenish the Bank's Tier 2 capital.

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

On 16 December 2015, the Bank made a non-public issuance of offshore preference shares in the offshore market. A total number of 152,500,000 shares were issued, each having a par value of RMB100 and 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 of domestic preference shares in the domestic market, each with a par value of RMB100 and issued at par. The dividend rate equals benchmark interest rate plus a fixed interest spread. The dividend rate would be adjusted every five years, and within each adjustment period, the dividend rate would remain unchanged. The dividend rate for the first 5 years is 4.75%. The domestic preference shares were listed on Shanghai Stock Exchange Integrated Services Platform for transfer on 15 January 2018. 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	2015/12/1	US$20/share	4.65	152,500,000	2015/12/17	152,500,000
360030	建行優1	2017/12/2	RMB100/share	4.75	600,000,000	2018/01/15	600,000,000

According to the resolution and authorisation of shareholders' general meeting, the meeting of the Board held on 23 October 2018 considered and approved the dividend distribution plan of domestic and 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$142 million (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. Such dividends were paid in cash on 17 December 2018.

According to the terms of issuance of domestic preference shares, the Bank distributed dividends of RMB2,850 million (including tax) to the holders of the domestic preference shares. Such dividends were paid in cash on 26 December 2018.

Please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for the dividend distribution of preference shares.

Distributions of dividends for preference shares of the Bank in the past three years were as follows:

Type of preference shares	2018		2017		2016	
	Dividend rate	In millions of RMB (including tax)	Dividend rate	In millions of RMB (including tax)	Dividend rate	In millions of RMB (including tax)
Offshore preference shares	4.65%	1,086[1]	4.65%	1,045	4.65%	1,067
Domestic preference shares	4.75%	2,850	4.75%	-	N/A	N/A

1. The dividends were translated into RMB at the exchange rate on 17 December 2018, on which the dividends were paid.

5.3 PURCHASE, SALE AND REDEMPTION OF SHARES

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

5.4 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. In strict compliance with the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues. The Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank elected executive directors, non-executive directors, independent non-executive directors, shareholder representative supervisors and senior management. The Bank also established the Fintech Strategic Plan, the Strategic Plan for Inclusive Finance and the Capital Plan for 2018 to 2020, and appointed external auditors for 2018.

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

5.5 COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2018.

5.6 EVENTS AFTER THE REPORTING PERIOD

On 26 February 2019, the Bank has exercised the option to redeem the 4.00% fixed rate subordinated bonds in February 2009, with the nominal value of RMB 28 billion.

5.7 DIVIDENDS

In accordance with the resolutions passed at the 2017 annual general meeting held on 29 June 2018, the Bank paid an annual cash dividend for 2017 of RMB0.291 per share (including tax), totalling approximately RMB72,753 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 16 July 2018.

The Board recommends a cash dividend for 2018 of RMB0.306 per share (including tax), subject to approval of the 2018 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 9 July 2019. The expected payment date of the A-shares annual cash dividend for 2018 is on 10 July 2019, and the expected payment date of the H-shares annual cash dividend is on 30 July 2019.

The Bank's register of members will be closed from 4 July 2019 to 9 July 2019 (both days inclusive), during which period no transfer of H-shares will be effected. In order to receive the final dividend, holders of H-shares of the Bank, who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 3 July 2019. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

5.8 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2017 annual general meeting will be held on 21 June 2019. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 22 May 2018 to 21 June 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2018 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 21 May 2019.

5.9 ANNUAL REPORT AND ANNOUNCEMENT

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

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Tian Guoli

Chairman and executive director

27 March 2019

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