中国建设银行
China Construction Bank

Half-Year Report 2018

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)

Contents

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, liquidity risk, market risk, operational risk, reputational risk and country risk. We proactively took measures to manage various risks effectively. For more information, please refer to "Risk Management" in the "Management Discussion and Analysis".

This report is prepared in both Chinese and English. In case of discrepancy between the two versions, the Chinese version shall prevail.

Definitions

In this half-year report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Basis Point"	Measurement unit of changes in interest rate or exchange rate, 1% of one percentage point
"Board"	Board of directors
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBRC"	Former China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Investment"	CCB Financial Asset Investment Co., Ltd.
"CCB Life"	CCB Life Insurance Company Limited
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited
"CCB Trust"	CCB Trust Co., Ltd.
"CSRC"	China Securities Regulatory Commission
"Financial Services for Housing Reform"	A general term for credit activities of money collection, financing, etc., in connection with the reform of housing system
"Group"	China Construction Bank Corporation and its subsidiaries

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"M&A"	Mergers and acquisitions
"MOF"	Ministry of Finance of the People's Republic of China
"New Financial Instruments Standard" or "IFRS 9"	*International Financial Reporting Standard No. 9 – Financial Instruments*, issued by International Accounting Standards Board (IASB) in July 2014
"NPLs"	Non-performing loans
"PBC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and afterwards and other relevant requirements
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Grid"	State Grid Corporation of China
"WMPs"	Wealth management products
"Yangtze Power"	China Yangtze Power Co., Limited

Important Notice

The Board and the board of supervisors of the Bank and its directors, supervisors and senior management warrant that the information contained in this half-year report is truthful, accurate and complete and there are no false presentations or misleading statements contained in, or material omissions from, this report, and that they assume severally and jointly legal liability.

The *Half-year Report 2018* and the results announcement have been reviewed and approved at the Board meeting of the Bank held on 28 August 2018. A total of 10 directors of the Bank attended the meeting in person. Due to work arrangement, Mr. Tian Guoli appointed Mr. Wang Zuji as his proxy to attend and vote on his behalf, Mr. Pang Xiusheng appointed Mr. Zhu Hailin as his proxy to attend and vote on his behalf, Mr. Li Jun appointed Mr. Zhang Qi as his proxy to attend and vote on his behalf, and Mr. Wu Min appointed Ms. Feng Bing as his proxy to attend and vote on his behalf.

As approved by the 2017 annual general meeting, the Bank distributed the 2017 cash dividend of RMB0.291 per share (including tax), totalling RMB2,792 million, on 17 July 2018 to its A-share holders whose names appeared on the register of members after the close of market on 16 July 2018. It distributed the 2017 cash dividend of RMB0.291 per share (including tax), totalling RMB69,961 million, on 6 August 2018 to its H-share holders whose names appeared on the register of members after the close of market on 16 July 2018. The Bank does not declare any 2018 interim dividend nor does it propose any capitalisation of capital reserve into share capital.

The Group's 2018 half-year financial statements prepared under PRC GAAP have been reviewed by PricewaterhouseCoopers Zhong Tian LLP and the Group's 2018 half-year financial statements prepared under IFRS have been reviewed by PricewaterhouseCoopers.

Mr. Tian Guoli, legal representative of the Bank, Mr. Xu Yiming, chief financial officer of the Bank, and Mr. Fang Qiuyue, general manager of finance & accounting department of the Bank, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this half-year report.

1 Financial Highlights

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

(Expressed in millions of RMB unless otherwise stated)	**For the six months ended 30 June 2018**	For the six months ended 30 June 2017	For the six months ended 30 June 2016
For the period			
Net interest income	**239,486**	217,854	210,990
Net fee and commission income	**69,004**	68,080	67,190
Operating income	**322,729**	303,133	295,679
Profit before tax	**181,420**	172,093	169,878
Net profit	**147,465**	139,009	133,903
Net profit attributable to equity shareholders of the Bank	**147,027**	138,339	133,410
Per share (In RMB)			
Basic and diluted earnings per share	**0.59**	0.55	0.53
Profitability indicators (%)			
Annualised return on average assets[1]	**1.31**	1.30	1.41
Annualised return on average equity	**16.66**	17.09	17.80
Net interest spread	**2.20**	2.03	2.15
Net interest margin	**2.34**	2.14	2.32
Net fee and commission income to operating income	**21.38**	22.46	22.72
Cost-to-income ratio[2]	**22.15**	22.31	22.24

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

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2018**	As at 31 December 2017	As at 31 December 2016
As at the end of the period			
Gross loans and advances to customers	**13,452,388**	12,903,441	11,757,032
Allowances for impairment losses on loans	**(383,906)**	(328,968)	(268,677)
Total assets	**22,805,182**	22,124,383	20,963,705
Deposits from customers	**16,965,489**	16,363,754	15,402,915
Total liabilities	**20,940,605**	20,328,556	19,374,051
Total equity	**1,864,577**	1,795,827	1,589,654
Total equity attributable to equity shareholders of the Bank	**1,848,266**	1,779,760	1,576,500
Share capital	**250,011**	250,011	250,011
Common equity tier 1 capital after regulatory adjustment[1]	**1,760,515**	1,691,332	1,549,834
Additional tier 1 capital after regulatory adjustment[1]	**79,776**	79,788	19,741
Tier 2 capital after regulatory adjustment[1]	**264,558**	231,952	214,340
Total capital after regulatory adjustment[1]	**2,104,849**	2,003,072	1,783,915
Risk-weighted assets[1]	**13,456,292**	12,919,980	11,937,774
Per share (In RMB)			
Net assets per share	**7.14**	6.86	6.28
Capital adequacy indicators (%)			
Common equity tier 1 ratio[1]	**13.08**	13.09	12.98
Tier 1 ratio[1]	**13.68**	13.71	13.15
Total capital ratio[1]	**15.64**	15.50	14.94
Total equity to total assets	**8.18**	8.12	7.58
Asset quality indicators (%)			
Non-performing loan (NPL) ratio	**1.48**	1.49	1.52
Allowances to NPLs[2]	**193.16**	171.08	150.36
Allowances to total loans[2]	**2.85**	2.55	2.29

1. Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*. The advanced capital measurement approaches and relevant rules in the transition period are applied in the calculation of capital adequacy ratios.
2. Allowances for impairment losses on loans do not include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income.

2 Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as “中國建設銀行”)
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as “CCB”)
Legal representative	Tian Guoli
Authorised representatives	Wang Zuji Ma Chan Chi
Secretary to the Board	Huang Zhiling
Representative of securities affairs	Xu Manxia
Contact address	No. 25, Financial Street, Xicheng District, Beijing
Customer service and complaints hotline	95533
Company secretary	Ma Chan Chi
Qualified accountant	Yuen Yiu Leung
Registered address, office address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Website	www.ccb.com
Contact information for investors	Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email address: ir@ccb.com
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP	www.sse.com.cn
“HKEXnews” website of Hong Kong Exchanges and Clearing Limited for publishing the half-year report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this half-year report are kept	Board of Directors Office of the Bank
Listing venues, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939
	H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939
	Offshore preference share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB 15USDPREF Stock code: 4606
	Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030

Certified public accountants	PricewaterhouseCoopers Zhong Tian LLP Address: 11/F, PricewaterhouseCoopers Centre, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai Signing accountants: Ye Shaokuan and Li Dan PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong
Legal advisor as to PRC laws	Haiwen & Partners Address: 20/F, Fortune Financial Centre, 5 Dongsanhuan Central Road, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, 1 Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 34/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

3 Management Discussion & Analysis

3.1 Financial Review

In the first half of 2018, the global economy maintained its recovery momentum on the whole, with divergent recovery rates in different countries. The US economy continued to be strong; the recovery of the Eurozone, the UK and Japan slackened; and the emerging economies performed differently. Along with the economic recovery, the monetary policies of the major central banks normalised while the global interest rates gradually zigzagged upward. However, due to different recovery paces, the interest rate trends of different countries diverged, and the volatility of financial markets increased.

In the first half of 2018, China's economy maintained an overall stable and upward trend. The major macroeconomic regulatory indicators were kept within a reasonable range; aggregate supply and demand were balanced on the whole; the economic structure continued to improve, and the growth quality and efficiency kept rising, with accelerated transformation of growth drivers. The steady and neutral monetary policies delivered solid results. The structural "de-leveraging" achieved progress, and the market interest rates declined while staying stable, reflecting an initial success in prevention and mitigation of financial risks. In the first half of 2018, China's gross domestic product increased by 6.8% over the same period last year, and the growth rate was kept within the range from 6.7% to 6.9% for the 12th consecutive quarter. Consumer price index rose by 2.0%, corporate operating performance continued to improve, and the unemployment rate dropped steadily.

In the first half of 2018, the regulators took a series of robust measures to promote the compliance operation and sound development of the banking industry. Targeted cuts in deposit reserve ratio were implemented to guide financial institutions to increase support for key areas including small and micro enterprises and debt-to-equity swaps. New rules for asset management were implemented to push banks' wealth management business back to its original purpose of asset management. New indicators were introduced as part of the Administrative Measures for the Liquidity Risk Management of Commercial Banks to strengthen the monitoring and management of liquidity risk. As a result, in the first half of 2018, the banking industry delivered sound performance on the whole, as the overall asset quality remained stable and the profitability further improved.

The Group persisted in prudent operation in strict compliance with regulatory requirements, and achieved solid growth of assets and liabilities, positive profitability growth momentum, and steady improvement in asset quality, while maintaining a relatively high level of capital adequacy ratio.

3.1.1 Statement of Comprehensive Income Analysis

In the first half of 2018, the Group maintained steady growth in profitability. Profit before tax increased by RMB9,327 million or 5.42% to RMB181,420 million over the same period last year, and net profit increased by RMB8,456 million or 6.08% to RMB147,465 million. Key factors affecting the Group's profitability included the followings: First, net interest income increased by RMB21,632 million, or 9.93%, over the same period last year, mainly due to the moderate increase of interest-earning assets, optimised structure and improvement in pricing capabilities. Second, net fee and commission income remained stable despite unfavourable regulatory policies and market environment, partly due to the fast growth of income from emerging products such as credit card and new corporate settlement. Third, operating expenses increased by 5.86% over the same period last year, matching the growth rate of profitability. Cost-to-income ratio remained sound at 22.15%, down by 0.16 percentage points over the same period last year. In addition, the Group made prudent and sufficient provisions for impairment losses. The impairment losses on assets were RMB66,780 million, up by 10.36% compared to the same period last year.

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Change (%)
Net interest income	**239,486**	217,854	9.93
Net non-interest income	**83,243**	85,279	(2.39)
– Net fee and commission income	**69,004**	68,080	1.36
Operating income	**322,729**	303,133	6.46
Operating expenses	**(74,681)**	(70,547)	5.86
Impairment losses	**(66,780)**	(60,510)	10.36
Share of profit of associates and joint ventures	**152**	17	794.12
Profit before tax	**181,420**	172,093	5.42
Income tax expense	**(33,955)**	(33,084)	2.63
Net profit	**147,465**	139,009	6.08

Net interest income

In the first half of 2018, the Group's net interest income amounted to RMB239,486 million, an increase of RMB21,632 million, or 9.93%, over the same period last year. The net interest income accounted for 74.21% 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.

	Six months ended 30 June 2018			Six months ended 30 June 2017		
(In millions of RMB, except percentages)	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Gross loans and advances to customers	12,842,398	274,773	4.31	12,372,606	248,682	4.05
Financial investments	4,477,357	84,312	3.80	4,496,371	83,126	3.73
Deposits with central banks	2,625,361	19,878	1.53	2,817,957	21,057	1.51
Deposits and placements with banks and non-bank financial institutions	684,299	11,701	3.45	615,842	7,718	2.53
Financial assets held under resale agreements	298,658	4,656	3.14	200,563	2,906	2.92
Total interest-earning assets	20,928,073	395,320	3.81	20,503,339	363,489	3.58
Total allowances for impairment losses	(366,351)			(290,078)		
Non-interest-earning assets	2,578,129			1,762,520		
Total assets	23,139,851	395,320		21,975,781	363,489	
Liabilities						
Deposits from customers	16,558,239	109,852	1.34	15,895,456	105,936	1.34
Deposits and placements from banks and non-bank financial institutions	1,765,494	24,466	2.79	1,921,249	21,999	2.31
Debt securities issued	612,892	13,091	4.31	497,673	8,853	3.59
Borrowings from central banks	477,656	7,606	3.21	456,968	6,721	2.97
Financial assets sold under repurchase agreements	58,013	819	2.85	119,876	2,126	3.58
Total interest-bearing liabilities	19,472,294	155,834	1.61	18,891,222	145,635	1.55
Non-interest-bearing liabilities	1,848,641			1,429,330		
Total liabilities	21,320,935	155,834		20,320,552	145,635	
Net interest income		239,486			217,854	
Net interest spread			2.20			2.03
Net interest margin			2.34			2.14

1. Interest income from financial assets at fair value through profit or loss reclassified as net trading gain and net gain arising from investment securities under the New Financial Instruments Standard was added back when calculating net interest margin.

In the first half of 2018, as affected by the PBC's targeted cuts in deposit reserve ratio, together with the Group's measures including optimising the structure of assets and liabilities, raising return on assets, and increasing its efforts in deposit growth, 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 2.20%, up by 17 basis points over the same period last year; the net interest margin was 2.34%, up by 20 basis points over the same period last year. The Group will continue to deploy comprehensive measures to promote the growth of deposits, stabilise the sources of core liabilities, optimise the loan structure, deepen the management of customer relationship and actively respond to the challenges brought by the complicated external environment changes.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the changes in interest income and expenses in the first half of 2018 as compared with the same period last year.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	14,980	11,111	26,091
Financial investments	(356)	1,542	1,186
Deposits with central banks	(1,455)	276	(1,179)
Deposits and placements with banks and non-bank financial institutions	933	3,050	3,983
Financial assets held under resale agreements	1,516	234	1,750
Change in interest income	15,618	16,213	31,831
Liabilities			
Deposits from customers	3,916	–	3,916
Deposits and placements from banks and non-bank financial institutions	(1,874)	4,341	2,467
Debt securities issued	2,271	1,967	4,238
Borrowings from central banks	318	567	885
Financial assets sold under repurchase agreements	(937)	(370)	(1,307)
Change in interest expense	3,694	6,505	10,199
Change in net interest income	11,924	9,708	21,632

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

Net interest income increased by RMB21,632 million over the same period last year. In this amount, an increase of RMB11,924 million was driven by the movement of average balances of assets and liabilities, and an increase of RMB9,708 million was due to the movement of average yields or costs.

Interest income

In the first half of 2018, the Group's interest income increased by RMB31,831 million or 8.76% over the same period last year to RMB395,320 million. In this amount, the proportions of interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and interest income from financial assets held under resale agreements were 69.50%, 21.33%, 5.03%, 2.96% and 1.18% respectively.

Interest income from loans and advances to customers

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

	Six months ended 30 June 2018			Six months ended 30 June 2017		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	6,500,127	138,819	4.31	6,200,817	130,085	4.23
Short-term loans	2,419,128	50,674	4.22	2,265,680	46,109	4.10
Medium to long-term loans	4,080,999	88,145	4.36	3,935,137	83,976	4.30
Personal loans and advances	4,994,257	113,176	4.57	4,589,883	96,943	4.22
Discounted bills	99,993	1,920	3.87	304,127	4,080	2.71
Overseas operations and subsidiaries	1,248,021	20,858	3.37	1,277,779	17,574	2.77
Gross loans and advances to customers	12,842,398	274,773	4.31	12,372,606	248,682	4.05

Interest income from loans and advances to customers increased by RMB26,091 million, or 10.49% over the same period last year, to RMB274,773 million, mainly because the increase in the average balances and average yields of corporate and personal loans and advances led to the rapid growth of interest income from loans and advances to customers.

Interest income from financial investments

Interest income from financial investments increased by RMB1,186 million, or 1.43% over the same period last year, to RMB84,312 million. This was primarily because the average yield of financial investments increased by 7 basis points over the same period last year, offsetting the impact of reclassifying interest income from financial assets at fair value through profit or loss as net trading gain and net gain arising from investment securities.

Interest income from deposits with central banks

Interest income from deposits with central banks was RMB19,878 million, a decrease of RMB1,179 million or 5.60% from the same period last year. This was mainly because the average balance of deposits with central banks decreased by 6.83% over the same period last year as a result of the PBC's targeted cuts in deposit reserve ratio.

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 increased by RMB3,983 million, or 51.61% from the same period last year, to RMB11,701 million. This was mainly because the average yield increased by 92 basis points and the average balance of deposits and placements with banks and non-bank financial institutions increased by 11.12% over the same period last year.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by RMB1,750 million, or 60.22% over the same period last year, to RMB4,656 million. This was primarily because the average balance increased by 48.91% and the average yield of financial assets held under resale agreements increased by 22 basis points over the same period last year.

Interest expense

In the first half of 2018, the Group's interest expense was RMB155,834 million, an increase of RMB10,199 million, or 7.00% over the same period last year.

Interest expense on deposits from customers

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

(In millions of RMB, except percentages)	Six months ended 30 June 2018 Average balance	Six months ended 30 June 2018 Interest expense	Six months ended 30 June 2018 Average cost (%)	Six months ended 30 June 2017 Average balance	Six months ended 30 June 2017 Interest expense	Six months ended 30 June 2017 Average cost (%)
Corporate deposits	**8,683,541**	**53,833**	**1.25**	8,268,795	51,021	1.24
Demand deposits	**5,570,800**	**18,577**	**0.67**	5,237,678	16,959	0.65
Time deposits	**3,112,741**	**35,256**	**2.28**	3,031,117	34,062	2.25
Personal deposits	**7,345,746**	**50,953**	**1.40**	7,139,504	50,803	1.43
Demand deposits	**3,201,453**	**4,824**	**0.30**	3,062,763	4,624	0.30
Time deposits	**4,144,293**	**46,129**	**2.24**	4,076,741	46,179	2.27
Overseas operations and subsidiaries	**528,952**	**5,066**	**1.93**	487,157	4,112	1.70
Total deposits from customers	**16,558,239**	**109,852**	**1.34**	15,895,456	105,936	1.34

Interest expense on deposits from customers increased by RMB3,916 million, or 3.70% to RMB109,852 million over the same period last year due to the increase of the average balance of deposits from customers.

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

Interest expense on deposits and placements from banks and non-bank financial institutions was RMB24,466 million, an increase of RMB2,467 million, or 11.21%, over the same period last year. This was largely because the average cost of deposits and placements from banks and non-bank financial institutions increased by 48 basis points over the same period last year.

Interest expense on debt securities issued

Interest expense on debt securities issued increased by RMB4,238 million, or 47.87% over the same period last year, to RMB13,091 million. This was primarily because the average balance of debt securities issued, including certificates of deposit, increased by 23.15% over the same period last year, and the average cost of debt securities issued increased by 72 basis points over the same period last year.

Interest expense on borrowings from central banks

Interest expense on borrowings from central banks increased by RMB885 million, or 13.17%, to RMB7,606 million over the same period last year. This was primarily because the average cost of borrowings from central banks increased by 24 basis points and the average balance increased by 4.53% over the same period last year.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by RMB1,307 million or 61.48% to RMB819 million over the same period last year. This was primarily because the average balance of financial assets sold under repurchase agreements decreased by 51.61% over the same period last year and the average cost decreased by 73 basis points over the same period last year due to the relatively ample liquidity of the Bank.

Net non-interest income

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Change (%)
Fee and commission income	**75,371**	74,166	1.62
Fee and commission expense	**(6,367)**	(6,086)	4.62
Net fee and commission income	**69,004**	68,080	1.36
Other net non-interest income	**14,239**	17,199	(17.21)
Total net non-interest income	**83,243**	85,279	(2.39)

In the first half of 2018, the Group's net non-interest income was RMB83,243 million, a decrease of RMB2,036 million, or 2.39% over the same period last year.

Net fee and commission income

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Change (%)
Fee and commission income	**75,371**	74,166	1.62
Bank card fees	**22,743**	20,110	13.09
Electronic banking service fees	**10,364**	6,484	59.84
Agency service fees	**9,214**	10,221	(9.85)
Commission on trust and fiduciary activities	**7,344**	6,610	11.10
Settlement and clearing fees	**7,176**	7,442	(3.57)
Consultancy and advisory fees	**6,552**	6,593	(0.62)
Wealth management service fees	**6,552**	12,381	(47.08)
Guarantee fees	**1,765**	1,714	2.98
Credit commitment fees	**836**	836	–
Others	**2,825**	1,775	59.15
Fee and commission expense	**(6,367)**	(6,086)	4.62
Net fee and commission income	**69,004**	68,080	1.36

In the first half of 2018, the Group's net fee and commission income increased by RMB924 million, or 1.36%, over the same period last year, to RMB69,004 million. The ratio of net fee and commission income to operating income decreased by 1.08 percentage points to 21.38% from the same period last year.

Bank card fees increased by RMB2,633 million, or 13.09% to RMB22,743 million. This was primarily because fees from credit cards grew rapidly.

Income from electronic banking service increased by RMB3,880 million, or 59.84% to RMB10,364 million. This was mainly because the Bank enhanced its promotion of electronic financial services and applications in line with the customers' new needs in financial consumption, and the business volume grew fast.

Agency service fees decreased by 9.85% to RMB9,214 million. It was mainly because the income from agency insurance services fell.

Commission on trust and fiduciary activities rose by 11.10% to RMB7,344 million. In this amount, custodial income grew as driven by the continued growth of assets under custody, and commission from syndicated loans also achieved sound growth.

Settlement and clearing fees decreased by 3.57% to RMB7,176 million. It was mainly affected by regulatory policies, market conditions and increased fee reductions and concessions to customers. Income from personal and international settlement services fell compared to the same period last year.

Consultancy and advisory fees decreased by 0.62% to RMB6,552 million, mainly because the Group increased exemptions and reductions in service fees for corporate customers to support the development of the real economy in line with national policies. Related income decreased compared to the same period last year.

Wealth management service fees decreased by RMB5,829 million, or 47.08% to RMB6,552 million. The decrease was mainly affected by the new rules for asset management and rapid increase in issuance costs of wealth management products.

In the second half of the year, the Group will perform in-depth analyses of the market and customer needs, grasp business development opportunities, and strengthen product innovation to enhance its comprehensive service capability.

Other net non-interest income

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Change (%)
Net trading gain	**7,912**	2,842	178.40
Dividend income	**412**	980	(57.96)
Net gain/(loss) arising from investment securities	**3,119**	(1,632)	(291.12)
Net loss arising from derecognition of financial assets measured at amortised cost	**(2,365)**	N/A	N/A
Other net operating income	**5,161**	15,009	(65.61)
Total other net non-interest income	**14,239**	17,199	(17.21)

Other net non-interest income of the Group was RMB14,239 million, a decrease of RMB2,960 million, or 17.21%, from the same period last year. In this amount, net trading gain and net gain arising from investment securities increased by RMB5,070 million and RMB4,751 million respectively over the same period last year, mainly because the Group reclassified interest income from financial assets at fair value through profit or loss; net loss arising from derecognition of financial assets measured at amortised cost was RMB2,365 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 RMB5,161 million, a decrease of RMB9,848 million as compared to the same period last year, when a relatively high income was achieved due to the increase in foreign exchange business volume and valuation gains on foreign exchange derivative transactions during the same period last year.

Operating expenses

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Staff costs	**44,044**	41,984
Premises and equipment expenses	**14,648**	14,011
Taxes and surcharges	**3,190**	2,907
Others	**12,799**	11,645
Total operating expenses	**74,681**	70,547
Cost-to-income ratio (%)	**22.15**	22.31

In the first half of 2018, the Group strengthened its cost management and optimised the expense structure. Cost-to-income ratio decreased by 0.16 percentage points to 22.15% over the same period last year. Operating expenses were RMB74,681 million, an increase of RMB4,134 million or 5.86% over the same period last year. In this amount, staff costs were RMB44,044 million, an increase of RMB2,060 million or 4.91% over the same period last year; premises and equipment expenses were RMB14,648 million, an increase of RMB637 million or 4.55% over the same period last year; taxes and surcharges were RMB3,190 million, an increase of RMB283 million or 9.74% over the same period last year; other operating expenses were RMB12,799 million, an increase of RMB1,154 million or 9.91% over the same period last year, mainly due to the increased outlays on customer development and bonus points conversion.

Impairment losses

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

(In millions of RMB)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Loans and advances to customers	**63,164**	59,729
Financial assets measured at amortised cost	**864**	N/A
Financial assets at fair value through other comprehensive income	**(387)**	N/A
Available-for-sale debt securities	**N/A**	282
Held-to-maturity investments	**N/A**	12
Investment classified as receivables	**N/A**	369
Off-balance sheet business	**3,092**	(82)
Others	**47**	200
Total impairment losses	**66,780**	60,510

In the first half of 2018, the Group's impairment losses were RMB66,780 million, an increase of RMB6,270 million or 10.36%, over the same period last year, mainly because impairment losses on loans and advances to customers increased by RMB3,435 million, and impairment losses on off-balance sheet business increased by RMB3,174 million.

Income tax expense

In the first half of the year, income tax expense was RMB33,955 million, an increase of RMB871 million over the same period last year. The effective income tax rate was 18.72%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC government bonds and local government bonds held was non-taxable in accordance with the tax law.

3.1.2 Statement of Financial Position Analysis

Assets

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Gross loans and advances to customers	**13,452,388**		12,903,441	
Allowances for impairment losses on loans	**(383,906)**		(328,968)	
Net loans and advances to customers	**13,068,482**	**57.30**	12,574,473	56.84
Financial investments[1]	**5,245,843**	**23.00**	5,181,648	23.42
Financial assets at fair value through profit or loss	**679,900**	**2.98**	578,436	2.61
Financial assets measured at amortised cost	**3,245,096**	**14.23**	N/A	N/A
Financial assets at fair value through other comprehensive income	**1,320,847**	**5.79**	N/A	N/A
Held-to-maturity investments	**N/A**	**N/A**	2,586,722	11.69
Available-for-sale financial assets	**N/A**	**N/A**	1,550,680	7.01
Investment classified as receivables	**N/A**	**N/A**	465,810	2.11
Cash and deposits with central banks	**2,674,845**	**11.73**	2,988,256	13.51
Deposits and placements with banks and non-bank financial institutions	**799,842**	**3.51**	500,238	2.26
Financial assets held under resale agreements	**394,863**	**1.73**	208,360	0.94
Interest receivable	**123,468**	**0.54**	116,993	0.53
Others[2]	**497,839**	**2.19**	554,415	2.50
Total assets	**22,805,182**	**100.00**	22,124,383	100.00

1. Under the New Financial Instruments Standard, these comprise financial assets at fair value through profit or loss, financial assets measured at amortised cost, and financial assets at fair value through other comprehensive income.
2. These comprise precious metals, positive fair value of derivatives, interests in associates and joint ventures, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.
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. If there were discrepancies between the book values as at 1 January 2018 and 31 December 2017, they are due to the implementation of the New Financial Instruments Standard.

At the end of June, the Group's total assets stood at RMB22,805,182 million, an increase of RMB680,799 million or 3.08% over the end of last year. Net loans and advances to customers increased by RMB494,009 million or 3.93% over the end of last year, to support the real economy. 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 4.05%. Financial investments increased by RMB64,195 million or 1.24% over the end of last year. 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 0.98%. Due to the PBC's cuts in statutory deposit reserve ratio, cash and deposit with central banks decreased by RMB313,411 million or 10.49% over the end of last year. To fully leverage its short term fund at the end of the period, deposits and placements with banks and non-bank financial institutions increased by RMB299,604 million or 59.89% over the end of last year, and the financial assets held under resale agreements increased by RMB186,503 million or 89.51% over the end of last year. As a result, in the total assets, the proportion of net loans and advances to customers increased by 0.46 percentage points to 57.30%, that of financial investments decreased by 0.42 percentage points to 23.00%, that of cash and deposits with central banks decreased by 1.78 percentage points to 11.73%, that of deposits and placements with banks and non-bank financial institutions increased by 1.25 percentage points to 3.51%, and that of financial assets held under resale agreements increased by 0.79 percentage points to 1.73%.

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.

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate loans and advances	**6,643,148**	**49.38**	6,443,524	49.94
Short-term loans	**2,068,876**	**15.38**	2,050,273	15.89
Medium to long-term loans	**4,574,272**	**34.00**	4,393,251	34.05
Personal loans and advances	**5,551,275**	**41.27**	5,193,853	40.25
Residential mortgages	**4,501,216**	**33.46**	4,213,067	32.65
Credit card loans	**631,305**	**4.69**	563,613	4.37
Personal consumer loans	**194,678**	**1.45**	192,652	1.49
Personal business loans	**36,802**	**0.27**	36,376	0.28
Other loans[1]	**187,274**	**1.40**	188,145	1.46
Discounted bills	**109,582**	**0.81**	122,495	0.95
Overseas operations and subsidiaries	**1,148,383**	**8.54**	1,143,569	8.86
Gross loans and advances to customers	**13,452,388**	**100.00**	12,903,441	100.00

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

At the end of June, the Group's gross loans and advances to customers stood at RMB13,452,388 million, an increase of RMB548,947 million or 4.25% over the end of last year, mainly due to the increase in personal and corporate loans and advances.

The domestic corporate loans and advances of the Bank reached RMB6,643,148 million, an increase of RMB199,624 million or 3.10% over the end of last year, mainly extended to infrastructure and inclusive finance sectors. In this amount, short-term loans increased by RMB18,603 million or 0.91%, while the medium to long-term loans increased by RMB181,021 million or 4.12% over the end of last year.

The domestic personal loans and advances of the Bank reached RMB5,551,275 million, an increase of RMB357,422 million or 6.88% over the end of last year. In this amount, residential mortgages experienced an increase of RMB288,149 million or 6.84% to RMB4,501,216 million, mainly to support borrowers' housing needs for residential purpose. With vigorous development in consumer credit business, credit card loans reached RMB631,305 million, an increase of RMB67,692 million or 12.01% over the end of last year; personal consumer loans increased by RMB2,026 million or 1.05% to RMB194,678 million.

The domestic discounted bills of the Bank were RMB109,582 million, a decrease of RMB12,913 million or 10.54% over the end of last year, mainly due to the overall decrease in bill issuance volume in the market.

Loans and advances to customers at overseas operations and subsidiaries amounted to RMB1,148,383 million, an increase of RMB4,814 million or 0.42% over the end of last year, mainly due to the increase of loans and advances in domestic subsidiaries.

Distribution of loans by type of collateral

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	4,187,893	31.13	3,885,329	30.11
Guaranteed loans	2,064,948	15.35	2,123,492	16.46
Loans secured by tangible assets other than monetary assets	5,892,720	43.80	5,539,863	42.93
Loans secured by monetary assets	1,306,827	9.72	1,354,757	10.50
Gross loans and advances to customers	13,452,388	100.00	12,903,441	100.00

Allowances for impairment losses on loans and advances to customers

	Six months ended 30 June 2018			
	Stage 1	Stage 2	Stage 3	
(In millions of RMB)	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
As at 1 January	149,249	65,887	128,666	343,802[1]
Charge for the period	15,839	18,561	46,642	81,042
Release during the period	–	–	(18,071)	(18,071)
Unwinding of discount	–	–	(1,488)	(1,488)
Transfers out	(847)	545	(6,128)	(6,430)
Write-offs	–	–	(18,103)	(18,103)
Recoveries	–	–	3,154	3,154
As at 30 June	164,241	84,993	134,672	383,906

1. Allowances for impairment losses were RMB328,968 million before adjustment under the New Financial Instruments Standard, and RMB343,802 million after reclassifications and re-measurements under the New Financial Instruments Standard.
2. The allowances for impairment losses of loans and advances to customers measured at amortised cost are disclosed above.

The Group made provisions for impaired losses on loans and advances to customers in light of the impact of changes in external environment such as macro-economy and government macro-adjustment policies on the quality of its credit assets as required by the New Financial Instruments Standard. At the end of June, the allowances for impairment losses on loans and advances to customers were RMB383,906 million, an increase of RMB54,938 million over the end of last year. The ratio of allowances to NPLs was 193.16%, an increase of 22.08 percentage points from the end of last year. The ratio of allowances to total loans was 2.85%, an increase of 0.30 percentage points from the end of last year.

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

Financial investments

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities investments	4,822,942	91.94	4,714,014	90.97
Equity instruments and funds	76,885	1.46	113,244	2.19
Other debt instruments	346,016	6.60	354,390	6.84
Total financial investments	5,245,843	100.00	5,181,648	100.00

At the end of June, the Group's financial investments totalled RMB5,245,843 million, an increase of RMB64,195 million or 1.24% over the end of last year. In this amount, debt securities investments increased by RMB108,928 million or 2.31% over the end of last year, and accounted for 91.94% of total financial investments, up by 0.97 percentage points over the end of last year; equity instruments and funds decreased by RMB36,359 million or 32.11% over the end of last year, and accounted for 1.46% of total financial investments, a decrease of 0.73 percentage points over the end of last year. Other debt instruments, which mainly included deposits with banks and non-bank financial institutions, debt securities and credit assets that Bank held through issuance of on-balance sheet principal-guaranteed wealth management products, decreased by RMB8,374 million or 2.36% over the end of last year.

Debt securities investments

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	4,576,562	94.89	4,474,161	94.91
USD	146,679	3.04	142,899	3.03
HKD	46,180	0.96	43,256	0.92
Other foreign currencies	53,521	1.11	53,698	1.14
Total debt securities investments	4,822,942	100.00	4,714,014	100.00

At the end of June, the total investments in RMB debt securities totalled RMB4,576,562 million, an increase of RMB102,401 million or 2.29% over the end of last year. Total investments in foreign-currency debt securities were RMB246,380 million, an increase of RMB6,527 million or 2.72% over the end of last year. In this amount, the investments in USD-denominated debt securities increased by RMB3,780 million or 2.65% over the end of last year, and the investments in HKD-denominated debt securities increased by RMB2,924 million or 6.76% over the end of last year.

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Government	3,442,690	71.38	3,254,126	69.03
Central banks	41,622	0.86	37,712	0.80
Policy banks	754,740	15.65	814,909	17.29
Banks and non-bank financial institutions	168,345	3.49	170,730	3.62
Others	415,545	8.62	436,537	9.26
Total debt securities investments	4,822,942	100.00	4,714,014	100.00

Financial debt securities

At the end of June, the Group held financial debt securities issued by financial institutions totalling RMB923,085 million. In this amount, RMB754,740 million was issued by policy banks and RMB168,345 million was issued by banks and non-bank financial institutions, accounting for 81.76% and 18.24% respectively. In the first half of 2018, adhering to its prudent and reasonable principle, the Group made provisions for impairment losses on financial debt securities with no significant increase of credit risk in accordance with the New Financial Instruments Standard implemented from 1 January 2018.

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

(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses
Issued by policy banks in 2014	14,560	5.44	8 April 2019	7
Issued by policy banks in 2014	11,540	5.67	8 April 2024	6
Issued by policy banks in 2014	11,340	5.79	14 January 2021	5
Issued by policy banks in 2014	10,630	5.61	8 April 2021	5
Issued by policy banks in 2010	10,000	4.21	13 January 2021	5
Issued by policy banks in 2010	8,280	one-year time deposit interest rate +0.59%	25 February 2020	4
Issued by policy banks in 2013	7,860	4.97	24 October 2018	4
Issued by policy banks in 2013	7,580	4.43	10 January 2023	4
Issued by policy banks in 2014	7,580	5.90	20 January 2024	4
Issued by policy banks in 2011	7,430	4.62	22 February 2021	4

Interest receivable

At the end of June, the Group's interest receivable was RMB123,468 million, an increase of RMB6,475 million or 5.53% over the end of last year, mainly because the interest receivable increased along with the development of loans, investments and other businesses. The allowances for impairment losses on interest receivable were 0. Please refer to Note "Interest Receivable" in the "Financial Statements" for details.

Repossessed assets

At the end of June, the Group's repossessed assets were RMB3,179 million, an increase of RMB13 million over the end of last year; and the balance of impairment allowances for repossessed assets was RMB951 million, a decrease of RMB84 million over the end of last year. Please refer to Note "Other Assets" in the "Financial Statements" for details.

Liabilities

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

(In millions of RMB, except percentages)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Deposits from customers	**16,965,489**	**81.02**	16,363,754	80.50
Deposits and placements from banks and non-bank financial institutions	**1,708,177**	**8.16**	1,720,634	8.46
Debt securities issued	**683,467**	**3.26**	596,526	2.93
Borrowings from central banks	**446,557**	**2.13**	547,287	2.69
Financial assets sold under repurchase agreements	**48,605**	**0.23**	74,279	0.37
Other liabilities[1]	**1,088,310**	**5.20**	1,026,076	5.05
Total liabilities	**20,940,605**	**100.00**	20,328,556	100.00

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

At the end of June, the Group's total liabilities were RMB20,940,605 million, an increase of RMB612,049 million or 3.01% over the end of last year. In this amount, deposits from customers amounted to RMB16,965,489 million, up by RMB601,735 million or 3.68% over the end of last year, and accounted for 81.02% of total liabilities, an increase of 0.52 percentage points over the end of last year. Deposits and placements from banks and non-bank financial institutions decreased by RMB12,457 million or 0.72% over the end of last year to RMB1,708,177 million, and accounted for 8.16% of total liabilities, a decrease of 0.30 percentage points over the end of last year. Debt securities issued were RMB683,467 million, an increase of RMB86,941 million or 14.57% over the end of last year, mainly due to the increase in certificates of deposit issued. Borrowings from central banks were RMB446,557 million, a decrease of RMB100,730 million or 18.41% over the end of last year, and accounted for 2.13% of total liabilities, a decrease of 0.56 percentage points over the end of last year, mainly due to the repayment of the PBC's medium-term lending facilities with the funds released from targeted cuts in statutory deposit reserve ratio. Financial assets sold under repurchase agreements were RMB48,605 million, a decrease of RMB25,674 million or 34.56% over the end of last year, mainly because the Group reduced its financing from the market in light of its ample liquidity reserve at the end of the period.

Deposits from customers

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

(In millions of RMB, except percentages)	**As at 30 June 2018**		As at 31 December 2017	
	Amount	**% of total**	Amount	% of total
Corporate deposits	**8,989,688**	**52.99**	8,700,872	53.17
Demand deposits	**5,888,151**	**34.71**	5,723,939	34.98
Time deposits	**3,101,537**	**18.28**	2,976,933	18.19
Personal deposits	**7,473,144**	**44.05**	7,105,813	43.43
Demand deposits	**3,190,580**	**18.81**	3,169,395	19.37
Time deposits	**4,282,564**	**25.24**	3,936,418	24.06
Overseas operations and subsidiaries	**502,657**	**2.96**	557,069	3.40
Total deposits from customers	**16,965,489**	**100.00**	16,363,754	100.00

At the end of June, the Group's total deposits from customers amounted to RMB16,965,489 million, an increase of RMB601,735 million or 3.68% over the end of last year. In this amount, domestic corporate deposits of the Bank were RMB8,989,688 million, an increase of RMB288,816 million or 3.32% over the end of last year, and accounted for 54.61% of domestic deposits from customers. Domestic personal deposits of the Bank were RMB7,473,144 million, an increase of RMB367,331 million or 5.17% over the end of last year, and accounted for 45.39% of domestic deposits from customers, up by 0.44 percentage points over the end of last year. Deposits from overseas operations and subsidiaries decreased by RMB54,412 million or 9.77% over the end of last year. The Bank's domestic demand deposits were RMB9,078,731 million, up by RMB185,397 million or 2.08% over the end of last year, and accounted for 55.15% of the domestic deposits from customers. The domestic time deposits were RMB7,384,101 million, up by RMB470,750 million or 6.81% over the end of last year, and accounted for 44.85% of domestic deposits from customers, up by 1.11 percentage points over the end of last year.

Debt securities issued

The Bank issued no corporate debt securities that were required to be disclosed in accordance with *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 – Contents and Formats of Half-year Reports (2017 Revision)* and *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 38 – Contents and Formats of Annual Reports on Corporate Debt Securities*.

Please refer to Note "Debt securities issued" in the "Financial Statements" for details of the debt securities issued by the Bank.

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 30 June 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	**–**	(26,004)
Other comprehensive income	**(6,054)**	–
Surplus reserve	**198,613**	198,613
General reserve	**260,198**	259,680
Retained earnings	**931,325**	886,921
Exchange reserve	**–**	(4,322)
Total equity attributable to equity shareholders of the Bank	**1,848,266**	1,779,760
Non-controlling interests	**16,311**	16,067
Total equity	**1,864,577**	1,795,827

At the end of June, the Group's total equity was RMB1,864,577 million, an increase of RMB68,750 million or 3.83% over the end of last year, primarily driven by the increase of RMB44,404 million or 5.01% in retained earnings. As the growth rate of shareholders' equity surpassed that of assets, the ratio of total equity to total assets for the Group reached 8.18%, an increase of 0.06 percentage points over the end of last year.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metal contracts, etc. Please refer to Note "Derivatives and Hedge Accounting" in the "Financial Statements" of this report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, and outstanding litigation and disputes. Among these, credit commitments are the largest component, with a balance of RMB2,943,403 million at the end of June, a decrease of RMB85,769 million from the end of last year. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" in this report for details on commitments and contingent liabilities.

3.1.3 Loan Quality Analysis

Distribution of loans by five-category classification

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	12,873,758	95.70	12,345,554	95.67
Special mention	379,876	2.82	365,596	2.83
Substandard	82,882	0.62	72,919	0.57
Doubtful	97,862	0.73	97,522	0.76
Loss	18,010	0.13	21,850	0.17
Gross loans and advances to customers	13,452,388	100.00	12,903,441	100.00
NPLs	198,754		192,291	
NPL ratio		1.48		1.49

In the first half of 2018, the Group adopted stringent risk management, and enhanced its proactivity in credit risk management. As a result, the momentum of steady improvement in asset quality was further consolidated. At the end of June, the Group's NPLs were RMB198,754 million, an increase of RMB6,463 million over the end of last year; the NPL ratio stood at 1.48%, a decrease of 0.01 percentage points over the end of last year. The special mention loans accounted for 2.82%, a decrease of 0.01 percentage points over the end of last year.

Distribution of loans and NPLs by product type

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

	As at 30 June 2018			As at 31 December 2017		
(In millions of RMB, except percentages)	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	6,643,148	167,590	2.52	6,443,524	166,044	2.58
Short-term loans	2,068,876	80,064	3.87	2,050,273	80,638	3.93
Medium to long-term loans	4,574,272	87,526	1.91	4,393,251	85,406	1.94
Personal loans and advances	5,551,275	25,131	0.45	5,193,853	21,811	0.42
Residential mortgages	4,501,216	11,102	0.25	4,213,067	10,199	0.24
Credit card loans	631,305	6,873	1.09	563,613	5,039	0.89
Personal consumer loans	194,678	2,080	1.07	192,652	1,386	0.72
Personal business loans	36,802	1,345	3.65	36,376	1,620	4.45
Other loans	187,274	3,731	1.99	188,145	3,567	1.90
Discounted bills	109,582	–	–	122,495	–	–
Overseas operations and subsidiaries	1,148,383	6,033	0.53	1,143,569	4,436	0.39
Gross loans and advances to customers	13,452,388	198,754	1.48	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.

	As at 30 June 2018				As at 31 December 2017			
(In millions of RMB, except percentages)	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	6,643,148	49.38	167,590	2.52	6,443,524	49.94	166,044	2.58
Transportation, storage and postal services	1,319,884	9.81	15,123	1.15	1,304,691	10.11	13,806	1.06
Manufacturing	1,167,562	8.68	76,891	6.59	1,178,373	9.13	75,000	6.36
Leasing and commercial services	995,284	7.40	4,967	0.50	913,395	7.08	3,282	0.36
– Commercial services	907,320	6.74	4,706	0.52	819,916	6.35	2,998	0.37
Production and supply of electric power, heat, gas and water	838,442	6.23	5,341	0.64	822,782	6.38	4,210	0.51
Real estate	492,834	3.66	10,708	2.17	414,867	3.22	9,236	2.23
Wholesale and retail trade	407,711	3.03	30,067	7.37	436,275	3.38	33,564	7.69
Water, environment and public utilities management	389,333	2.89	1,935	0.50	378,620	2.93	778	0.21
Construction	288,060	2.14	6,249	2.17	252,989	1.96	6,549	2.59
Mining	216,017	1.61	9,980	4.62	222,694	1.73	11,625	5.22
– Exploitation of petroleum and natural gas	3,910	0.03	–	–	6,199	0.05	–	–
Education	65,470	0.49	394	0.60	67,471	0.52	412	0.61
Information transmission, software and information technology services	52,137	0.39	386	0.74	41,510	0.32	394	0.95
– Telecommunications, broadcast and television, and satellite transmission services	31,900	0.24	2	0.01	25,245	0.20	8	0.03
Others	410,414	3.05	5,549	1.35	409,857	3.18	7,188	1.75
Personal loans and advances	5,551,275	41.27	25,131	0.45	5,193,853	40.25	21,811	0.42
Discounted bills	109,582	0.81	–	–	122,495	0.95	–	–
Overseas operations and subsidiaries	1,148,383	8.54	6,033	0.53	1,143,569	8.86	4,436	0.39
Gross loans and advances to customers	13,452,388	100.00	198,754	1.48	12,903,441	100.00	192,291	1.49

In the first half of the year, in line with external and internal situations, the Group optimised its credit policies as appropriate, reviewed its lending rules, refined customer selection criteria, maintained strict industry limits, and carried forward credit structural adjustments steadily. The NPL ratio of corporate loans and advances decreased by 0.06 percentage points. The NPL ratio for infrastructure sectors remained relatively low; the NPL ratio for the manufacturing industry were roughly stable, while the NPLs for the wholesale and retail trade industry dropped in both amount and ratio. The NPL ratio of personal loans was roughly stable, and the overall quality remained sound.

Rescheduled loans and advances to customers

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Rescheduled loans and advances to customers	**5,745**	**0.04**	4,001	0.03

At the end of June, the rescheduled loans and advances to customers increased by RMB1,744 million to RMB5,745 million over the end of last year, and the proportion in gross loans and advances increased by 0.01 percentage points.

Overdue loans and advances to customers

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Overdue within three months	**61,131**	**0.45**	53,390	0.42
Overdue between three and six months	**34,633**	**0.26**	20,547	0.16
Overdue between six months and one year	**31,883**	**0.23**	30,334	0.24
Overdue between one and three years	**53,540**	**0.40**	54,543	0.42
Overdue for over three years	**10,445**	**0.08**	7,058	0.05
Total overdue loans and advances to customers	**191,632**	**1.42**	165,872	1.29

At the end of June, overdue loans and advances to customers increased by RMB25,760 million to RMB191,632 million over the end of last year, and its proportion in gross loans and advances increased by 0.13 percentage points. The increase of overdue loans was mainly because some NPLs which were not overdue at the beginning of the year became overdue in the first half of the year.

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

There is no difference in the net profit for the six months ended 30 June 2018 or total equity as at 30 June 2018 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP.

3.1.5 Changes in Accounting Policies

The Group adopted the IFRS 9 which was issued by International Accounting Standards Board (IASB) in July 2014 to be firstly implemented on 1 January 2018. This constitutes changes in accounting policies, and the adjustments of relevant amounts have been recognised in the financial statements. The Group did not adopt IFRS 9 in advance in 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 with the financial statements as at 31 December 2017 prepared under IAS 39, the Group's other comprehensive income increased by RMB9,901 million, and the retained earnings decreased by RMB29,352 million.

3.2 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:

	Six months ended 30 June 2018		Six months ended 30 June 2017	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate banking	**49,143**	**27.09**	47,258	27.46
Personal banking	**80,725**	**44.50**	76,043	44.19
Treasury business	**38,687**	**21.32**	31,049	18.04
Others	**12,865**	**7.09**	17,743	10.31
Profit before tax	**181,420**	**100.00**	172,093	100.00

In the first half of 2018, the profit before tax of the Group's corporate banking business reached RMB49,143 million, an increase of 3.99% over the same period last year, accounting for 27.09% of the profit before tax of the Group; the profit before tax of personal banking business reached RMB80,725 million, an increase of 6.16% over the same period last year, accounting for 44.50% of the profit before tax of the Group; the profit before tax of treasury business reached RMB38,687 million, a year-on-year increase of 24.60%, accounting for 21.32% of the profit before tax of the Group, an increase of 3.28 percentage points over the same period last year.

3.2.1 Corporate Banking

Corporate deposits

The Bank continued to consolidate its customer base and maintained a steady growth in corporate deposits. At the end of June, domestic corporate deposits of the Bank amounted to RMB8,989,688 million, an increase of RMB288,816 million, or 3.32% over the end of last year. In this amount, demand deposits increased by 2.87% while time deposits increased by 4.19%.

Corporate loans

Corporate loans increased steadily while the credit structure continued to improve and the asset quality remained stable. At the end of June, domestic corporate loans and advances of the Bank amounted to RMB6,643,148 million, an increase of RMB199,624 million, or 3.10% over the end of last year. The NPL ratio of corporate loans and advances was 2.52%, a decrease of 0.06 percentage points over the end of last year.

The loans to infrastructure sectors were RMB3,490,788 million, representing an increase of RMB133,335 million or 3.97% over the end of last year, and 52.55% of the outstanding balance of corporate loans and advances, with the NPL ratio staying at a low level of 0.78%. The Bank strictly implemented list-based management, and loans to industries with severe overcapacity slightly increased to RMB127,981 million from the end of last year. The outstanding balance of property development loans was RMB360,121 million, an increase of RMB41,121 million over the end of last year, mainly extended to high quality real estate developers and commercial housing projects for ordinary residential purpose. The Bank set stringent limits to the total volume of loans to government financing vehicles, and the outstanding balance of loans to regulated government financing vehicles decreased by RMB20,303 million to RMB150,522 million from the end of last year. Agriculture-related loans were RMB1,746,180 million. By the end of June, the Bank offered online supply chain financing to 22,800 corporate customers with an accumulated amount of RMB415,578 million, and the number of online banking platforms increased to 392.

Small enterprise and inclusive finance business

The Bank continued to improve relevant systems and mechanisms for inclusive finance to maintain its sustainable and robust business development. It heightened comprehensive inclusive finance services by promoting service platforms and pooling resources. Drawing on the "New Generation" financial technologies, the Bank further improved end-to-end online financing service through its "Quick Loans for Small and Micro Enterprises" to provide efficient and cost-effective financial services to small and micro enterprises, helping them solve financing difficulties and reduce financing costs. By adopting innovative solutions to expand "Yunongtong" services at root-level institutions in rural areas, the Bank offered agriculture-related small and micro enterprises and rural households comprehensive financial services with bundled solutions for deposits, loans, remittance, payment and investment. By virtue of digitised management mentality and by means of technological applications and system tools, the Bank continuously improved its risk control practices, implemented end-to-end risk management and control on a see-through basis, and built strong safeguards to support the sustainable and sound development of inclusive finance. At the end of June, the Bank's loans through inclusive finance services were RMB491,289 million, an increase of RMB72,787 million over the end of last year, and a year-on-year growth of 44.33%; the customers of inclusive finance services reached 868.5 thousand, a year-on-year increase of 383.4 thousand, meeting the regulatory requirements on inclusive finance.

Institutional business

The Bank further strengthened its advantages in institutional business. It took the lead in the industry to launch the innovative "Smart City Governmental Service Platform", and ushered in a new chapter in the development of "smart cities" and "service-oriented governments". It entered into comprehensive cooperation with religious affairs authorities across the country through the benevolence religious affairs service platform, which covered 67% of the branches. The Bank, together with the MOF and other financial institutions, established 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 Yinxiao (bank-university connect) and Yinyi (bank-hospital connect) systems became available in an addition of 1,962 institutions. The cumulative number of cards issued by the Bank with both social security and financial service functions reached 118 million, while the cumulative number of civil service bank cards issued to employees of fiscal budgetary institutions reached 6.31 million.

Financial institutional business

The Bank continuously deepened its cooperation with other financial institutions, as it became one of the first designated custodian banks of margin deposits from overseas customers of the Dalian Commodity Exchange, and also entered into a strategic cooperation agreement with the Shanghai Stock Exchange. At the end of June, the Bank's domestic financial institutional assets were RMB726,303 million, an increase of RMB267,801 million over the end of last year; its financial institutional liabilities (including deposits from insurance companies) were RMB1,151,554 million, a decrease of RMB46,454 million over the end of last year. As a result, the Bank continued to maintain an NPL-free and low-risk development in its financial institutional business.

International business

The Bank continued to innovate trade finance products and solutions. The "Cross-border e+" integrated financial service platform enabled the Bank to connect directly with local government through international trade single window in eight branches in Shenzhen and other cities. The "Cross-Border Rapid Loans" platform was pilot-run in several branches to provide fully online and rapid loans to cross-border e-commerce businesses and small and micro foreign trade enterprises. In addition, the Bank launched its "Blockchain Trade Finance" platform to enable cross-bank and cross-border transactions in domestic letters of credit, forfeiting and international factoring, with a transaction volume in excess of RMB100 billion. In the first half year of 2018, the volume of cross-border RMB settlement was RMB767,733 million, an increase of 78.81% year on year. The number of customers engaging in cross-border RMB transactions reached 17.6 thousand, an increase of 9.55% year on year. The clearing volume of the Bank's RMB clearing branch in the UK exceeded RMB26 trillion, and the number of accounts opened by participating banks reached 75.

Asset custodial business

The Bank stepped up its efforts in customer marketing and deepened the intra-group business cooperation to achieve remarkable results in its custodial business. At the end of June, the Bank's assets under custody amounted to RMB11.67 trillion and the income from custodial business reached RMB2,445 million, up by RMB156 million, or 6.84% year on year. The Bank became the only custodial and outsourcing service provider in China for the world's top assets management corporation, and facilitated the successful launch of its first private equity product in China. Substantial progress was made in improving the cost-effectiveness of the custodial business, as manifested by the official commencement of operation of Hefei custodial business centre.

Settlement and cash management business

The settlement and cash management business continued to grow steadily and rapidly. The Bank deepened its cooperation with industrial and commercial bureaus, and made new progress in optimising account opening service for corporate clients. With the full launch of its global cash management products, the Bank was able to offer a package of comprehensive financial services integrating globally centralised account management, global cash receipt and payment, and global information reporting. The Bank expedited the development of scenario-based applications for innovative products including "Yu Dao Tong Da" and "Jianguanyi", and actively developed "Bills Pool + Rapid Loan for Small and Micro Businesses" and "Bills Pool + Rapid Transaction Loan" to promote innovation in inclusive finance business. At the end of June, the Bank had 8.74 million corporate RMB settlement accounts, an increase of 800 thousand over the end of last year, while its active cash management customers increased by 350 thousand to 1.37 million.

3.2.2 Personal Banking

Personal deposits

Faced with challenges arising from interest rate liberalisation and funding market, the Bank maintained a steady growth in personal deposits through active innovation efforts. At the end of June, domestic personal deposits of the Bank rose by RMB367,331 million or 5.17% to RMB7,473,144 million over the end of last year.

Personal loans

The Bank's personal loan business developed steadily. At the end of June, domestic personal loans of the Bank increased by RMB357,422 million, or 6.88% over the end of last year, to RMB5,551,275 million. In accordance with the macro-adjustment requirements for real estate market, the Bank strictly implemented differentiated credit policies, and focused on supporting borrowers' housing needs for their own residential purpose. Residential mortgage loans increased by RMB288,149 million, or 6.84% over the end of last year, to RMB4,501,216 million at the end of June. Driven by "CCB Kuaidai" personal self-service loans through online channels, personal consumer loans reached RMB194,678 million, up by RMB2,026 million over the end of last year. Personal business loans were RMB36,802 million, while agriculture-related personal loans were RMB4,465 million.

Credit card business

The Bank strengthened its efforts in attracting and retaining young customers in its credit card business, and offered a number of innovative products, including Long Bonus Credit Card, the pure love version of LINEFRIENDS Fans Card, World Cup Credit Card and Exclusive Platinum Card. The Bank vigorously promoted consumer loan business and steadily pushed forward "Ju Yi Zu" for rents instalments on pilot. The Bank bolstered the instalment programs for business owners of "Long Card Ready-Pay Loans" through a combination of online and offline offerings, and provided them with a package of financial solutions incorporating "instalment + concessions + bonus points + merchant acquiring + customer acquisition." Moreover, the Bank actively explored innovative applications of financial technologies to launch and optimise a host of system functions, including "Hui Dou Quan" and rents instalments. At the end of June, the cumulative number of credit cards issued by the Bank and customers reached 115.42 million and 86.53 million, respectively. The volume of credit card transactions totalled RMB1.45 trillion for the first half of 2018. The loan balance was RMB631,305 million, and the asset quality remained sound. The Bank remained market leader in terms of multiple core indicators, including the total number of customers, loan balance and asset quality.

Debit card business

The Bank adhered to its customer-oriented philosophy in debit card business to ensure card security and improve service level. At the end of June, the cumulative number of debit cards issued by the Bank was 990 million, including 522 million financial IC debit cards. In the first half of 2018, the volume of debit card transactions was RMB9.70 trillion, an increase of 43.52% year on year. As part of the optimisation and upgrading of its "Long Pay" business, the Bank added a number of new functions, such as "Quick Loan Payment", "Long Card Credit" and "Long Qian Bao". By the end of June, the cumulative number of Long Pay users had reached 65.94 million; the cumulative number of transactions for the first half of the year was 149 million.

Private banking

The Bank developed and launched a family trust advisory system, enabling end-to-end online operation of the family trust business. As of the end of June, the cumulative total contractual amount of the family trust was RMB15 billion and the assets under management was RMB19.5 billion. The Bank accelerated the development of a special mobile edition for private banking services, and reinforced its efforts in innovative development and applications in smart wealth management and smart investment advisory. As part of its efforts to promote housing leasing, the Bank offered exclusive products and services to lessors, such as targeted wealth management products, quality service rights and pension rights. At the end of June, the total financial assets of private banking amounted to RMB1,321,487 million, up by RMB119,713 million or 9.96% over the end of last year. The number of private banking customers increased to 125,242, up by 11,664 or 10.27% over the end of last year.

Entrusted housing finance business

The Bank strengthened electronic channel building and product innovation in provident housing funds, in order to provide comprehensive and high-quality housing reform financial services. At the end of June, housing fund deposits were RMB783,502 million, while personal provident housing fund loans amounted to RMB2,110,340 million. The Bank steadily pressed ahead with its indemnificatory housing loans business, and provided RMB2,560 million personal indemnificatory housing loans to more than 8,600 low and middle-income households in the first half of 2018.

3.2.3 Treasury Business

Financial market business

In the first half of 2018, the Bank steadily pushed forward its financial market operations, intensified market research and analysis, and promoted product innovation and customer marketing in an orderly manner. As a result, the Bank's profitability and risk management capabilities improved steadily.

Money market business

The Bank actively responded to domestic and overseas market fluctuations by accurately identifying market trends and reinforcing proactive management, and properly balanced its RMB and foreign-currency positions to safeguard the Bank's liquidity. With regard to RMB funds, the Bank strengthened its management of liquidity in a proactive and forward-looking manner, and made anticipatory arrangements for fund deployment, so as to raise the return of funds. With regard to foreign currency funds, the Bank closely monitored changes in global market liquidity, and prudently managed the terms of cash inflows and outflows, and ensured sound liquidity at key points of time.

Debt securities investments

Focusing on supporting the real economy and preventing and mitigating major risks, the Bank reasonably balanced risks and returns of debt securities investments. With regard to investments in RMB debt securities, the Bank improved its influence and competitiveness in debt securities investment market with resources as allowed by liquidity status, so as to achieve a balance between liquidity, safety and profitability of the portfolios. With regard to investments in foreign-currency debt securities, the Bank seized market opportunities to adjust its portfolio structure and enhance the overall return on the debt securities investments.

Customer-driven trading business

The Bank carefully implemented regulatory policies, proactively responded to changes in the market, and ensured that its customer-driven trading business was conducted prudently in compliance with relevant requirements. With greater efforts in product innovation and customer development, the Bank launched new corporate foreign exchange trading products such as non-deliverable forward in line with regulatory requirements. The Bank continued to improve its trading channels to meet personal customers' needs for foreign exchange transactions. With enhanced trading activity and market influence, the transaction volume of customer-driven trading business reached US$226,806 million in the first half of 2018, while the Bank continued to maintain its leading position in China's interbank foreign exchange market in terms of comprehensive ranking.

Precious metals and commodities

Precious metals and commodities business of the Bank developed steadily in compliance with relevant regulations. The Bank innovatively launched platinum lease products, providing corporate customers with more product options. In the first half of 2018, the total trading volume of precious metals of the Bank reached 32,477 tonnes, and the number of personal customers for precious metal and commodity trading reached 35.33 million.

Assets management business

The Bank actively responded to new regulations on assets management while accelerating the transformation of business modes. It developed various innovative net worth products including "Qianyuan-longbao" and "Qianyuan-anxinxiang", and achieved rapid growth in net worth products. It also increased investments in standardised assets, and carried forward the conversion of non-standardised assets to standardised assets, resulting in an increased share of standardised assets. In the first half of 2018, the Bank independently issued 6,492 batches of WMPs with a total amount of RMB3,722,393 million to effectively meet the investment needs of customers. At the end of June, the balance of WMPs was RMB1,948,626 million. In this amount, the non-principal-guaranteed WMPs were RMB1,599,092 million and the principal-guaranteed WMPs were RMB349,534 million.

Investment banking business

In terms of investment banking business, the Bank provided customers with comprehensive financing products and advisory services through "Financial Total Solutions (FITS®)". In the first half of 2018, the Bank actively cooperated with the National Development and Reform Commission to jointly promote and establish the National Development Fund for Strategic Industries. The Bank attracted RMB17,937 million social funds into the house leasing market by means of debt securities and asset securitisation. It issued the first notes backed by debt-to-equity swap assets in China's inter-bank market, tapping into a new frontier of market-driven financing for debt-to-equity swap projects. It accumulatively underwrote 277 batches of debt financing instruments for non-financial enterprises with a total amount of RMB195,770 million. As part of its continuous efforts in promoting green economy, the Bank vigorously developed green asset-backed notes and green asset securitisation, becoming the first underwriter with pilot achievements in the experimental zone of green finance reform. It promoted the issuance of the first green building panda bond, doubling as green "Bond Connect" bond, in the inter-bank market, and it accumulatively registered green bonds of RMB11,800 million in total.

3.2.4 Overseas Commercial Banking Business

In recent years, the Group actively promoted its internationalisation development strategy, steadily expanded its overseas business and institutional network, continuously broadened its service channels and expanded its financial products, forming a round-the-clock global financial service network system across time zones, regions and currencies, with enhanced globalised customer service capability and international competitiveness. At the end of June, the Group had more than 200 overseas commercial banking institutions at various levels in 29 countries and regions. In the first half of 2018, the net profit of the Group's overseas institutions was RMB4,772 million, a year-on-year decrease of 12.17%.

CCB Asia

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

CCB Asia is the Group's service platform for retail banking and small and medium-sized enterprises business in Hong Kong. Moreover, it has traditional advantages in providing wholesale 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. At the end of June, total assets of CCB Asia amounted to RMB357,794 million, and shareholders' equity was RMB51,630 million. Net profit in the first half of 2018 was RMB1,906 million.

CCB London

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

CCB London is dedicated to serving 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 June, total assets of CCB London amounted to RMB5,998 million, and shareholders' equity was RMB3,433 million. Net loss in the first half of 2018 was RMB3 million.

CCB Russia

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

CCB Russia is dedicated to serving Chinese “Going Global” enterprises, large Russian enterprises and multinational enterprises involved in Sino-Russian bilateral trade. CCB Russia is mainly engaged in syndicated loans, bilateral loans, trade finance, international settlement, financial market trading, financial institutional business, clearing, cash business, deposits, safe deposit box services, etc. At the end of June, total assets of CCB Russia amounted to RMB2,544 million, and shareholders’ equity was RMB647 million. Net profit in the first half of 2018 was RMB23 million.

CCB Europe

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

CCB Europe mainly provides services to large and medium-sized Chinese “Going Global” enterprises as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, and cross-border trading. At the end of June, total assets of CCB Europe were RMB11,740 million, and shareholders’ equity was RMB1,403 million. Net profit in the first half of 2018 was RMB33 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited is a wholly-owned subsidiary of the Bank, established in New Zealand in 2014 with a registered capital of NZD199 million.

It offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading to Chinese “Going Global” enterprises as well as local clients in New Zealand. At the end of June, total assets of CCB New Zealand amounted to RMB7,379 million, and shareholders’ equity was RMB946 million. Net profit in the first half of 2018 was RMB36 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a medium-sized bank in Sao Paulo acquired by the Bank in 2014. Its predecessor, Banco Industrial e Comercial S.A., was delisted and changed to its present name in 2015. The Bank now controls 100% equity shares of CCB Brasil.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. 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 June, total assets of CCB Brasil were RMB38,471 million, and shareholders’ equity was RMB3,114 million. Net profit in the first half of 2018 was RMB10 million.

CCB Malaysia

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

As a licenced 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 June, total assets of CCB Malaysia were RMB5,644 million, and shareholders’ equity was RMB1,343 million. Net profit in the first half of 2018 was RMB2 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. The Bank holds 60% equities of CCB Indonesia. Headquartered in Jakarta, CCB Indonesia has 102 branches and sub-branches across Indonesia, covering all major islands of Indonesia. It provides commercial banking services, including loans and deposits, settlement and foreign exchange services.

CCB Indonesia is committed to promoting the bilateral investment and trade between China and Indonesia, and serving Chinese “Going Global” enterprises, as well as high-quality local customer groups. It focuses on developing corporate business, small and medium-sized enterprises business, trade finance, infrastructure finance and personal mortgages. At the end of June, total assets of CCB Indonesia amounted to RMB7,199 million, and shareholders’ equity was RMB1,131 million. Net profit in the first half of 2018 was RMB27 million.

3.2.5 Integrated Operation Subsidiaries

The Group has multiple subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Property & Casualty, CCB International, CCB Futures, CCB Pension, and CCB Investment in non-banking financial sector, as well as banking institutions including Sino-German Bausparkasse and rural banks to provide specialised and differentiated banking services. The overall business development of integrated operation subsidiaries was robust with steady business expansion and sound asset quality. At the end of June, total assets of the integrated operation subsidiaries were RMB477,059 million, an increase of 7.95% compared with the end of last year. Net profit for the first half of 2018 reached RMB3,778 million, a year-on-year increase of 12.54%.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. has a registered capital of RMB200 million, of which the Bank contributes 65%. It is engaged in the funds raising and sales, assets management as well as other businesses approved by the CSRC.

At the end of June, the total assets managed by CCB Principal Asset Management was RMB1,491,112 million. In this amount, funds raised from public offerings were RMB634,288 million, and the number of public offering funds managed by CCB Principal Asset Management was 107. Special account business amounted to RMB375,207 million. At the end of June, total assets of CCB Principal Asset Management were RMB4,939 million, and shareholders' equity was RMB4,265 million. Net profit for the first half of 2018 was RMB640 million.

CCB Financial Leasing

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

In the first half of 2018, drawing on its features and advantages of fund-raising and goods financing, CCB Financial Leasing acted in compliance with the Group's development strategies to constantly promote business transformation and upgrade business structure. It proactively supported the development of real economy, and achieved continuous expansion of asset scale while maintaining stable asset quality. At the end of June, total assets of CCB Financial Leasing were RMB151,175 million, and shareholders' equity was RMB13,885 million. Net profit for the first half of 2018 reached RMB760 million.

CCB Trust

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

At the end of June, the trust assets under management amounted to RMB1,333,555 million. Total assets of CCB Trust were RMB19,776 million, and shareholders' equity was RMB12,571 million. Net profit for the first half of 2018 was RMB1,041 million.

CCB Life

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

In the first half of 2018, CCB Life further expanded its business areas and steadily raised the investment profitability. At the end of June, total assets of CCB Life were RMB134,587 million, and shareholders' equity was RMB10,765 million. Net profit was RMB273 million for the first half of 2018.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. has a registered capital of RMB1 billion. CCB Life holds 90.2% of its shares. CCB Property & Casualty is mainly engaged in 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.

At the end of June, total assets of CCB Property & Casualty were RMB1,201 million, and shareholders' equity was RMB688 million. Net profit was negative RMB55 million for the first half of 2018.

CCB International

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

In the first half of 2018, CCB International maintained sound development in various businesses. 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 June, total assets of CCB International were RMB90,023 million, and shareholders' equity was RMB11,575 million. Net profit was RMB652 million for the first half of 2018.

CCB Futures

CCB Futures Co., Ltd. has a registered capital of RMB561 million. CCB Trust holds 80% of its shares. It is mainly engaged in commodity futures brokerage, financial futures brokerage and asset management.

At the end of June, total assets of CCB Futures were RMB5,264 million, and shareholders' equity was RMB671 million. Net profit was RMB16 million for the first half of 2018.

CCB Pension

CCB Pension Management Co., Ltd. has a registered capital of RMB2.3 billion. The Bank holds 85% of its shares. 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.

At the end of June, the assets under the management of CCB Pension reached RMB358,702 million. CCB Pension is eligible for entrusted management of occupational annuity for public institutions in Xinjiang Autonomous Region, Shandong Province and central government agencies. It developed and launched "Jian Yi Ren Sheng" APP on a comprehensive pension service platform for the elderly. At the end of June, total assets of CCB Pension were RMB2,595 million, and shareholders' equity was RMB2,239 million. Net profit was RMB28 million for the first half of 2018.

CCB Investment

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

CCB Investment adopted a market-oriented and law-based approach to promote debt-to-equity swaps. By the end of June, it led the industry on a cumulative basis with a total of 51 framework agreements of market-oriented debt-to-equity swaps, a total contractual amount of RMB640 billion, and actual investment of RMB110.5 billion. At the end of June, total assets of CCB Investment were RMB12,360 million, and shareholders' equity was RMB12,059 million. Net profit was RMB31 million.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion. The Bank holds 75.10% of its shares. As a specialised commercial bank committed to the housing financing sector, Sino-German Bausparkasse is engaged in taking housing savings deposits, providing housing savings loans, residential mortgages, and real estate development loans in support of the development and construction of economically affordable housing, low-rent housing, economically affordable rent housing and price-limited housing.

In the first half of 2018, Sino-German Bausparkasse proactively implemented strategic transformation and achieved steady business development, with the sales of housing savings products reaching RMB13,982 million. At the end of June, the total assets of Sino-German Bausparkasse were RMB28,236 million, and shareholders' equity was RMB2,924 million. Net profit was RMB7 million for the first half of 2018.

Rural banks

By the end of June, the Bank had sponsored the establishment of 27 rural banks, including Hunan Taojiang and others, and the registered capital of these rural banks totalled RMB2,820 million, of which the Bank contributed RMB1,378 million.

These rural banks are dedicated to offering efficient financial services in support of "agriculture, farmers and rural areas", as well as small and micro enterprises in county regions, and have achieved good operating results. At the end of June, total assets of the 27 rural banks were RMB17,492 million and shareholders' equity was RMB3,499 million. Loans were mainly extended to support "agricultural initiatives and small and micro enterprises", and the outstanding loans were RMB11,738 million. Net profit was RMB95 million for the first half of 2018.

3.2.6 Analysed by Geographical Segments

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**29,600**	**16.32**	30,619	17.79
Pearl River Delta	**29,680**	**16.36**	24,769	14.39
Bohai Rim	**19,793**	**10.91**	19,776	11.49
Central	**27,731**	**15.29**	26,541	15.42
Western	**26,827**	**14.79**	24,573	14.28
Northeastern	**333**	**0.18**	4,177	2.43
Head Office	**40,253**	**22.19**	34,257	19.91
Overseas	**7,203**	**3.96**	7,381	4.29
Profit before tax	**181,420**	**100.00**	172,093	100.00

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

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**4,644,884**	**14.19**	4,687,993	14.68
Pearl River Delta	**3,528,199**	**10.78**	3,479,166	10.89
Bohai Rim	**5,152,442**	**15.74**	4,916,680	15.39
Central	**4,142,443**	**12.65**	4,063,059	12.72
Western	**3,475,135**	**10.62**	3,294,459	10.32
Northeastern	**1,132,618**	**3.46**	1,100,318	3.45
Head Office	**8,900,041**	**27.19**	8,672,547	27.15
Overseas	**1,757,448**	**5.37**	1,726,043	5.40
Total assets[1]	**32,733,210**	**100.00**	31,940,265	100.00

1. Total assets exclude elimination and deferred tax assets.

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

(In millions of RMB, except percentages)	**As at 30 June 2018** Gross loans and advances	% of total	NPLs	NPL ratio (%)	As at 31 December 2017 Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	**2,380,964**	**17.70**	**29,597**	**1.24**	2,288,830	17.74	31,460	1.37
Pearl River Delta	**2,029,585**	**15.09**	**25,561**	**1.26**	1,941,337	15.05	27,777	1.43
Bohai Rim	**2,191,879**	**16.29**	**41,105**	**1.88**	2,131,045	16.52	38,302	1.80
Central	**2,304,021**	**17.13**	**33,670**	**1.46**	2,176,159	16.86	32,154	1.48
Western	**2,205,357**	**16.39**	**34,124**	**1.55**	2,117,740	16.41	34,973	1.65
Northeastern	**696,706**	**5.18**	**22,471**	**3.23**	672,309	5.21	18,920	2.81
Head Office	**641,424**	**4.77**	**7,798**	**1.22**	574,506	4.45	5,867	1.02
Overseas	**1,002,452**	**7.45**	**4,428**	**0.44**	1,001,515	7.76	2,838	0.28
Gross loans and advances to customers	**13,452,388**	**100.00**	**198,754**	**1.48**	12,903,441	100.00	192,291	1.49

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

(In millions of RMB, except percentages)	**As at 30 June 2018** Amount	% of total	As at 31 December 2017 Amount	% of total
Yangtze River Delta	**3,071,481**	**18.10**	2,951,029	18.03
Pearl River Delta	**2,628,534**	**15.49**	2,551,496	15.59
Bohai Rim	**3,036,863**	**17.90**	2,896,463	17.70
Central	**3,372,098**	**19.88**	3,200,877	19.56
Western	**3,287,860**	**19.38**	3,137,692	19.18
Northeastern	**1,059,699**	**6.25**	1,044,470	6.38
Head Office	**6,297**	**0.04**	24,658	0.15
Overseas	**502,657**	**2.96**	557,069	3.41
Total deposits from customers	**16,965,489**	**100.00**	16,363,754	100.00

3.2.7 Building of Branch Network and Channels

The Group has an extensive distribution network, and provides its customers with convenient and high quality banking services through branches and sub-branches, self-service facilities, specialised service entities across the world as well as electronic banking service platforms. At the end of June, the Bank had a total of 14,986 operating entities, consisting of 14,955 domestic entities including the Head Office, 37 tier-one branches, 346 tier-two branches, 13,504 sub-branches, 1,066 outlets under the sub-branches and a specialised credit card centre at the Head Office, and 31 overseas institutions. The Bank had 45 subsidiaries with a total of 535 entities, including 354 domestic ones and 181 overseas ones. For addresses of domestic and overseas tier-one branches and subsidiaries, please refer to the 2017 annual report of the Bank.

Physical channels

Continuously optimising outlet structure and accelerating the implementation of channels for inclusive finance strategy. In order to improve customer experience, the Bank actively innovated the operation and service modes at its outlets, and built a total of 101 flagship stores and 1,081 light weight stores. The Bank also promoted the building of outlets for inclusive financial service. At the end of June, with the approval from regulators, the Bank newly built or upgraded more than 500 inclusive finance outlets, and had 4,249 entities in county regions and 12,710 outlets engaged in small enterprise business. The Bank continued to improve its barrier-free services, and took active measures to make its outlet service resources available to the public. By the end of June, the Bank had cumulatively established 327 private banking centres staffed with 1,868 employees, set up nearly 300 small business operating centres in the form of "Credit Factory", and built over 1,500 personal loan centres.

Promoting the building of smart banking steadily and optimising self-service network constantly. The Bank accelerated the application of smart technologies and business models in smart banking, and its smart bank was successfully piloted in Shenzhen Branch in April, realising a total of 38 functions such as face recognition and smart marketing in 12 scenarios and, as a result, created a new type of smart interactive banking model. At the end of June, there were 94,917 ATMs and 28,898 self-service banks in operation. The number of off-premise self-service banks was on a par with that of outlets. There were 28,051 banking machines operating in county regions; a total of 49,160 smart teller machines were in operation, covering all brick and mortar outlets.

Conducting centralised operation to support the Group's development and innovating production and organisation modes. At the end of June, the Bank achieved centralised processing of 155 types of businesses at the head office level in four areas including counter services, online channels, middle offices, and subsidiaries and overseas operations, an increase of 18 business types as compared with the end of last year. The average daily business volume reached 924.9 thousand. The centralised processing efficiency and production quality improved steadily. The Bank established a cloud-based production platform first among peers, and promoted the cloud-based applications across the Bank to reduce its operating costs.

E-channels

In the first half of 2018, adhering to its "mobile first" strategy, the Bank strengthened its fintech application, intensified opening-up and cooperation, and promoted rapid upgrades of products and customer services. As a result, the Bank achieved comprehensive improvement in its E-channel service ability.

Mobile finance

With the open thinking spirit of the internet, the Bank transformed mobile banking from a traditional transaction channel to "banking on mobile phones", with expanded functions and more intelligent, convenient and smoother customer experience. Drawing on financial technologies such as artificial intelligence, the Bank innovated its person-machine interactive services such as intelligent voice menu navigation. Big data accumulation and analysis enabled the Bank to enhance customer experience by providing customers with customised push service and personalised investment advisory service. WeChat banking had become a major mobile service channel, and a series of new services were added including e-account opening, "Huishenghuo" (Preferential Life), Longxinshang and ETC.

At the end of June, the number of personal mobile banking users amounted to 287 million, up by 7.90% over the end of last year; the number of SMS financial service users reached 404 million, an increase of 6.11% over the end of last year; the number of WeChat banking users who followed the Bank's WeChat official account increased by 12.89% to 81.41 million over the end of last year, among which the number of users who linked their accounts to WeChat was 56.90 million, an increase of 14.79% over the end of last year.

Online banking

In order to better meet various customer needs, the Bank launched the English version of online banking, and added a traditional Chinese version for services including corporate foreign exchange remittance, Jianguanyi, unified view of account funds, due diligence and transactions at locked-in exchange rate. The Bank launched a platform for transfer and trading of personal investment and wealth management products, on which investment and wealth management products could be transferred, invested in and bid for through electronic channels. The Bank added visitor login mode to support individual customers to experience online banking services as visitors. At the end of June, the number of personal online banking users increased by 6.48% to 288 million over the end of last year; the number of corporate online banking users reached 6.80 million, an increase of 12.90% over the end of last year.

Internet website

The average daily pageviews of CCB's Internet website reached 74.51 million, an increase of 8.28% year on year. The Group launched a marketing-oriented mobile portal, and selected key businesses of the Bank to build a closed loop of full-process online marketing and service without login or download, which supported flexible deployment of products, services and applications in multiple portals and scenarios on the mobile end.

E.ccb.com

The Bank expanded its e-commerce channel for poverty alleviation, participated in promoting the building of e-commerce model counties in rural areas, and actively supported the targeted poverty alleviation in poverty-stricken areas. It launched a new version of the online mall for individual customers with upgraded service process, improving customer shopping experience. At the end of June, E.ccb.com had 3,336 poverty alleviation merchants on a cumulative basis, covering 730 poverty-stricken counties. The poverty alleviation related transactions and total transactions of E.ccb.com reached RMB3,758 million and RMB78,264 million respectively in the first half of the year.

Cloud-based customer service

In response to changes in customers' needs for financial services, the Bank strengthened centralised management of customer services, promoted collaborative processing of enterprise-level customer inquiries, and strove to build a "cloud-based customer service" platform. In the first half of the year, the number of inquiries processed on the phone was 260 million; inquiries through online channels totalled 664 million, 99.57% of which were responded automatically by the AI robots. For live answering services through all channels, the inquiries dealt by customer service representatives rose to over 83% of the total.

3.2.8 Information Technology and Product Innovation

Information technology

In the first half of the year, the Bank focused on promoting reform and innovation of its fintech system. It boosted digital transformation and innovation, and strove to ensure system security and support the development of various businesses.

By integrating the research and development teams directly under the Head Office, the Bank established CCB Fintech Co., Ltd. with a market-oriented team focusing on financial technology innovation. It formulated a five-year fintech strategic plan, set up a fintech innovation committee taking charge of the research, review and overall coordination in strategic planning, rules and policies development and strategic promotion regarding financial technology, product innovation and big data.

Meanwhile, the Bank continued to upgrade its e-banking security protection and control, and strengthened prevention of transaction risk in advance with the help of biometric authentication and other security technologies. It enhanced supervision and precise control of transaction risk by leveraging AI neural network and big data knowledge graph. Adhering to the concept of "security as a service", the Bank built a smart and proactive CCB cloud security protection system. It promoted the use of domestic encryption algorithms, strengthened the mechanism to protect customer privacy, and actively carried out security protection of cross-border data.

The Bank fully promoted the "New Generation" system, with the launch of corporate business functions of the system at Johannesburg Branch and New Zealand Branch, and the integration of core systems of Sino-German Bausparkasse into the "New Generation" system. On top of the "New Generation" system, the Bank adopted advanced technologies such as artificial intelligence, big data and blockchain to continuously enhance its business supporting capacities. Following the launch of its house leasing comprehensive service platform, the Bank continued with its implementation of social service platforms including smart government affairs, secure retirement, religious affairs and party-masses comprehensive service, to attract more customers.

Product innovation

In the first half of the year, by virtue of constant improvements in the innovation mechanism and solid efforts in fundamental management for innovation, the Bank completed more than 223 innovation projects and over 415 product duplication projects.

Drawing on financial technologies, the Bank launched automatic parking payment, mobile smart hospital and other products, to provide customers with more convenient services. The Bank explored the possibility of building a harmonious leasing eco-system by building a house leasing platform, and launched products including "Cunfang (House Deposit)" specialised house leasing notes, "Fangyizu (easy renting)" for universities, and "Blue Ocean Zulinhui" preferential leasing solutions. The Bank supported inclusive financial services for small and micro enterprises, innovative and start-up businesses, poverty alleviation and agriculture-related areas by launching products such as inclusive financial asset securitisation, Firefly Maker Bank and Huinongbao No.1. Striving to support the real economy, the Bank leveraged its expertise to serve corporate customers' strategies, and launched products such as "Binggouying" for cross-border M&As, integrated deleveraging solutions, and debt-to-equity swap asset-backed notes.

3.2.9 Human Resources

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

	As at 30 June 2018			
	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	**2,371**	**15.82**	**51,199**	**14.79**
Pearl River Delta	**1,930**	**12.88**	**43,290**	**12.51**
Bohai Rim	**2,472**	**16.50**	**57,321**	**16.56**
Central	**3,603**	**24.04**	**77,747**	**22.46**
Western	**3,062**	**20.43**	**65,235**	**18.84**
Northeastern	**1,514**	**10.10**	**35,137**	**10.15**
Head Office	**3**	**0.02**	**15,317**	**4.42**
Overseas	**31**	**0.21**	**918**	**0.27**
Total	**14,986**	**100.00**	**346,164**	**100.00**

At the end of June 2018, the Bank had 346,164 employees (not including 4,190 workers dispatched by labour leasing companies). The number of employees with academic qualifications of bachelor's degree or above was 229,919 or 66.42%, and the number of local employees in overseas entities was 734. In addition, the Bank assumed the expenses of 69,023 retired employees.

Staff training

Focusing on priorities of its business development, the Bank conducted business-specific training programmes for various business lines via multiple channels in line with its strategic objectives and performance tasks, and vigorously enhanced its capabilities of serving real economy, preventing financial risks and deepening financial reform. In order to meet the needs of talent development, it provided comprehensive, multi-level and constant training support for "213 Talents Project", managerial personnel at all levels, international talents, risk line talents, account managers and other core talents at key positions. In the first half of the year, the Bank organised 8,820 on-site training sessions with a total enrolment of 450 thousand, while online training enabled 50 thousand people to complete a total of 370 thousand courses.

Profiles of staff in subsidiaries

The subsidiaries of the Bank had 18,586 employees (not including 390 workers dispatched by labour leasing companies). Among them, the domestic and overseas employees numbered 13,053 and 5,533 respectively. In addition, the subsidiaries assumed the expenses of 32 retired employees.

3.3 Risk Management

In the first half of 2018, the Group focused on strengthening its comprehensive risk management and control as well as collaborative prevention and control capability, by further improving its comprehensive risk management system, consolidating the basis of comprehensive risk management and establishing new mode of risk prevention and control aligned to new strategies, situations and businesses.

3.3.1 Credit Risk Management

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

In the first half of 2018, the Group adhered to an active and comprehensive risk management approach and timely identified, mitigated and addressed risks. Furthermore, it strengthened management and control over NPLs, overdue loans, and special mention loans and advances, and assigned high priorities to critical areas, so as to maintain and further improve its asset quality.

Active optimisation of credit structure. The Group vigorously promoted its strategic businesses, including inclusive finance and house leasing, continuously increased the share of green credit business to further enhance its sustainable development capability. The Group proactively consolidated the basis of credit management, as part of its efforts to promote the high-quality development of credit businesses. The Group stepped up efforts in improving the rules and procedures for loan disbursement review and approval as well as the centralised collateral management, and established sound decision-making mechanisms for pre-lending and post-lending risks.

Promoting forward-looking risk management. The Group intensified its efforts in studying of and dealing with hot issues including Sino-US trade frictions and new assets management policies and regulations. The Group improved the system of joint conferences to combine key business development and proactive risk prevention and control, and piloted pre-lending diagnostic meetings, in order to incorporate earlier risk judgment and control in business processes. The Group established a risk measurement system to accommodate new changes, optimised its customer rating model, and made full use of the Group's comprehensive risk monitoring and early-warning platform.

Strengthening risk control over credit review and approval. The Group pushed forward the establishment of a differentiated risk control model for credit review and approval, implemented comprehensive credit management, established consistent risk preference, and prioritised on the support for strategic businesses development. The Group improved the specialisation of credit review and approval, and bolstered studying and management of key and emerging businesses. The Group made dynamic adjustments to the authority delegation mechanism for credit review and approval, optimised performance assessment and supervision system, and intensified management and control of the risk in relation to credit review and approval.

Enhancing the operation and value management of non-performing assets. Focusing on key areas, key branches and major projects, the Group intensified the disposal of corporate non-performing assets. By means of collection and transfer, the Group actively managed its non-performing assets, stepped up efforts in cash recovery from on-balance sheet NPLs and written-off assets, and effectively enhanced the contribution of non-performing asset resolution to the Bank.

Concentration of credit risks

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

At the end of June, the Group's gross loans to the largest single borrower accounted for 3.83% of the total capital after regulatory adjustment, while those to the top ten customers accounted for 13.23% of the total capital after regulatory adjustment.

Concentration of loans

	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016
Proportion of loans to the largest single customer (%)	**3.83**	4.27	4.03
Proportion of loans to top ten customers (%)	**13.23**	13.90	13.37

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

(In millions of RMB, except percentages)	Industry	As at 30 June 2018	
		Amount	**% of total loans**
Customer A	Transportation, storage and postal services	**80,640**	**0.60**
Customer B	Transportation, storage and postal services	**33,177**	**0.25**
Customer C	Finance	**28,000**	**0.21**
Customer D	Transportation, storage and postal services	**22,605**	**0.17**
Customer E	Transportation, storage and postal services	**22,575**	**0.17**
Customer F	Transportation, storage and postal services	**22,341**	**0.17**
Customer G	Transportation, storage and postal services	**19,870**	**0.15**
Customer H	Transportation, storage and postal services	**17,491**	**0.13**
Customer I	Production and supply of electric power, heat, gas and water	**16,428**	**0.12**
Customer J	Transportation, storage and postal services	**15,448**	**0.11**
Total		**278,575**	**2.07**

3.3.2 Liquidity Risk Management

Liquidity risk is the type of risk that occurs when the Group cannot obtain sufficient funding in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet the other funding needs in regular business development.

In the first half of 2018, the PBC implemented a prudent and neutral monetary policy and lowered the RMB statutory deposit reserve ratio three times. By adhering to its prudent approach in liquidity risk management, the Group closely monitored complex internal and external changes in the funding landscape, including the escalation of trade frictions, increasingly stringent regulations in China and intensified competition for deposits, actively adapted to monetary policy adjustments, and made forward-looking arrangements for fund allocation. It adopted various methods, including establishing the methodology for indicator sensitivity analysis, improving liquidity stress testing, and enhancing cash flow forecast models, to effectively manage its asset and liability maturity structure, and maintained the stability of its liquidity indicators.

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

(%)		Regulatory standard	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016
Liquidity ratio[1]	RMB	≥25	**46.88**	43.53	44.21
	Foreign currency	≥25	**85.88**	74.52	40.81
Loan-to-deposit ratio[2]	RMB		**71.41**	70.73	68.17

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBRC.
2. In accordance with the CBRC's requirements, loan-to-deposit ratio should be calculated on the basis of domestic legal person.

The following table sets forth the liquidity coverage ratio of the Group in the second quarter of 2018:

No.	(In millions of RMB, except percentages)	Value before translation	Value after translation
	Qualified and high-quality liquid assets		
1	Qualified and high-quality liquid assets		4,056,155
	Cash outflow		
2	Deposits from retail and small enterprise customers, including:	7,631,690	659,046
3	Stable deposits	2,079,376	103,814
4	Deposits with a low degree of stability	5,552,314	555,232
5	Unsecured (unpledged) wholesale financing, including:	8,961,456	3,066,925
6	Business relations deposits (excluding agent bank business)	5,827,238	1,446,997
7	Non-business relations deposits (all counterparties)	3,023,261	1,508,971
8	Unsecured (unpledged) debts	110,957	110,957
9	Secured (pledged) financing		96
10	Other items, including:	1,754,515	245,522
11	Cash outflows related to the requirement of derivatives and other collateral (pledges)	80,912	80,912
12	Cash outflows related to financing loss of mortgage (pledges) debt instruments	9,222	9,222
13	Credit facilities and liquidity facilities	1,664,381	155,388
14	Other contractual financing obligations	2	–
15	Contingent financing obligations	2,258,171	300,899
16	**Total amount of expected cash outflows**		4,272,488
	Cash inflow		
17	Mortgage (pledged) lending (including reverse repurchase and borrowed securities)	259,057	259,057
18	Cash inflow from normal full settlement	1,458,497	973,647
19	Other cash inflows	91,350	90,912
20	**Total amount of expected cash inflows**	1,808,904	1,323,616

		Value after adjustment
21	**Qualified and high-quality liquid assets**	4,056,155
22	**Net cash outflows**	2,948,872
23	**Liquidity coverage ratio (%)**[1]	137.68

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

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio equals to the qualified high-quality liquid assets divided by net cash outflows in the following 30 days. The qualified high-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group for the second quarter of 2018 was 137.68%, and met the regulatory requirements. The liquidity coverage ratio for the second quarter increased by 1.85 percentage points over the previous quarter, mainly due to the increase in qualified high-quality liquid assets.

Net stable funding ratio equals to the available stable funding divided by required stable funding. In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, as an indicator designed to help ensure that commercial banks have sufficient and stable funding sources to meet requirements of stable funding for various assets and off-balance sheet risk exposures, net stable funding ratio has been included as a regulatory indicator of liquidity risk since 1 July 2018. Pursuant to the requirements, commercial banks with total assets over RMB200 billion (inclusive) shall meet the lowest regulatory standard of 100% for net stable funding ratio on an on-going basis. According to the regulatory requirements, definitions and accounting standards applicable in the current period, as at the end of June 2018, the Group's available stable funding was RMB15,559,900 million against the required stable funding of RMB12,273,500 million, and the Bank thus met the regulatory requirements with a net stable funding ratio of 126.78%.

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

(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Net gaps as at 30 June 2018	**2,729,859**	**(10,228,200)**	**(7,714)**	**(605,176)**	**(333,067)**	**3,477,519**	**6,831,356**	**1,864,577**
Net gaps as at 31 December 2017	3,139,244	(9,626,699)	(807,625)	(888,844)	(316,165)	3,333,019	6,962,897	1,795,827

The Group regularly monitors the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk during different period. As at 30 June 2018, the accumulative maturity gap of the Group was RMB1,864,577 million, an increase of RMB68,750 million over the end of 2017. The negative gap for repayment on demand was RMB10,228,200 million, mainly due to the Group's large demand deposit balance from its expansive customer base; however, considering the low turnover rate of the Group's demand deposits and steady growth in deposits, the Group expects to have stable sources of funding and maintain a stable liquidity position in the future.

3.3.3 Market Risk Management

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

In the first half of 2018, the Group strengthened the management and control over its investment and trading risks and effectively prevented cross risk contagion. The Group enhanced the analysis and forecast of global risks and extreme risks and responded actively to major market changes and business contingencies. With further incorporation of risk management into processes, the management and control mechanism with three defence lines was strengthened. The Group consistently applied substantive pass-through management to the underlying assets of assets management business and financial institutional business, refined its management over the provisions for impairment losses, and enhanced its risk mitigation capability. The Group reinforced risk limit management and risk assessment of new products, strengthened risk control in key areas, and launched risk screening and management of credit bonds at the Group level.

Value at risk analysis

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

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

	For the six months ended 30 June 2018				For the six months ended 30 June 2017			
(In millions of RMB)	**As at 30 June**	**Average**	**Maximum**	**Minimum**	As at 30 June	Average	Maximum	Minimum
Risk valuation of trading portfolio	**158**	**120**	**158**	**92**	252	181	252	114
Interest rate risk	**44**	**43**	**58**	**32**	74	102	148	61
Foreign exchange risk	**151**	**113**	**151**	**77**	226	119	226	76
Commodity risk	**–**	**11**	**39**	**–**	16	4	16	–

Interest rate risk management

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

In the first half of 2018, the Group actively responded to changes in the external interest rate environment, and reinforced continuous risk monitoring and prediction. It timely adjusted the product portfolio and term structure of assets and liabilities, and enhanced its market-oriented pricing capability to keep the net interest margin at a stable level. Meanwhile, the Group continued to promote the transmission mechanism of its interest rate risk management, strengthened the interest risk limit management of its overseas branches and subsidiaries, and further improved its capability to carry out more precise and effective interest rate risk management activities. During the reporting period, the interest rate risk of banking book of the Group remained stable on the whole, with various limits kept within their respective target levels.

Interest rate sensitivity gap analysis

The analysis of the next expected repricing dates or maturity dates (whichever are earlier) of the Group's assets and liabilities as at the specified dates is set out below:

(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Interest rate sensitivity gap analysis as at 30 June 2018	**33,217**	**(5,653,304)**	**5,877,161**	**96,783**	**1,510,720**	**1,864,577**
Accumulated interest rate sensitivity gap analysis as at 30 June 2018		**(5,653,304)**	**223,857**	**320,640**	**1,831,360**	
Interest rate sensitivity gap analysis as at 31 December 2017	154,197	(2,375,840)	1,544,402	758,957	1,714,111	1,795,827
Accumulated interest rate sensitivity gap analysis as at 31 December 2017		(2,375,840)	(831,438)	(72,481)	1,641,630	

As at 30 June 2018, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB223,857 million, changing from negative to positive with an increase of RMB1,055,295 million over the end of 2017, mainly due to the increase of customer loans and advances as well as short-term investments. The positive gap for assets and liabilities with maturities of more than one year was RMB1,607,503 million, a decrease of RMB865,565 million over the end of last year, mainly due to the decrease in long-term investments and the increase of time deposits for periods of more than one year.

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes all yield curves to rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; and, the second assumes the other yield curves to rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC and the demand deposits remain the same.

The interest rate sensitivity of the Group's net interest income as at the specified dates is set out below:

	Change in net interest income			
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points (demand deposit rates being constant)	Fall by 100 basis points (demand deposit rates being constant)
As at 30 June 2018	**(56,362)**	**56,362**	**43,242**	**(43,242)**
As at 31 December 2017	(46,727)	46,727	50,694	(50,694)

Foreign exchange rate risk management

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

In the first half of 2018, the Group paid close attention to the trend of the global foreign exchange market, and adhered to its prudent risk management strategy to maintain a relatively low level of foreign exchange rate exposure, including an extremely low level of currency exposure to emerging markets. It conducted stress testing on foreign exchange rate risk as part of the Financial Sector Assessment Programme (FSAP), with results indicating that the overall risk was under control.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below:

	As at 30 June 2018				As at 31 December 2017			
(In millions of RMB)	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**1,233,823**	**337,749**	**382,525**	**1,954,097**	1,285,315	415,267	383,769	2,084,351
Spot liabilities	**(1,166,922)**	**(380,229)**	**(295,778)**	**(1,842,929)**	(1,151,780)	(453,711)	(326,808)	(1,932,299)
Forward purchases	**2,494,575**	**199,886**	**234,973**	**2,929,434**	2,737,947	178,350	247,059	3,163,356
Forward sales	**(2,506,471)**	**(127,483)**	**(303,672)**	**(2,937,626)**	(2,794,336)	(105,881)	(280,868)	(3,181,085)
Net options position	**(33,713)**	**–**	**–**	**(33,713)**	(72,996)	–	–	(72,996)
Net long position	**21,292**	**29,923**	**18,048**	**69,263**	4,150	34,025	23,152	61,327

As at 30 June 2018, the net exposure of the Group's foreign exchange rate risk was RMB69,263 million, an increase of RMB7,936 million over the end of last year, mainly due to the increase of profits in foreign currencies.

3.3.4 Operational Risk Management

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

In the first half of 2018, in compliance with the operational risk regulatory requirements, the Group continued to improve the management of internal and external loss data on operational risk, with a focus on the analysis of regulatory penalties. The Group organised risk screening and rectification of problems, constantly optimised information system for operational risk management to strengthen system support for business continuity management. In light of the progress of the "New Generation" core banking system, the Group took timely actions to promote corresponding emergency planning and drills, and enhanced its capacity to address emergencies.

Anti-money Laundering

In the first half of 2018, in line with its risk-based approach, the Group continued to improve its rules and mechanisms for anti-money laundering, counter-terrorist financing and anti-tax evasion, and made unflagging efforts to enhance its fundamental capabilities in anti-money laundering management. Solid efforts were made to improve customer identification, so as to further improve the completeness of customer identity information. The Group adopted big data analytic tool to upgrade the system functions for anti-money laundering activities and more effectively identify money laundering clues. The Group quickened its paces in improving its automated management capabilities of sanctions compliance risk, and heightened its sanctions compliance management and control over customers from high-risk countries or regions. It successfully uploaded the tax information of non-resident financial accounts to the national centralised bank account management system for the first time. It vigorously enhanced anti-money laundering publicity among the general public to actively fulfil its social responsibilities.

3.3.5 Reputational Risk Management

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

In the first half of 2018, the Group reviewed and revised its reputational risk management measures as well as its media and publicity emergency response process, to raise its capability of responding to media and publicity emergencies in an efficient manner. It strengthened management of reputational risk at source, identified potential risk areas, and carried out effective risk mitigation, research and early warnings with more planning before hand. It also increased its monitoring of public opinion, and proactively responded to public concerns. It organised bankwide publicity and reputational risk management training programs, and increased trainings on reputational risk management skills and media literacy in its branches. During the reporting period, the Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation.

3.3.6 Country Risk Management

Country risk refers to the risk of insolvency or refusal of borrowers or debtors in a country or a region to repay their debts to the Group, or the risk of losses in the physical outlets, equipment, facilities or other losses to the Group in a country or a region, due to the economic, political, social changes and events in such country or region. Country risk mainly includes transfer risk, sovereign risk, contagion risk, currency risk, macroeconomic risk, political risk and indirect country risk.

In the first half of 2018, the Group continued to deepen country risk management and improve its capability to prevent and mitigate country risk in accordance with regulatory requirements and the Group's strategies. It carried out country risk rating activities, implemented limit management for country risk, monitored changes of its country risk exposures, enhanced country risk mitigation capability, and provided solid support for the implementation of major national initiatives including "the Belt and Road."

3.3.7 Consolidated Management

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

In the first half of 2018, the Bank carried out self-assessment of its consolidated management and reinforced various aspects of the Group's consolidated management. It stressed the major role of the subsidiaries' boards of directors in operating and decision-making and the responsibilities of the boards in authority delegation, capital management and institutional management, thereby optimising the corporate governance mechanism of its subsidiaries. The Group heightened its liquidity management of and emergency support for the subsidiaries, and enhanced its overall capability to manage liquidity crisis at the Group level. It monitored the business activities of subsidiaries on a regular basis in accordance with consolidated credit requirements, as part of its efforts to ensure that subsidiaries complied with the Group's risk preference in their business activities that exposed them to credit risks. It carried out self-assessment of the subsidiaries' comprehensive risk management on a quarterly basis, and guided subsidiaries to strictly implement the regulatory requirements and the Group's various management requirements.

3.3.8 Internal Audit

In order to promote a sound and effective risk management mechanism, internal control system and corporate governance procedures, the Bank's internal audit department evaluates the effectiveness of the internal control system and risk management mechanism, the effects of corporate governance procedures, the profitability of business operations, and the economic responsibilities of relevant individuals, and puts forward improvement recommendations.

In the first half of 2018, considering the changes in the current economic and financial situations, the internal audit department focused on risk prevention and mitigation in key areas, and conducted various systematic audit projects, including dynamic audit and inspection on the basic management and high-risk areas of credit business, audit and inspection on green credit business, dynamic audit and inspection on cross-financial business management, audit on the operations and management of major businesses at ten overseas institutions, audit on capital adequacy ratio management, audit on anti-money laundering, and follow-up audit on rectification effects of problems found in audit. Meanwhile, it stepped up efforts in continuous supervision and follow-up of rectification activities, performed in-depth analyses of the underlying causes of issues identified, continued to drive relevant departments and branches in their on-going endeavours to improve their management mechanisms, business processes and internal management, to effectively promote the stable and healthy development of the Bank's operations and management.

3.4 Capital Management

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

In the first half of the year, the Group formulated the capital blueprint for 2018-2020, which clarified the capital management objectives, management measures and financing plans for the coming three years to ensure a proper balance between business development, profitability and capital adequacy. The Bank continued to strengthen its capital-based planning management and incentive and restraint mechanism, with its capital planning management covering the whole Group, and made solid progress in the transformation towards capital-intensive operations. It persisted in refined capital management, continued to promote asset structure optimisation and differentiated business strategies, further improving the efficiency of capital allocation and use. The role of capital as a guiding and restraining force in business development has been strengthened continuously with steady asset growth, and endogenous capital growth has been achieved.

3.4.1 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

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

At the end of June, considering relevant rules for the transition period, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 15.64%, 13.68% and 13.08%, respectively, all in compliance with the regulatory requirements.

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

	As at 30 June 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)*				
Total capital after regulatory adjustment:				
Common equity tier 1 capital	**1,760,515**	**1,642,080**	1,691,332	1,579,469
Tier 1 capital	**1,840,291**	**1,714,286**	1,771,120	1,652,142
Total capital	**2,104,849**	**1,976,362**	2,003,072	1,881,181
Capital adequacy ratios:				
Common equity tier 1 ratio	**13.08%**	**12.87%**	13.09%	12.87%
Tier 1 ratio	**13.68%**	**13.43%**	13.71%	13.47%
Total capital ratio	**15.64%**	**15.49%**	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	**12.47%**	**12.40%**	12.38%	12.31%
Capital adequacy ratio	**15.35%**	**15.07%**	15.40%	15.11%

Composition of capital

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

(In millions of RMB)	**As at 30 June 2018**	As at 31 December 2017
Common equity tier 1 capital		
Qualifying common share capital	**250,011**	250,011
Capital reserve[1]	**134,511**	109,968
Surplus reserve	**198,613**	198,613
General reserve	**260,108**	259,600
Undistributed profits	**927,776**	883,184
Non-controlling interest recognised in common equity tier 1 capital	**3,072**	3,264
Others[2]	**(5,053)**	(4,256)
Deductions for common equity tier 1 capital		
Goodwill[3]	**2,493**	2,556
Other intangible assets (excluding land use right)[3]	**2,150**	2,274
Cash-flow hedge reserve from items that are not measured at fair value	**(22)**	320
Investments in common equity of financial institutions being controlled but outside the scope of consolidation	**3,902**	3,902
Additional tier 1 capital		
Other directly issued qualifying additional tier 1 instruments including related premium	**79,636**	79,636
Non-controlling interest recognised in additional tier 1 capital	**140**	152
Tier 2 capital		
Directly issued qualifying tier 2 instruments including related premium	**123,109**	138,848
Provisions in tier 2	**141,201**	92,838
Non-controlling interest recognised in tier 2 capital	**248**	266
Common equity tier 1 capital after regulatory adjustment[4]	**1,760,515**	1,691,332
Tier 1 capital after regulatory adjustment[4]	**1,840,291**	1,771,120
Total capital after regulatory adjustment[4]	**2,104,849**	2,003,072

1. Investment revaluation reserve is not included in capital reserve any more at the end of the reporting period.
2. Others mainly represent other comprehensive income at the end of the reporting period.
3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
4. Common equity tier 1 capital after regulatory adjustment is calculated by netting off the corresponding deduction items from the common equity tier 1 capital. Tier 1 capital after regulatory adjustment is calculated by netting off the corresponding deduction items from the tier 1 capital. Total capital after regulatory adjustment is calculated by netting off the corresponding deduction items from the total capital.

Risk-weighted assets

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

(In millions of RMB)	**As at 30 June 2018**	As at 31 December 2017
Credit risk-weighted assets	**12,333,941**	11,792,974
Covered by internal rating-based approach	**8,378,194**	8,166,348
Uncovered by internal rating-based approach	**3,955,747**	3,626,626
Market risk-weighted assets	**90,177**	94,832
Covered by internal models approach	**44,992**	50,734
Uncovered by internal models approach	**45,185**	44,098
Operational risk-weighted assets	**1,032,174**	1,032,174
Additional risk-weighted assets due to the application of capital bottom line	**–**	–
Total risk-weighted assets	**13,456,292**	12,919,980

3.4.2 Leverage Ratio

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 2015. At the end of June, the Group's leverage ratio was 7.61%, 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 30 June 2018**	As at 31 March 2018	As at 31 December 2017	As at 30 September 2017
Leverage Ratio[1]	**7.61%**	7.53%	7.52%	7.12%
Tier 1 capital after regulatory adjustment	**1,840,291**	1,826,713	1,771,120	1,683,765
On-balance and off-balance sheet assets after adjustments[2]	**24,176,438**	24,252,119	23,555,968	23,643,720

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

The following table sets forth the detailed items that constitute the on-balance 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 30 June 2018	As at 31 December 2017
Total on-balance sheet assets[1]	22,805,182	22,124,383
Consolidated adjustment[2]	(139,788)	(146,210)
Derivatives adjustment	59,343	71,599
Securities financing transactions adjustment	658	168
Off-balance sheet items adjustment[3]	1,459,566	1,515,080
Other adjustments[4]	(8,523)	(9,052)
On-balance and off-balance sheet assets after adjustments	**24,176,438**	23,555,968

1. Total on-balance sheet assets are calculated in accordance with financial and accounting standards.
2. Consolidated adjustment is the difference between regulatory and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items 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 deductions from tier 1 capital.

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

(In millions of RMB, except percentages)	As at 30 June 2018	As at 31 December 2017
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	22,222,875	21,690,628
Less: Deduction from tier 1 capital	(8,523)	(9,052)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**22,214,352**	21,681,576
Replacement costs of various derivatives (excluding eligible margin)	51,927	91,739
Potential risk exposures of various derivatives	56,066	62,831
Nominal principals arising from sales of credit derivatives	–	10
Positive fair value of derivatives	**107,993**	154,580
Accounting assets arising from securities financing transactions	393,869	204,564
Counter-party credit risk exposure arising from securities financing transactions	658	168
Securities financing transactions assets	**394,527**	204,732
Off-balance sheet assets	2,943,403	3,029,172
Less: Decrease in off-balance sheet assets due to credit conversion	(1,483,837)	(1,514,092)
Off-balance sheet assets after adjustments	**1,459,566**	1,515,080
Tier 1 capital after regulatory adjustment	**1,840,291**	1,771,120
On-balance and off-balance sheet assets after adjustments	**24,176,438**	23,555,968
Leverage Ratio[2]	**7.61%**	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 by dividing tier 1 capital after regulatory adjustment by on-balance and off-balance sheet assets after adjustments.

3.5 Prospects

In the second half of 2018, albeit the trend of recovery, the global economy will face growing uncertainties due to a number of factors, such as global trade friction escalation, interest rate hikes by the US Federal Reserve, and increased financial market volatility in emerging economies. China is expected to grow its economy while maintaining overall economic and social stability. It would further promote the supply-side structural reform, make efforts to win “three tough battles” (namely, preventing and mitigating financial risks, targeted poverty alleviation and pollution control), and accelerate the building of modernised economic system, so as to promote high-quality economic development. In terms of policies, proactive fiscal policies would continue and play a bigger role in domestic demand expansion and structural adjustment. Prudent monetary policies would provide proper money supply, maintaining reasonable and sufficient liquidity. For regulatory policies, stringent regulations will continue, and deleveraging will be implemented with a proper strength and pace.

The operating environment for China’s banking industry remains complex and severe, presenting both challenges and opportunities. On the one hand, new tariff measures of the US, trade friction escalation and the ensuing uncertainties would have impact on China as well as the world economy. The stable yet changing domestic economy brings a series of new issues and challenges. Especially, the rise in corporate default risk and risks from fluctuations in the bond, equity and exchange markets all demand particular attention. New types of financial businesses achieve rapid development on the strength of Internet technology, posing impact on traditional banking businesses. On the other hand, the implementation of a series of key national development strategies provides vast space for business growth for the banking industry. Artificial intelligence, big data and cloud computing technology are gradually applied in financial services, providing a powerful support for risk control and service innovation. In addition, a more disciplined financial marketplace and further improved regulatory system would create a safer external environment for the healthy development of banks.

The Group will actively cope with the complicated economic and financial situations, adhere to stable operation and innovative development, deepen the refined management and the application of the “New Generation” core system, so as to actively serve the real economy and people’s livelihood, and help maintain China’s financial stability as a large state-owned bank. The Group will focus on the following tasks: Firstly, it will strengthen overall management and coordination to maintain balanced growth of assets and liabilities. Secondly, it will further promote comprehensive proactive risk management, with focus on strengthening anticipatory risk management. Thirdly, it will actively promote the implementation of its strategies, with innovated business development models. The Group will promote the development of its house leasing business, and provide CCB’s solutions for “easy dwelling”. Meanwhile, it will fully carry out its inclusive finance service to provide support to “happy working”. Furthermore, it will leverage fintech to accelerate its development, and build an open platform for “sharing”. Fourthly, it will uphold the priority of its retail business development, and achieve advantages in transactional businesses, so as to enhance the competitiveness of its financial services. Fifthly, it will enhance its refined management mechanism, and raise the Bank’s operating efficiency and quality.

4 Changes in Share Capital and Particulars of Shareholders

4.1 Changes in Ordinary Shares

Unit: share

	1 January 2018		Increase/(Decrease) during the reporting period +/(–)					30 June 2018	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Foreign investment shares listed overseas	93,199,798,499	37.28	–	–	–	+150,443,750	+150,443,750	93,350,242,249	37.34
3. Others[1]	147,217,521,381	58.88	–	–	–	-150,443,750	-150,443,750	147,067,077,631	58.82
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

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

4.2 Number of Ordinary Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had a total of 385,524 ordinary shareholders, of whom 43,361 were holders of H-shares and 342,163 were holders of A-shares.

Unit: share

Total number of ordinary shareholders **385,524 (Total number of registered holders of A-shares and H-shares as at 30 June 2018)**

Particulars of shareholding of the top ten ordinary shareholders (based on the register of members as at 30 June 2018 and confirmation of shareholders)

Name of ordinary shareholder	Nature of shareholder	Shareholding percentage (%)	Changes in shareholding during the reporting period	Total number of shares held	Number of shares pledged or frozen
Huijin[2]	State	57.03	–	142,590,494,651 (H-shares)	None
		0.08	–	195,941,976 (A-shares)	None
HKSCC Nominees Limited[2,3]	Foreign legal person	36.79	+198,061,002	91,978,645,798 (H-shares)	Unknown
China Securities Finance Corporation Limited	State-owned legal person	0.87	-485,699,363	2,180,388,068 (A-shares)	None
Baowu Steel Group[3]	State-owned legal person	0.80	-443,750	1,999,556,250 (H-shares)	None
State Grid[3,4]	State-owned legal person	0.64	–	1,611,413,730 (H-shares)	None
Yangtze Power[3]	State-owned legal person	0.35	-150,000,000	865,613,000 (H-shares)	None
Reca Investment Limited	Foreign legal person	0.34	–	856,000,000 (H-shares)	None
Central Huijin Asset Management Co., Ltd.[2]	State-owned legal person	0.20	–	496,639,800 (A-shares)	None
Hong Kong Securities Clearing Company Limited[2]	Foreign legal person	0.14	+114,639,136	359,442,056 (A-shares)	None
Monetary Authority of Macao	Others	0.06	+85,276,142	156,011,208 (A-shares)	None

1. None of the shares held by the aforesaid shareholders were subject to selling restrictions.
2. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
3. As at 30 June 2018, State Grid and Yangtze Power held 1,611,413,730 H-shares and 865,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited; Baowu Steel Group held 1,999,556,250 H-shares of the Bank, in which 599,556,250 H-shares were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid and Yangtze Power, as well as 599,556,250 H-shares held by Baowu Steel Group, 91,978,645,798 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which also included the H-shares held by Temasek Holdings (Private) Limited.
4. As at 30 June 2018, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 54,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 230,000,000 shares and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.

4.3 Changes in Controlling Shareholders and Actual Controlling Parties

During the reporting period, there was no change in controlling shareholders or actual controlling parties.

4.4 Material Interests and Short Positions

At the end of the reporting period, the interests and short positions of substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO of Hong Kong were as follows:

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

1. On 29 December 2015, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 692,581,776 A-shares of the Bank, accounting for 7.22% of the A-shares issued (9,593,657,606 shares) and 0.28% of total ordinary shares issued (250,010,977,486 shares) at that time. Among this, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Co., Ltd., a wholly-owned subsidiary of Huijin. As at 30 June 2018, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, and Central Huijin Asset Management Co., Ltd., a wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued (224,689,084,000 shares) and 57.03% of total ordinary shares issued (233,689,084,000 shares) at that time. As at 30 June 2018, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of total ordinary shares issued (250,010,977,486 shares) at the end of the period respectively.

4.5 Details of Preference Shares

4.5.1 Details of Issuance and Listing of Preference Shares

In December 2015, the Bank made a non-public issuance of preference shares in the offshore market, which were listed on the Hong Kong Stock Exchange. Net proceeds raised from the offshore preference shares were RMB19,659 million. In December 2017, the Bank made a non-public issuance of domestic preference shares in the domestic market, which were listed on Shanghai Stock Exchange Integrated Services Platform for transfer. Net proceeds raised from the domestic preference shares were RMB59,977 million. All of the net proceeds 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 (shares)
4606	CCB 15USD PREF	2015/12/16	US$20/share	4.65	152,500,000	2015/12/17	152,500,000
360030	建行優1	2017/12/21	RMB100/share	4.75	600,000,000	2018/01/15	600,000,000

4.5.2 Number of Preference Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had 19 preference shareholders (or proxies), including one offshore preference shareholder (or proxy) and 18 domestic preference shareholders.

Particulars of shareholding of offshore preference shareholder (or proxy) of the Bank are as follows:

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Increase/decrease during the reporting period	Total number of shares held	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Foreign legal person	100.00	–	152,500,000	Unknown

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

Particulars of shareholding of the top ten (including ties) domestic preference shareholders are as follows:

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Increase/decrease during the reporting period	Total number of shares held	Number of shares pledged or frozen
Bosera Asset Management Co., Limited	Others	26.84	-15,000,000	161,000,000	None
Manulife Teda Fund Management Co., Ltd.	Others	15.00	–	90,000,000	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33	–	50,000,000	None
China Life Insurance Company Limited	Others	8.33	–	50,000,000	None
Truvalue Asset Management Co., Limited	Others	6.67	–	40,000,000	None
China CITIC Bank Corporation Limited	Others	5.00	+30,000,000	30,000,000	None
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50	–	27,000,000	None
Postal Savings Bank of China Co., Ltd.	Others	4.50	–	27,000,000	None
PICC Property and Casualty Company Limited	Others	3.33	–	20,000,000	None
AXA SPDB Investment Managers Co., Ltd.	Others	3.33	–	20,000,000	None
E Fund Management Co., Ltd.	Others	3.33	–	20,000,000	None

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

4.5.3 Profit Distribution of Preference Shares

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

4.5.4 Redemption or Conversion of Preference Shares

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

4.5.5 Restoration of Voting Rights of Preference Shares

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

4.5.6 Accounting Policies Adopted for Preference Shares and Causes Thereof

In accordance with the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* promulgated by the MOF, as well as *International Financial Reporting Standard No. 9 – Financial Instruments* and *International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements for accounting as equity instruments as stipulated in their terms and conditions, and are calculated as equity instruments.

5 Profiles of Directors, Supervisors and Senior Management

5.1 Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

At the end of the reporting period, Members of the Bank's Board include executive directors: Mr. Tian Guoli, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; non-executive directors: Ms. Feng Bing, Mr. Zhu Hailin, Mr. Li Jun, Mr. Wu Min and Mr. Zhang Qi; and independent non-executive directors: Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Chung Shui Ming Timpson, and Mr. Murray Horn.

Supervisors of the Bank

At the end of the reporting period, Members of the Bank's board of supervisors include shareholder representative supervisors: Mr. Wu Jianhang and Mr. Fang Qiuyue; employee representative supervisors: Mr. Lu Kegui, Mr. Cheng Yuanguo and Mr. Wang Yi; and external supervisor: Mr. Bai Jianjun.

Senior Management of the Bank

At the end of the reporting period, Senior management of the Bank include Mr. Wang Zuji, Mr. Pang Xiusheng, Mr. Zhang Gengsheng, Mr. Huang Yi, Mr. Zhu Kepeng, Mr. Zhang Lilin, Mr. Liao Lin, Mr. Huang Zhiling and Mr. Xu Yiming.

5.2 Changes in Directors, Supervisors and Senior Management

By reason of his age, Mr. Pang Xiusheng ceased to serve as executive director and executive vice president of the Bank from 3 September 2018.

Ms. Hao Aiqun ceased to serve as non-executive director of the Bank from 29 June 2018 due to the expiration of her term of office.

Upon approval of the 2017 annual general meeting of the Bank on 29 June 2018, Mr. Kenneth Patrick Chung was elected as independent non-executive director of the Bank, and his qualifications are subject to approval of the CBIRC.

In accordance with the resolution at the 2017 annual general meeting of the Bank, Mr. Wu Jianhang and Mr. Fang Qiuyue commenced their positions as shareholder representative supervisors of the Bank from June 2018.

In accordance with the resolution at the third meeting of the fourth employee representatives' meeting of the Bank, Mr. Lu Kegui, Mr. Cheng Yuanguo and Mr. Wang Yi commenced their positions as employee representative supervisors of the Bank from May 2018.

Due to work arrangements, Ms. Liu Jin and Ms. Li Xiaoling ceased to serve as shareholder representative supervisors of the Bank from June 2018.

Due to work arrangements, Mr. Li Xiukun, Mr. Jin Yanmin and Mr. Li Zhenyu ceased to serve as employee representative supervisors of the Bank from May 2018.

By reason of his age, Mr. Guo You ceased to serve as chairman of the board of supervisors and shareholder representative supervisor of the Bank from April 2018.

Mr. Liao Lin was appointed as executive vice president of the Bank at the fifth session of the Bank's Board Meeting in 2018, subject to approval of the CBIRC, and he will continue to serve as chief risk officer of the Bank.

Upon approval of the CBRC after the appointment at the ninth session of the Bank's Board Meeting in 2017, Mr. Huang Zhiling commenced his position as secretary to the Board of the Bank from February 2018.

By reason of his age, Mr. Yu Jingbo ceased to serve as executive vice president of the Bank from May 2018.

Mr. Yang Wensheng ceased to serve as executive vice president of the Bank from May 2018.

By reason of his age, Mr. Chen Caihong ceased to serve as secretary to the Board of the Bank from February 2018.

5.3 Changes in Personal Information of Directors, Supervisors and Senior Management

Mr. Tian Guoli, chairman and executive director of the Bank, commenced his position as chairman of Sino-German Bausparkasse from March 2018.

Mr. Pang Xiusheng, executive director and executive vice president of the Bank, commenced his position as chairman of CCB Fintech Co., Ltd. from April 2018.

Sir Malcolm Christopher McCarthy, independent non-executive director of the Bank, ceased to serve as trustee of the IFRS Foundation from January 2018, and ceased to serve as chairman of Promontory Financial Group (UK) Ltd. from August 2018.

Mr. Cheng Yuanguo, employee representative supervisor of the Bank, ceased to serve as chairman of CCB Trust from July 2018.

5.4 Shares of the Bank Held by Directors, Supervisors and Senior Management

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior management of the Bank.

Some of the directors and supervisors of the Bank indirectly held H-shares of the Bank via the employee stock incentive plan before they assumed their current positions. Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Wu Jianhang held 20,966 H-shares, Mr. Fang Qiuyue held 21,927 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares and Mr. Wang Yi held 13,023 H-shares. Resigned supervisors, Mr. Li Xiukun held 12,366 H-shares, Mr. Jin Yanmin held 15,739 H-shares, and Mr. Li Zhenyu held 3,971 H-shares. Save as disclosed above, as at 30 June 2018, none of the directors or supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the *Listing Rules of Hong Kong Stock Exchange*. As of 30 June 2018, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

Some of the senior management indirectly held H-shares of the Bank via the employee stock incentive plan before they assumed their current positions. Mr. Liao Lin held 14,456 H-shares, Mr. Huang Zhiling held 18,751 H-shares, Mr. Xu Yiming held 17,925 H-shares. Resigned senior management, Mr. Yu Jingbo held 22,567 H-shares, Mr. Yang Wensheng held 10,845 H-shares and Mr. Chen Caihong held 19,417 H-shares. Apart from the above, none of the other senior management of the Bank held any shares of the Bank.

5.5 Directors' and Supervisors' Securities Transactions

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the *Listing Rules of Hong Kong Stock Exchange*. All directors and supervisors had complied with the provisions of this code during the six months ended 30 June 2018.

Corporate Governance

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

During the reporting period, the Board of the Bank reviewed and approved proposals including 2017 Annual Report, the Capital Plan for 2018 to 2020, the Strategic Plan on Fintech, the re-election of vice chairman of the Board and the president of the Bank, and the nomination of executive directors, non-executive directors and independent non-executive directors, etc.

During the reporting period, there was no material difference between the actual state of the Bank's corporate governance and the corporate governance regulations for the listing companies promulgated by the CSRC. The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* in Appendix 14 to the *Listing Rules of Hong Kong Stock Exchange*. The Bank has also substantially complied with the recommended best practices therein.

Shareholders' General Meeting Convened

On 29 June 2018, the Bank held the 2017 annual general meeting in Beijing and Hong Kong at the same time, which reviewed and approved the 2017 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2018 fixed assets investment budget, 2016 remuneration distribution and settlement plan for directors and supervisors, election of executive directors, non-executive directors, independent non-executive director and shareholder representative supervisors, the Capital Plan for 2018 to 2020, appointment of external auditors for 2018, and amendments to authorisation to the Board on external donations by the Shareholders' General Meeting, etc.

The executive directors, namely Mr. Tian Guoli, Mr. Wang Zuji and Mr. Pang Xiusheng, the non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Li Jun, Mr. Wu Min, Mr. Zhang Qi and Ms. Hao Aiqun, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Mr. Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Chung Shui Ming Timpson, and Mr. Murray Horn attended the meeting. The directors' attendance rate was 93%. Mr. Zhang Gengsheng, executive director, was not able to attend the meeting due to work arrangements. The external auditors, the domestic and international legal advisors of the Bank attended the meeting. The convening of shareholders' general meeting followed legal procedures in compliance with relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 29 June 2018 and on the Bank's designated newspapers for information disclosure on 30 June 2018.

Formulation and Implementation of Cash Dividend Policy

As approved by the 2017 annual general meeting, the Bank distributed the 2017 cash dividend of RMB0.291 per share (including tax), totalling RMB2,792 million, on 17 July 2018 to its A-share holders whose names appeared on the register of members after the close of market on 16 July 2018. It distributed the 2017 cash dividend of RMB0.291 per share (including tax), totalling RMB69,961 million, on 6 August 2018 to its H-share holders whose names appeared on the register of members after the close of market on 16 July 2018. The Bank does not declare 2018 interim dividend nor does it propose any capitalisation of capital reserve into share capital.

Pursuant to the articles of association of the Bank, the Bank may distribute dividends in the form of cash, shares or a combination of cash and shares. Unless under special circumstances, as long as it is in profit for the year and has positive accumulative undistributed profits, the Bank distributes cash dividends no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same accounting year. For adjustments of the profit distribution policy, the Board shall conduct a specific review to closely examine the rationale to make the adjustments, and prepare a written report; independent non-executive directors shall express their opinions, and submit to the shareholders' general meeting for approval in the form of a special resolution. The Bank shall provide the shareholders with online voting channels when considering the adjustments to the profit distribution policy.

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

Performance of Undertakings

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws or listing rules in China or other listing places, Huijin would not engage or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, and providing fund custody, bank card and currency exchange services. However, Huijin may still engage or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin has committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank and beneficial to other commercial banks; (2) exercise its shareholder's rights in the best interests of the Bank.

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

By 30 June 2018, Huijin had not breached any of the above undertakings.

Material Litigations and Arbitrations

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

Purchase, Sale and Redemption of Shares

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

Penalties

During the reporting period, neither the Bank, nor any of its directors, supervisors, senior management, or controlling shareholder was subject to investigations by relevant authorities, coercive measures taken by judicial or disciplinary inspection departments, transfer to judicial authorities or prosecution for criminal liabilities, investigation or administrative penalty by the CSRC, restricted access to market, identification as unqualified, material administrative punishments by environmental, work safety, taxation or other administrative authorities, or public reprimand by stock exchanges.

Integrity

During the reporting period, the Bank and its controlling shareholder had no unfulfilled court judgement or significant unpaid overdue debts.

Progress of Implementation of Employee Stock Incentive Plan

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

Related Party Transactions

During the reporting period, the Bank had no material related party transaction. For the details of related party transactions, please refer to Note “Related party relationships and transactions” in the “Financial Statements”.

Material Contracts and Their Performance

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies’ assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank’s business. Apart from the financial guarantee services within its business scope as approved by the regulators, the Bank did not have any material guarantee that needs to be disclosed. During the reporting period, the Bank did not enter into any other material contract that needs to be disclosed.

Other Shareholding or Share Participations

During the reporting period, the Bank made no significant equity investment.

Environmental Protection

The Bank has established green credit as its development strategy, and is committed to building a robust long-term mechanism for green finance development. At the level of the Board, the green credit strategy responsibilities of the Board and the Board’s Social Responsibilities and Related Party Transactions Committee were defined. At the level of senior management, the Bank established a Green Credit Committee in 2015 to play a leading role in the coordination and promotion of green credit initiatives. At the level of branches, the green credit coordination and promotion mechanism was established at all tier-one branches.

The Bank actively responded to challenges in global climate change, and continuously expanded its green financial product and service catalogue. It was the first in the market to provide construction loans for sponge cities and comprehensive utility tunnels, and also innovated the emerging green loan business such as “energy conservation loan” and “carbon finance”. The Bank made strong efforts in preparing its first green bond for its expected issuance overseas within the year. It proactively participated in and assisted the issuance of green corporate bonds by multiple banks and customers, and took the lead in the securitization of green financial assets in the domestic market. The Bank carried out a star-rating programme for the green practices of its branches, and assessed the “greenness” of branches from aspects including green business development, environmental risk management, green concept communication, and social responsibilities performance, to guide branches to shift from traditional business philosophy to green business philosophy. The Bank actively adjusted the allocation of credit resources, by channelling funds to the green sectors with its financial resources: It established environmental and social risk management mechanisms in the whole process of credit business, and adopted “environmental protection veto policy” for credit approval; It vigorously controlled the increase of credit and loan balances of customers with high environmental and social risks; It took proactive measures to control credit extension to coal and thermal power industry, while providing active support for clean energy, clean transportation and other green areas, and made notable contributions to reducing greenhouse gas emissions and increasing the proportion of the use of non-fossil energy.

Protection of Consumer Rights and Interests

Adhering to the customer-centric business philosophy, the Bank proactively protected consumer rights and interests, and continuously improved customer satisfaction. In the first half of 2018, the Bank further improved the building of rules and mechanism for protecting consumers’ rights and interests, and strengthened the review and access management of its products and services, by strictly reviewing new products, new services, rules and regulations, contract terms, information disclosure and other issues from the perspective of consumers to ensure from the very beginning that customers could enjoy its financial services with peace of mind. It formulated rules to enhance information security management, constantly improved measures for protecting customer information and organised relevant trainings across the Bank, so as to effectively protect customer information. The Bank strengthened the promotion and education of the protection of consumer rights and interests, proactively carried out a series of financial knowledge promotion and education activities such as the “15 March Financial Consumer Rights and Interests Day”. It strengthened complaint management and the application of complaint information, paid close attention to hot issues raised by customers, and continuously improved products and services to enhance customer experience. In the first half of 2018, the overall satisfaction of retail customers of the Bank was 80.9%, an increase of 2.2 percentage points over 2017.

Performance of the Social Responsibilities for Targeted Poverty Alleviation

The Bank attaches great importance to the work of poverty alleviation. In the first half of 2018, the Bank strengthened its poverty alleviation efforts by mobilising all its resources, and expanded its service channels and network. The Bank actively promoted its action plan through 2020 for poverty alleviation as a financial institution, tackling poverty with the help of fintech. At the end of June, the targeted poverty alleviation industrial loans reached RMB59,218 million, a rise of 23.76% over the end of last year; the targeted poverty alleviation personal loans reached RMB22,768 million, a rise of 7.82% over the end of last year. The Bank carried out in-depth investigations and researches on the designated poverty alleviation regions, and further improved the assistance mechanism. It leveraged the advantages of its group members that jointly carried out designated poverty alleviation tasks, with increased financial support. The Bank adopted differentiated poverty alleviation solutions with innovative products and business models as best befitting the circumstances, vigorously promoted industry-based poverty alleviation, and persisted in public welfare assistance, effectively enabling the registered underprivileged households in designated poverty alleviation regions to shake off poverty.

Major Events

During the reporting period, the Bank had no other material events that needed to be disclosed.

Review of Half-Year Report

The Group's 2018 half-year financial statements prepared under PRC GAAP have been reviewed by PricewaterhouseCoopers Zhong Tian LLP, and the Group's 2018 half-year financial statements prepared under IFRS have been reviewed by PricewaterhouseCoopers.

The Group's 2018 half-year report has been reviewed by the Audit Committee of the Bank.

羅兵咸永道

To the Board of Directors of China Construction Bank Corporation
(a joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 64 to 170, which comprises the consolidated statement of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2018 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2018

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Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Interest income		**395,320**	363,489
Interest expense		**(155,834)**	(145,635)
Net interest income	3	**239,486**	217,854
Fee and commission income		**75,371**	74,166
Fee and commission expense		**(6,367)**	(6,086)
Net fee and commission income	4	**69,004**	68,080
Net trading gain	5	**7,912**	2,842
Dividend income	6	**412**	980
Net gain/(loss) arising from investment securities	7	**3,119**	(1,632)
Net losses on derecognition of financial assets measured at amortised cost	8	**(2,365)**	N/A
Other operating income, net:			
– Other operating income		**23,503**	34,143
– Other operating expense		**(18,342)**	(19,134)
Other operating income, net	9	**5,161**	15,009
Operating income		**322,729**	303,133
Operating expenses	10	**(74,681)**	(70,547)
		248,048	232,586
Impairment losses on:			
– Loans and advances to customers		**(63,164)**	(59,729)
– Others		**(3,616)**	(781)
Impairment losses	11	**(66,780)**	(60,510)
Share of profit of associates and joint ventures		**152**	17
Profit before tax		**181,420**	172,093
Income tax expense	12	**(33,955)**	(33,084)
Net profit		**147,465**	139,009
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Gains of equity instruments designated as measured at fair value through other comprehensive income		**(33)**	N/A
Remeasurements of post-employment benefit obligations		**(178)**	374
Others		**(5)**	–
Subtotal		**(216)**	374
Items that may be reclassified subsequently to profit or loss			
Gains of debt instruments measured at fair value through other comprehensive income		**19,823**	N/A
Income tax impact relating to debt instruments measured at fair value through other comprehensive income		**(4,849)**	N/A
Losses of available-for-sale financial assets arising during the period		**N/A**	(24,044)
Income tax impact relating to available-for-sale financial assets		**N/A**	5,949
Reclassification adjustments included in profit or loss		**(263)**	2,456
Net (loss)/gain on cash flow hedges		**(342)**	173
Exchange difference on translating foreign operations		**(550)**	(1,733)
Subtotal		**13,819**	(17,199)
Other comprehensive income for the period, net of tax		**13,603**	(16,825)
Total comprehensive income for the period		**161,068**	122,184

The notes on pages 71 to 170 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June **2018** **(Unaudited)**	 2017 (Unaudited)
Net profit attributable to:			
Equity shareholders of the Bank		**147,027**	138,339
Non-controlling interests		**438**	670
		147,465	139,009
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**160,572**	121,448
Non-controlling interests		**496**	736
		161,068	122,184
Basic and diluted earnings per share (in RMB Yuan)	13	**0.59**	0.55

The notes on pages 71 to 170 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018
(Expressed in millions of RMB, unless otherwise stated)

	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Assets:			
Cash and deposits with central banks	14	**2,674,845**	2,988,256
Deposits with banks and non-bank financial institutions	15	**465,900**	175,005
Precious metals		**83,038**	157,036
Placements with banks and non-bank financial institutions	16	**333,942**	325,233
Positive fair value of derivatives	17	**48,723**	82,980
Financial assets held under resale agreements	18	**394,863**	208,360
Interest receivable	19	**123,468**	116,993
Loans and advances to customers	20	**13,068,482**	12,574,473
Financial investments	21		
Financial assets measured at fair value through profit or loss		**679,900**	578,436
Financial assets measured at amortised cost		**3,245,096**	N/A
Financial assets measured at fair value through other comprehensive income		**1,320,847**	N/A
Available-for-sale financial assets		**N/A**	1,550,680
Held-to-maturity investments		**N/A**	2,586,722
Investments classified as receivables		**N/A**	465,810
Interests in associates and joint ventures	23	**7,533**	7,067
Fixed assets	25	**166,721**	169,679
Land use rights	26	**14,270**	14,545
Intangible assets	27	**2,622**	2,752
Goodwill	28	**2,687**	2,751
Deferred tax assets	29	**56,165**	46,189
Other assets	30	**116,080**	71,416
Total assets		**22,805,182**	22,124,383
Liabilities:			
Borrowings from central banks	32	**446,557**	547,287
Deposits from banks and non-bank financial institutions	33	**1,271,631**	1,336,995
Placements from banks and non-bank financial institutions	34	**436,546**	383,639
Financial liabilities measured at fair value through profit or loss	35	**405,401**	414,148
Negative fair value of derivatives	17	**47,433**	79,867
Financial assets sold under repurchase agreements	36	**48,605**	74,279
Deposits from customers	37	**16,965,489**	16,363,754
Accrued staff costs	38	**28,665**	32,632
Taxes payable	39	**49,830**	54,106
Interest payable	40	**189,266**	199,588
Provisions	41	**36,352**	10,581
Debt securities issued	42	**683,467**	596,526
Deferred tax liabilities	29	**526**	389
Other liabilities	43	**330,837**	234,765
Total liabilities		**20,940,605**	20,328,556
Equity:			
Share capital	44	**250,011**	250,011
Other equity instruments			
Preference Shares	45	**79,636**	79,636
Capital reserve	46	**134,537**	135,225
Investment revaluation reserve	47	**–**	(26,004)
Other comprehensive income	47	**(6,054)**	–
Surplus reserve	48	**198,613**	198,613
General reserve	49	**260,198**	259,680
Retained earnings	50	**931,325**	886,921
Exchange reserve		**–**	(4,322)
Total equity attributable to equity shareholders of the Bank		**1,848,266**	1,779,760
Non-controlling interests		**16,311**	16,067
Total equity		**1,864,577**	1,795,827
Total liabilities and equity		**22,805,182**	22,124,383

Approved and authorised for issue by the Board of Directors on 28 August 2018.

Wang Zuji	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 71 to 170 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018
(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)										
	Attributable to equity shareholders of the Bank										
	Share capital	Other equity instruments – preference shares	Capital reserve	Investment revaluation reserve	Other comprehensive 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 (Note 2)	–	–	(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 period	–	–	–	–	13,545	–	518	73,756	–	382	88,201
(1) Total comprehensive income for the period	–	–	–	–	13,545	–	–	147,027	–	496	161,068
(2) Changes in share capital											
i Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	–	(85)	(85)
(3) Profit distribution											
i Appropriation to general reserve	–	–	–	–	–	–	518	(518)	–	–	–
ii Appropriation to ordinary shareholders	–	–	–	–	–	–	–	(72,753)	–	(29)	(72,782)
As at 30 June 2018	250,011	79,636	134,537	–	(6,054)	198,613	260,198	931,325	–	16,311	1,864,577

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments – preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 2016	250,011	19,659	133,960	(976)	175,445	211,193	786,860	348	13,154	1,589,654
Movements during the period	–	–	547	(15,704)	–	34,263	34,573	(1,734)	3,003	54,948
(1) Total comprehensive income for the period	–	–	547	(15,704)	–	–	138,339	(1,734)	736	122,184
(2) Changes in share capital										
i Establishment of subsidiaries	–	–	–	–	–	–	–	–	150	150
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	(1,268)	(1,268)
iii Capital injection by other equity holders	–	–	–	–	–	–	–	–	3,421	3,421
(3) Profit distribution										
i Appropriation to general reserve	–	–	–	–	–	34,263	(34,263)	–	–	–
ii Appropriation to ordinary shareholders	–	–	–	–	–	–	(69,503)	–	(36)	(69,539)
As at 30 June 2017	250,011	19,659	134,507	(16,680)	175,445	245,456	821,433	(1,386)	16,157	1,644,602

The notes on pages 71 to 170 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	(Audited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments – preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 31 December 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

The notes on pages 71 to 170 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2018
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Cash flows from operating activities			
Profit before tax		**181,420**	172,093
Adjustments for:			
– Impairment losses	11	**66,780**	60,510
– Depreciation and amortisation	10	**8,323**	8,606
– Interest income from impaired financial assets		**(1,495)**	(1,565)
– Revaluation gain on financial instruments measured at fair value through profit or loss		**(1,281)**	(162)
– Share of profit of associates and joint ventures		**(152)**	(17)
– Dividend income	6	**(412)**	(980)
– Unrealised foreign exchange loss/(gain)		**39**	(9,185)
– Interest expense on bonds issued		**5,820**	6,003
– Net (gain)/loss on disposal of investment securities	7	**(3,119)**	1,632
– Net gain on disposal of fixed assets and other long-term assets		**(69)**	(113)
		255,854	236,822
Changes in operating assets:			
Net decrease in deposits with central banks and with banks and non-bank financial institutions		**361,908**	74,288
Net (increase)/decrease in placements with banks and non-bank financial institutions		**(64,252)**	25,288
Net increase in loans and advances to customers		**(548,492)**	(808,597)
Net increase in financial assets held under resale agreements		**(186,488)**	(176,482)
Net increase in financial assets measured at fair value through profit or loss		**(11,643)**	(110,751)
Net decrease/(increase) in other operating assets		**35,190**	(4,791)
		(413,777)	(1,001,045)
Changes in operating liabilities:			
Net (decrease)/increase in borrowings from central banks		**(101,386)**	81,560
Net increase in placements from banks and non-bank financial institutions		**46,725**	129,664
Net increase in deposits from customers and from banks and non-bank financial institutions		**516,109**	514,208
Net decrease in financial assets sold under repurchase agreements		**(26,011)**	(129,364)
Net increase in certificates of deposit issued		**67,489**	77,417
Income tax paid		**(47,651)**	(45,906)
Net (decrease)/increase in financial liabilities measured at fair value through profit or loss		**(9,124)**	21,410
Net decrease in other operating liabilities		**(14,148)**	(5,812)
		432,003	643,177
Net cash from/(used in) operating activities		**274,080**	(121,046)
Cash flows from investing activities			
Proceeds from sale and redemption of financial investments		**1,030,301**	818,304
Dividends received		**725**	1,008
Proceeds from disposal of fixed assets and other long-term assets		**626**	2,181
Purchase of financial investments		**(1,035,904)**	(708,382)
Purchase of fixed assets and other long-term assets		**(4,739)**	(7,687)
Acquisition of subsidiaries, associates, and joint ventures		**(745)**	(864)
Net cash (used in)/from investing activities		**(9,736)**	104,560

The notes on pages 71 to 170 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Cash flows from financing activities			
Issue of bonds		**18,585**	16,949
Issue of other equity instruments		**–**	3,421
Capital contribution by non-controlling interests		**–**	150
Consideration paid for acquisition of non-controlling interests		**(85)**	(24)
Dividends paid		**(11)**	(2,703)
Repayment of borrowings		**(3,261)**	(3,335)
Interest paid on bonds issued		**(2,718)**	(2,578)
Net cash from financing activities		**12,510**	11,880
Effect of exchange rate changes on cash and cash equivalents		**4,801**	(4,843)
Net increase/(decrease) in cash and cash equivalents		**281,655**	(9,449)
Cash and cash equivalents as at 1 January	51	**571,339**	599,124
Cash and cash equivalents as at 30 June	51	**852,994**	589,675
Cash flows from operating activities include:			
Interest received		**387,289**	351,842
Interest paid, excluding interest expense on bonds issued		**(165,427)**	(151,683)

The notes on pages 71 to 170 form part of these financial statements.

1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by our predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (In 2018, it was renamed as China Banking Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

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

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

2 Basis of preparation and significant accounting policies and estimates

(1) Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2017. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

(2) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The Group's interests in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

2 Basis of preparation and significant accounting policies and estimates (continued)

(3) Changes in significant accounting policies

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" as issued by the International Accounting Standard Board ("IASB") in May 2014. IFRS 15 unifies the current income standard and the construction contracts standard into one revenue recognition model, replacing the previous "transfer of risk-reward" with the "transfer of control" as the criteria for revenue recognition, and clarifying some specific applications in revenue recognition. The date of transition is 1 January 2018. The adoption of IFRS 15 does not have a significant impact on the Group's consolidated financial statements.

The Group has adopted IFRS 9 "Financial Instruments" as issued by the IASB in July 2014 with a date of transition on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any part of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Any differences between the book value at 1 January 2018 and that as at 31 December 2017 is due to the implementation of IFRS 9.

Consequently, for note disclosures, the consequential amendments to IFRS 7 "Financial Instruments: Disclosure" disclosures have also only been applied to the current period. The comparative period note disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has also resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. Except for those described below, the accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2017. For the impact of the adoption of IFRS 9 on the Group's financial reports, please refer to Note 2(4) Impact of changes in significant accounting policies.

Financial instruments

(a) Classification

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The business model of the Group's management of financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specific date are only for payment of the principal and the interest based on the amount of principal outstanding. Of which, principal refers to the fair value of financial assets at initial recognition. The payment of the underlying interest, where the principal is the fair value of the financial asset at the time of initial recognition, and its amount may change during the lifetime of the financial asset due to prepayment and other reasons; interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 Basis of preparation and significant accounting policies and estimates (continued)

(3) Changes in significant accounting policies (continued)

Financial instruments (continued)

(a) Classification (continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 2(3)(b). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets and liabilities measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the Sole Payment of Principal and Interests ("SPPI") testing and the remaining equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

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

At initial inception, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

2 Basis of preparation and significant accounting policies and estimates (continued)

(3) Changes in significant accounting policies (continued)

Financial instruments (continued)

(b) Measurement of financial instruments

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

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss respectively. Financial liabilities other than those measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at fair value through profit or loss

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

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at FVPL are measured at fair value, where the gain or loss arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, they are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit and loss.

Financial assets measured at FVOCI

The impairment losses, foreign exchange gains and losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit and loss. Besides, other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss. For equity instrument investments designated as measured at FVOCI, once the designation is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured with the initial recognition after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) the loss provision for the accumulated accrual.

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

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected lifetime of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the book balance of financial assets multiplied by the effective interest rate, except (i) for purchased or sourced financial assets that have suffered credit impairment, from the initial recognition, interest income is calculated using the financial assets' amortised cost and credit-adjusted real interest rate; (ii) for a purchased or sourced financial asset that has not suffered credit impairment but has become credit impaired in subsequent periods, interest income is determined using the financial asset's amortised cost and the effective interest rate. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the book balance of the financial assets.

2 Basis of preparation and significant accounting policies and estimates (continued)

(3) Changes in significant accounting policies (continued)

Financial instruments (continued)

(c) Impairment

At the end of the reporting period, the Group performs impairment assessment based on expected credit loss on financial assets measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received discounted at the original real interest rate by the Group, that is, the present value of all cash shortages. Among them, financial assets that have been purchased or sourced by the Group and have suffered credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustments.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

At the end of each reporting period, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition, and measures its expected credit losses ("ECL"), recognises its loss provision and its changes in the following cases: (i) if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Group measures its loss provision based on the amount equivalent to the expected credit loss of the financial instruments in the next 12 months; (ii) if the credit risk of the financial instrument has increased significantly since the initial recognition, the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Under the above circumstances, regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit and loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit and loss, which should not change the book value of the financial assets set out in the statement of financial position.

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and the reversal of the loss provision arising from it is recognised in profit or loss for the current reporting period.

For financial assets that have been purchased or sourced for credit impairment, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in current profit or loss.

(d) Modification of contracts

The Group sometimes renegotiates or otherwise modifies the contracts with counterparties. If the new terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms.

If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies and estimates (continued)

(4) Impact of changes in significant accounting policies

Set out below are disclosures of the impact of the adoption of IFRS 9 for the Group:

(a) *Classification and measurement of financial instruments*

The classification and the carrying amount of financial assets and liabilities in accordance with the original financial instruments standard, IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 9 on 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Classification	**Carrying amount**	**Classification**	**Carrying amount**
Financial assets				
Cash and deposits with central banks	**Amortised cost**	**2,988,256**	**Amortised cost**	**2,988,256**
Deposits with banks and non-bank financial institutions	**Amortised cost**	**175,005**	**Amortised cost**	**174,933**
Placements with banks and non-bank financial institutions	**Amortised cost**	**325,233**	**Amortised cost**	**325,230**
Positive fair value of derivatives	**FVPL**	**82,980**	**FVPL**	**82,980**
Financial assets held under resale agreements	**Amortised cost**	**208,360**	**Amortised cost**	**208,345**
Interest receivable	**Amortised cost**	**116,993**	**Amortised cost**	**116,993**
Loans and advances to customers	**Amortised cost**	**12,574,473**	**Amortised cost**	**12,421,262**
			FVOCI	**122,358**
			FVPL	**15,902**
Financial investments	**FVOCI (Available-for-sale financial assets)**	**1,550,680**	**FVPL**	**76,956**
			FVOCI	**1,109,513**
			Amortised cost	**377,973**
	Amortised cost (Held-to-maturity investments)	**2,586,722**	**Amortised cost**	**2,454,799**
			FVOCI	**129,460**
			FVPL	**722**
	Amortised cost (Investments classified as receivables)	**465,810**	**Amortised cost**	**401,521**
			FVOCI	**41,513**
			FVPL	**23,348**
	FVPL	**578,436**	**FVPL**	**578,436**
Other financial assets	**Amortised cost**	**65,238**	**Amortised cost**	**64,526**
			FVPL	**712**

There were no changes to the classification and measurement of financial liabilities, other than the changes in the fair value of financial liabilities designated as measured at FVPL that are attributable to changes in the instrument's credit risk, which are now presented in other comprehensive income.

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies and estimates (continued)

(4) Impact of changes in significant accounting policies (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of loans and advances to customers and financial investments, from the classification in accordance with IAS 39 to the new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount as at 31 December 2017	**Reclassifications**	**Remeasurements**	**IFRS 9 carrying amount as at 1 January 2018**
Loans and advances to customers (measured at amortised cost)				
Opening balance under IAS 39	12,574,473			
Subtraction:				
Transfer to loans and advances to customers (measured at FVPL)		(15,839)		
Subtraction:				
Transfer to loans and advances to customers (measured at FVOCI)		(122,383)		
Remeasurement: ECL allowance			(14,989)	
Closing balance under IFRS 9				12,421,262

	IAS 39 carrying amount as at 31 December 2017	**Reclassifications**	**Remeasurements**	**IFRS 9 carrying amount as at 1 January 2018**
Loans and advances to customers (measured at FVPL)				
Opening balance under IAS 39	N/A			
Addition:				
Transfer from loans and advances to customers (measured at amortised cost)		15,839		
Remeasurement:				
From measured at amortised cost to fair value			63	
Closing balance under IFRS 9				15,902

	IAS 39 carrying amount as at 31 December 2017	**Reclassifications**	**Remeasurements**	**IFRS 9 carrying amount as at 1 January 2018**
Loans and advances to customers (measured at FVOCI)				
Opening balance under IAS 39	N/A			
Addition:				
Transfer from loans and advances to customers (measured at amortised cost)		122,383		
Remeasurement:				
From measured at amortised cost to fair value			(25)	
Closing balance under IFRS 9				122,358

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies and estimates (continued)

(4) Impact of changes in significant accounting policies (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

	IAS 39 carrying amount as at 31 December 2017	Reclassifications	IFRS 9 carrying amount as at 1 January 2018
Available-for-sale financial assets			
Opening balance under IAS 39	1,550,680		
Subtraction:			
Transfer to amortised cost		(364,158)	
Subtraction:			
Transfer to FVPL		(77,009)	
Subtraction:			
Transfer to FVOCI		(1,109,513)	
Closing balance under IFRS 9			N/A

	IAS 39 carrying amount as at 31 December 2017	Reclassifications	IFRS 9 carrying amount as at 1 January 2018
Held-to-maturity investments			
Opening balance under IAS 39	2,586,722		
Subtraction:			
Transfer to amortised cost		(2,454,401)	
Subtraction:			
Transfer to FVPL		(722)	
Subtraction:			
Transfer to FVOCI		(131,599)	
Closing balance under IFRS 9			N/A

	IAS 39 carrying amount as at 31 December 2017	Reclassifications	IFRS 9 carrying amount as at 1 January 2018
Investments classified as receivables			
Opening balance under IAS 39	465,810		
Subtraction:			
Transfer to amortised cost		(401,053)	
Subtraction:			
Transfer to FVPL		(23,230)	
Subtraction:			
Transfer to FVOCI		(41,527)	
Closing balance under IFRS 9			N/A

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies and estimates (continued)

(4) Impact of changes in significant accounting policies (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

	IAS 39 carrying amount as at 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount as at 1 January 2018
Financial assets measured at amortised cost				
Opening balance under IAS 39	N/A			
Addition:				
Transfer from held-to-maturity		2,454,401		
Remeasurement:				
ECL allowance			398	
Addition:				
Transfer from investments classified as receivables		401,053		
Remeasurement:				
ECL allowance			468	
Addition:				
Transfer from available-for-sale		364,158		
Remeasurement:				
ECL allowance			(594)	
Reclassification:				
From measured at fair value to amortised cost		14,409		
Closing balance under IFRS 9				3,234,293

	IAS 39 carrying amount as at 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount as at 1 January 2018
Financial assets measured at FVPL				
Opening balance under IAS 39	578,436			
Addition:				
Transfer from available-for-sale		77,009		
Remeasurement:				
Measured at fair value			(53)	
Addition:				
Transfer from investments classified as receivables		23,230		
Remeasurement:				
From measured at amortised cost to fair value			(283)	
Reclassification:				
From measured at amortised cost to fair value		401		
Addition:				
Transfer from held-to-maturity		722		
Addition:				
Transfer from other assets		712		
Closing balance under IFRS 9				680,174

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies and estimates (continued)

(4) Impact of changes in significant accounting policies (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

	IAS 39 carrying amount as at 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount as at 1 January 2018
Financial assets measured at FVOCI				
Opening balance under IAS 39	N/A			
Addition:				
Transfer from available-for-sale		1,109,513		
Addition:				
Transfer from held-to-maturity		131,599		
Remeasurement:				
From measured at amortised cost to fair value			(2,206)	
Reclassification:				
From measured at amortised cost to fair value		67		
Addition:				
Transfer from investments classified as receivables		41,527		
Remeasurement:				
From measured at amortised cost to fair value			(143)	
Reclassification:				
From measured at amortised cost to fair value		129		
Closing balance under IFRS 9				1,280,486

The impact of classification and measurement of adopting IFRS 9 is not material for other financial assets other than loans and advances to customers and financial investments.

For the Group, following the adoption of IFRS 9 on 1 January 2018, equity reduced by RMB19,451 million as compared to the financial statements as of the end of 2017.

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group:

(i) Bond investments

Most bonds held by the Group could pass the SPPI testing. With regard to the requirements of the new standard, the category of financial assets should be determined based on the business model of managing those assets, which was evaluated according to the established facts and circumstances on the implementation date of the standard. Among the bonds investments, part of held-to-maturity investments and investments classified as receivables are reclassified to financial assets measured at FVOCI because their business model is to hold financial assets in order to collect contractual cash flows and sell financial assets. Some of the available-for-sale bonds are reclassified to financial assets measured at amortised cost due to their business model is achieved by collecting contractual cash flows. In addition, a small number of bonds with subordinated terms and writing-down natures are reclassified to financial assets measured at FVPL due to the inability to pass SPPI testing.

(ii) Discounted bills

Discounted bills held by domestic branches of the Group are in line with the business model as achieved by both collecting contractual cash flows and selling financial assets. Therefore, they are reclassified from loans and advances to customers to financial assets measured at FVOCI.

(iii) Equity investments

The Group has elected to irrevocably designate strategic investments in non-trading equity securities in clearing houses and exchanges at FVOCI as permitted under IFRS 9. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of. These securities were previously classified as available for sale. In addition to the above the remaining equity investments of the Group were reclassified to financial assets measured at FVPL from available-for-sale financial assets.

(iv) Others

The Group's holdings of other banks' wealth management products with floating income, fund investments, trust plans and asset management plans are unable to pass the SPPI testing, so they are reclassified from investments classified as receivables and available-for-sale financial assets to financial assets measured at FVPL.

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies and estimates (continued)

(4) Impact of changes in significant accounting policies (continued)

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

Measurement category	Allowance under IAS 39/Provision	Reclassification	Remeasurement	Allowance under IFRS 9
Deposits with banks and non-bank financial institutions	57	–	72	129
Placements with banks and non-bank financial institutions	112	–	3	115
Financial assets held under resale agreements	–	–	15	15
Loans and advances to customers				
– Loans and advances to customers measured at amortised cost	328,968	(155)	14,989	343,802
– Loans and advances to customers measured at FVOCI	N/A	112	384	496
Financial Investments				
Financial assets measured at amortised cost	N/A	4,927	(272)	4,655
Financial assets measured at FVOCI	N/A	443	1,696	2,139
Held-to-maturity investments	3,410	(3,410)	–	–
Available-for-sale financial assets	6,295	(6,295)	–	–
Investments classified as receivables	2,114	(2,114)	–	–
Other financial assets	2,987	–	–	2,987
Off-balance sheet business	2,402	–	23,333	25,735
Total	346,345	(6,492)	40,220	380,073

(5) Significant accounting estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

On 1 January 2018, the significant accounting estimates and judgements of IFRS 9 used by the Group include the measurement of expected credit losses.

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in note 58(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 58(1) credit risk.

Except expected credit losses, other significant accounting estimates and judgements used were the same as the annual report of 2017.

2 Basis of preparation and significant accounting policies and estimates (continued)

(6) Taxation

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (CaiShui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, business tax used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016. Accordingly, the income and expense under VAT were reported on a net basis. The main VAT taxation rate is 6%.

City construction tax

City construction tax is calculated as 1% – 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

(7) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 28 August 2018. The interim financial statements have also been reviewed by the Bank's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial statements as previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2018.

(Expressed in millions of RMB, unless otherwise stated)

3 Net interest income

	Note	Six months ended 30 June 2018	2017
Interest income arising from:			
Deposits with central banks		**19,878**	21,057
Deposits with banks and non-bank financial institutions		**6,391**	4,267
Placements with banks and non-bank financial institutions		**5,310**	3,451
Financial assets measured at fair value through profit or loss		**N/A**	5,963
Financial assets held under resale agreements		**4,656**	2,906
Investment securities	(a)	**84,312**	77,163
Loans and advances to customers			
– Corporate loans and advances		**157,782**	145,660
– Personal loans and advances		**115,063**	98,935
– Discounted bills		**1,928**	4,087
Total		**395,320**	363,489
Interest expense arising from:			
Borrowings from central banks		**(7,606)**	(6,721)
Deposits from banks and non-bank financial institutions		**(17,233)**	(16,658)
Placements from banks and non-bank financial institutions		**(7,233)**	(5,341)
Financial assets sold under repurchase agreements		**(819)**	(2,126)
Debt securities issued		**(13,091)**	(8,853)
Deposits from customers			
– Corporate deposits		**(57,384)**	(53,928)
– Personal deposits		**(52,468)**	(52,008)
Total		**(155,834)**	(145,635)
Net interest income		**239,486**	217,854

(a) As for this report, the interest income of investment securities include those generated from bonds measured at amortised cost and FVOCI (In 2017, they were interest income from held-to-maturity bonds, available-for-sale bonds and bonds classified as receivables).

(1) Interest income from impaired financial assets is listed as follows:

	Six months ended 30 June 2018	2017
Impaired loans and advances	**1,488**	1,520
Other impaired financial assets	**7**	18
Total	**1,495**	1,538

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of RMB, unless otherwise stated)

4 Net fee and commission income

	Six months ended 30 June	
	2018	2017
Fee and commission income		
Bank card fees	**22,743**	20,110
Electronic banking service fees	**10,364**	6,484
Agency service fees	**9,214**	10,221
Commission on trust and fiduciary activities	**7,344**	6,610
Settlement and clearing fees	**7,176**	7,442
Consultancy and advisory fees	**6,552**	6,593
Wealth management service fees	**6,552**	12,381
Guarantee fees	**1,765**	1,714
Credit commitment fees	**836**	836
Others	**2,825**	1,775
Total	**75,371**	74,166
Fee and commission expense		
Bank card transaction fees	**(3,457)**	(3,493)
Inter-bank transaction fees	**(636)**	(516)
Others	**(2,274)**	(2,077)
Total	**(6,367)**	(6,086)
Net fee and commission income	**69,004**	68,080

5 Net trading gain

	Six months ended 30 June	
	2018	2017
Debt securities	**5,613**	(212)
Derivatives	**1,097**	514
Equity investments	**(42)**	236
Others	**1,244**	2,304
Total	**7,912**	2,842

6 Dividend income

	Six months ended 30 June	
	2018	2017
Dividend income from equity investments measured at fair value through profit or loss	**226**	N/A
Dividend income from equity investments designated as measured at fair value through other comprehensive income	**186**	N/A
Total	**412**	N/A
Dividend income from listed trading equity investments	**N/A**	222
Dividend income from available-for-sale equity investments		
– Listed	**N/A**	602
– Unlisted	**N/A**	156
Total	**N/A**	980

(Expressed in millions of RMB, unless otherwise stated)

7 Net gain/(loss) arising from investment securities

	Six months ended 30 June	
	2018	2017
Net gain related to financial assets designated as measured at fair value through profit or loss	**8,368**	N/A
Net loss related to financial liabilities designated as measured at fair value through profit or loss	**(7,582)**	N/A
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	**1,961**	N/A
Net gain related to financial assets measured at fair value through other comprehensive income	**227**	N/A
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	**136**	(3,053)
Net gain on sale of available-for-sale financial assets	**N/A**	1,244
Net gain on sale of held-to-maturity investments	**N/A**	138
Net gain on sale of receivables	**N/A**	19
Others	**9**	20
Total	**3,119**	(1,632)

8 Net losses on derecognition of financial assets measured at amortised cost

For the six months ended 30 June 2018, the net losses on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to the RMB2,452 million net losses arising from the derecognition of customers' loans and advances (for the six months ended 30 June 2017: N/A).

9 Other operating income, net

	Six months ended 30 June	
Other operating income	**2018**	2017
Insurance related income	**16,125**	17,193
Foreign exchange gain	**3,820**	13,137
Rental income	**1,330**	1,232
Others	**2,228**	2,581
Total	**23,503**	34,143

Foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge long positions in foreign currency assets).

	Six months ended 30 June	
Other operating expense	**2018**	2017
Insurance business related cost	**15,918**	17,318
Others	**2,424**	1,816
Total	**18,342**	19,134

(Expressed in millions of RMB, unless otherwise stated)

10 Operating expenses

	Six months ended 30 June	
	2018	2017
Staff costs		
– Salaries, bonuses, allowances and subsidies	**30,269**	28,666
– Other social insurance and welfare	**3,482**	3,360
– Housing funds	**3,071**	2,925
– Union running costs and employee education costs	**928**	815
– Defined contribution plans	**6,287**	6,200
– Early retirement expenses	**6**	15
– Compensation to employees for termination of employment relationship	**1**	3
	44,044	41,984
Premises and equipment expenses		
– Depreciation charges	**7,165**	6,937
– Rent and property management expenses	**4,679**	4,482
– Maintenance	**1,048**	871
– Utilities	**869**	862
– Others	**887**	859
	14,648	14,011
Taxes and surcharges	**3,190**	2,907
Amortisation expenses	**1,158**	1,150
Audit fees	**74**	72
Other general and administrative expenses	**11,567**	10,423
Total	**74,681**	70,547

11 Impairment losses

	Six months ended 30 June	
	2018	2017
Credit impairment losses		
Loans and advances to customers	**63,164**	59,729
– Additions	**81,235**	69,190
– Releases	**(18,071)**	(9,461)
Financial investments		
Financial assets measured at amortised cost	**864**	N/A
Financial assets measured at fair value through other comprehensive income	**(387)**	N/A
Available-for-sale debt securities	**N/A**	282
Held-to-maturity investments	**N/A**	12
Investment classified as receivables	**N/A**	369
Off-balance sheet business	**3,092**	(82)
Others	**296**	88
Other impairment losses	**(249)**	112
Total	**66,780**	60,510

(Expressed in millions of RMB, unless otherwise stated)

12 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2018	2017
Current tax	**42,148**	34,196
– Mainland China	**40,785**	32,604
– Hong Kong	**805**	968
– Other countries and regions	**558**	624
Deferred tax	**(8,193)**	(1,112)
Total	**33,955**	33,084

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

(2) Reconciliation between income tax expense and accounting profit

		Six months ended 30 June	
	Note	**2018**	2017
Profit before tax		**181,420**	172,093
Income tax calculated at 25% statutory tax rate		**45,355**	43,023
Effects of different applicable rates of tax prevailing in other countries/regions		**(442)**	(314)
Non-deductible expenses	(i)	**3,375**	3,438
Non-taxable income	(ii)	**(14,333)**	(13,063)
Income tax expense		**33,955**	33,084

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

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

13 Earnings per share

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

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank. The Bank has not declared any dividend on preference shares for the six months ended 30 June 2018.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2018 and 2017, and the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2018	2017
Net profit attributable to ordinary shareholders of the Bank	**147,027**	138,339
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.59**	0.55

14 Cash and deposits with central banks

	Note	**30 June 2018**	31 December 2017
Cash		**75,574**	73,876
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,287,811**	2,665,738
– Surplus deposit reserves	(2)	**276,242**	209,080
– Fiscal deposits		**35,218**	39,562
Subtotal		**2,599,271**	2,914,380
Total		**2,674,845**	2,988,256

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China were as follows:

	30 June 2018	31 December 2017
Reserve rate for RMB deposits	**14.5%**	17.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(Expressed in millions of RMB, unless otherwise stated)

15 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2018	31 December 2017
Banks	452,546	163,521
Non-bank financial institutions	13,500	11,541
Gross balances	466,046	175,062
Allowances for impairment losses (Note 31)	(146)	(57)
Net balances	465,900	175,005

(2) Analysed by geographical sectors

	30 June 2018	31 December 2017
Mainland China	439,704	147,945
Overseas	26,342	27,117
Gross balances	466,046	175,062
Allowances for impairment losses (Note 31)	(146)	(57)
Net balances	465,900	175,005

16 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2018	31 December 2017
Banks	208,754	173,762
Non-bank financial institutions	125,301	151,583
Gross balances	334,055	325,345
Allowances for impairment losses (Note 31)	(113)	(112)
Net balances	333,942	325,233

(2) Analysed by geographical sectors

	30 June 2018	31 December 2017
Mainland China	269,113	276,308
Overseas	64,942	49,037
Gross balances	334,055	325,345
Allowances for impairment losses (Note 31)	(113)	(112)
Net balances	333,942	325,233

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives and hedge accounting

(1) Analysed by type of contract

	Note	30 June 2018 Notional amounts	30 June 2018 Assets	30 June 2018 Liabilities	31 December 2017 Notional amounts	31 December 2017 Assets	31 December 2017 Liabilities
Interest rate contracts		**410,196**	**1,959**	**922**	332,480	980	487
Exchange rate contracts		**4,303,911**	**44,597**	**45,673**	5,307,995	78,909	78,581
Other contracts	(a)	**87,848**	**2,167**	**838**	182,632	3,091	799
Total		**4,801,955**	**48,723**	**47,433**	5,823,107	82,980	79,867

(2) Analysed by credit risk-weighted assets

	Note	30 June 2018	31 December 2017
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**933**	651
– Exchange rate contracts		**27,588**	47,728
– Other contracts	(a)	**2,814**	5,395
Subtotal		**31,335**	53,774
Credit value adjustment		**13,925**	20,545
Total		**45,260**	74,319

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

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

(Expressed in millions of RMB, unless otherwise stated)

17 Derivatives and hedge accounting (continued)

(3) Hedge accounting

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

	30 June 2018			31 December 2017		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**50,287**	**859**	**(104)**	49,087	469	(98)
Foreign exchange swaps	**2,866**	**46**	**(48)**	325	12	–
Cash flow hedges						
Foreign exchange swaps	**15,569**	**78**	**(185)**	33,193	1,051	(418)
Foreign exchange forwards	**43,111**	**645**	**(82)**	51,684	918	(69)
Cross currency swaps	**2,404**	**81**	**–**	–	–	–
Interest rate swaps	**2,316**	**–**	**(1)**	–	–	–
Total	**116,553**	**1,709**	**(420)**	134,289	2,450	(585)

(a) *Fair value hedge*

The Group uses interest rate swaps and foreign exchange swaps to hedge against changes in fair value of financial assets measured at FVOCI, 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:

	Six months ended 30 June	
	2018	2017
Net gains/(losses) on		
– hedging instruments	**340**	(326)
– hedged items	**(349)**	328

The gain and loss arising from ineffective portion of fair value hedge was immaterial for the six months ended 30 June 2018 and 2017.

(b) *Cash flow hedge*

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

For the six months ended 30 June 2018, the Group's net loss from the cash flow hedge was RMB342 million and was recognised in other comprehensive income (for the six months ended 30 June 2017: net profit from the cash flow hedge of RMB173 million) and the gain and loss arising from ineffective portion of cash flow hedge was immaterial.

(Expressed in millions of RMB, unless otherwise stated)

18 Financial assets held under resale agreements

Financial assets held under resale agreements by underlying assets are shown as follows:

	30 June 2018	31 December 2017
Debt securities		
– Government bonds	**143,719**	106,541
– Debt securities issued by policy banks, banks and non-bank financial institutions	**218,180**	94,461
– Corporate bonds	**114**	2,618
– Others	**529**	1,051
Subtotal	**362,542**	204,671
Discounted bills	**32,332**	3,689
Total	**394,874**	208,360
Allowances for impairment losses (Note 31)	**(11)**	–
Net balances	**394,863**	208,360

19 Interest receivable

	30 June 2018	31 December 2017
Deposits with central banks	**1,080**	1,354
Deposits with banks and non-bank financial institutions	**2,145**	680
Financial assets held under resale agreements	**202**	145
Loans and advances to customers	**41,447**	39,583
Debt securities	**71,330**	69,550
Others	**7,264**	5,681
Gross and net balances	**123,468**	116,993

20 Loans and advances to customers

(1) Analysed by measurement

	Note	30 June 2018	31 December 2017
Loans and advances to customers measured at amortised cost		**13,331,745**	12,903,441
Less: Allowances for impairment losses		**(383,906)**	(328,968)
The carrying amount of loans and advances to customers measured at amortised cost	(a)	**12,947,839**	12,574,473
The carrying amount of loans and advances measured at fair value through other comprehensive income	(b)	**109,582**	N/A
The carrying amount of loans and advances to customers measured at fair value through profit or loss	(c)	**11,061**	N/A
The carrying amount of loans and advances to customers		**13,068,482**	12,574,473

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers as measured at amortised cost

	30 June 2018	31 December 2017
Corporate loans and advances		
– Loans	**7,564,178**	7,365,095
– Finance leases	**129,433**	122,737
	7,693,611	7,487,832
Personal loans and advances		
– Residential mortgages	**4,536,189**	4,252,698
– Personal consumer loans	**204,636**	203,218
– Personal business loans	**41,553**	41,417
– Credit cards	**634,974**	567,683
– Others	**212,196**	214,878
	5,629,548	5,279,894
Discounted bills	**8,586**	135,715
Gross loans and advances to customers measured at amortised cost	**13,331,745**	12,903,441
Stage 1	**(164,241)**	N/A
Stage 2	**(84,993)**	N/A
Stage 3	**(134,672)**	N/A
Individual assessment	**N/A**	(113,820)
Collective assessment	**N/A**	(215,148)
Allowances for impairment losses (Note 31)	**(383,906)**	(328,968)
Net loans and advances to customers measured at amortised cost	**12,947,839**	12,574,473

(b) Loans and advances to customers measured at fair value through other comprehensive income

	30 June 2018	31 December 2017
Discounted bills	**109,582**	N/A

(c) Loans and advances to customers at fair value through profit or loss

	30 June 2018	31 December 2017
Corporate loans and advances	**11,061**	N/A

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(2) Analysed by assessment method of expected credit losses

	As at 30 June 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**12,742,393**	**390,598**	**198,754**	**13,331,745**
Less: allowances for impairment losses	**(164,241)**	**(84,993)**	**(134,672)**	**(383,906)**
The carrying amount of loans and advances to customers measured at amortised cost	**12,578,152**	**305,605**	**64,082**	**12,947,839**
The impairment losses of loans and advances measured at fair value through other comprehensive income	**(687)**	**(2)**	**–**	**(689)**

	As at 31 December 2017			
		Impaired loans and advances		
	Loans and advances for which allowances are collectively assessed	for which allowances are collectively assessed	for which allowances are individually assessed	Total
Gross loans and advances to customers	12,711,150	22,493	169,798	12,903,441
Allowances for impairment losses	(201,346)	(13,802)	(113,820)	(328,968)
Net loans and advances to customers	12,509,804	8,691	55,978	12,574,473

For loans and advances to customers at Stages 1 and 2 and personal loans and advances at Stage 3, ECL model is used to calculate the ECL amount while for corporate loans and advances at Stage 3, discounted cash flow model is used.

The classification of the loans mentioned above is defined in Note 58(1).

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses

	Note	Six months ended 30 June 2018			
		Stage 1	Stage 2	Stage 3	
	Note	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
As at 1 January 2018	2(4)(c)	149,249	65,887	128,666	343,802
Charge for the period	(a)	15,839	18,561	46,642	81,042
Release during the period	(a)	–	–	(18,071)	(18,071)
Unwinding of discount		–	–	(1,488)	(1,488)
Transfers (out)/in	(b)	(847)	545	(6,128)	(6,430)
Write-offs		–	–	(18,103)	(18,103)
Recoveries		–	–	3,154	3,154
As at 30 June 2018		164,241	84,993	134,672	383,906

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

(a) Including regular review of inputs to the models, e.g. reviewing of Probability of Defaults (PDs), Loss Given Defaults (LGDs) and Exposure at Defaults (EADs), changes to model assumptions and methodologies; additional allowances for new financial instruments recognised during the period; transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decrease) of credit impairment in the period, and the consequent "set up" (or "set down") between 12-month and lifetime Expected Credit Loss (ECL).

(b) Transfers out include the allowance transferred upon disposal of non-performing loans, securitisation of assets and the transfer to debt-offsetting assets, as well as the impact of exchange rate movements.

(c) The allowances for impairment losses of loans and advances to customers disclosed above are measured at amortised cost.

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(4) Overdue loans analysed by overdue period

	30 June 2018				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**17,241**	**10,216**	**5,094**	**1,607**	**34,158**
Guaranteed loans	**16,220**	**29,782**	**24,122**	**3,715**	**73,839**
Loans secured by tangible assets other than monetary assets	**26,161**	**24,782**	**23,493**	**4,836**	**79,272**
Loans secured by monetary assets	**1,509**	**1,736**	**831**	**287**	**4,363**
Total	**61,131**	**66,516**	**53,540**	**10,445**	**191,632**
As a percentage of gross loans and advances to customers	**0.45%**	**0.49%**	**0.40%**	**0.08%**	**1.42%**

	31 December 2017				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	8,701	6,594	5,640	1,138	22,073
Guaranteed loans	15,569	20,668	24,730	3,047	64,014
Loans secured by tangible assets other than monetary assets	28,556	22,547	22,715	2,658	76,476
Loans secured by monetary assets	564	1,072	1,458	215	3,309
Total	53,390	50,881	54,543	7,058	165,872
As a percentage of gross loans and advances to customers	0.42%	0.40%	0.42%	0.05%	1.29%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(5) Package sale of non-performing loans

During the half year ended 30 June 2018, the total amount of non-performing loans sold through packaged sales to external asset management companies was RMB9,327 million (for the six month period ended 30 June 2017: RMB18,990 million).

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments

(1) Analysed by measurement

	Note	30 June 2018	31 December 2017
Financial assets measured at fair value through profit or loss	(a)	**679,900**	578,436
Financial assets measured at amortised cost	(b)	**3,245,096**	N/A
Financial assets measured at fair value through other comprehensive income	(c)	**1,320,847**	N/A
Available-for-sale financial assets		**N/A**	1,550,680
Held-to-maturity investments		**N/A**	2,586,722
Investments classified as receivables		**N/A**	465,810
Total		**5,245,843**	5,181,648

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	30 June 2018	31 December 2017
Held for trading purposes			
– Debt securities	(i)	**196,710**	189,447
– Equity instruments and funds	(ii)	**7,382**	1,312
		204,092	190,759

		30 June 2018	31 December 2017
Financial assets designated as measured at fair value through profit or loss			
– Debt securities	(iii)	**14,660**	10,211
– Equity instruments and funds		**–**	23,076
– Other debt instruments	(iv)	**346,016**	354,390
		360,676	387,677

	Note	30 June 2018	31 December 2017
Others			
– Credit investments	(v)	**35,428**	N/A
– Debt securities	(vi)	**12,808**	N/A
– Funds and others	(vii)	**66,896**	N/A
		115,132	N/A
Total		**679,900**	578,436

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers

Held for trading purpose

(i) Debt securities

	30 June 2018	31 December 2017
Government	**10,781**	10,812
Central banks	**295**	543
Policy banks	**25,959**	22,395
Banks and non-bank financial institutions	**57,759**	58,485
Enterprises	**101,916**	97,212
Total	**196,710**	189,447
Listed (Note)	**196,710**	189,447
– of which in Hong Kong	**1,063**	26
Total	**196,710**	189,447

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified in the listed category.

(ii) Equity instruments and funds

	30 June 2018	31 December 2017
Banks and non-bank financial institutions	**5,669**	152
Enterprises	**1,713**	1,160
Total	**7,382**	1,312
Listed	**1,704**	1,171
– of which in Hong Kong	**1,558**	1,067
Unlisted	**5,678**	141
Total	**7,382**	1,312

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers (continued)

Financial assets designated as measured at fair value through profit or loss

(iii) Debt securities

	30 June 2018	31 December 2017
Enterprises, unlisted	**14,660**	10,211

(iv) Other debt instruments

	30 June 2018	31 December 2017
Banks and non-bank financial institutions	**235,635**	218,322
Enterprises	**110,381**	136,068
Total	**346,016**	354,390

Other debt instruments were mainly the deposits with banks, bonds and credit assets invested by principal guaranteed wealth management products and bonds (Note 24(2)).

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

Others

(v) Credit investments

	30 June 2018	31 December 2017
Banks and non-bank financial institutions, unlisted	**35,428**	N/A

(vi) Debt securities

	30 June 2018	31 December 2017
Banks and non-bank financial institutions	**12,808**	N/A
Listed	**11,661**	N/A
Unlisted	**1,147**	N/A
Total	**12,808**	N/A

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers (continued)

Others (continued)

(vii) Funds and others

	30 June 2018	31 December 2017
Banks and non-bank financial institutions	**36,260**	N/A
Enterprises	**30,636**	N/A
Total	**66,896**	N/A
Listed	**39,880**	N/A
–of which in Hong Kong	**876**	N/A
Unlisted	**27,016**	N/A
Total	**66,896**	N/A

(b) *Financial assets measured at amortised cost*

Analysed by type of issuers

	30 June 2018
Government	**2,581,711**
Central banks	**431**
Policy banks	**420,306**
Banks and non-bank financial institutions	**30,605**
Enterprises	**168,314**
Special government bond	**49,200**
Gross balances	**3,250,567**
Allowances for impairment losses	
–Stage 1	**(4,674)**
–Stage 2	**(294)**
–Stage 3	**(503)**
Net balances	**3,245,096**
Listed (Note)	**3,073,481**
–of which in Hong Kong	**2,295**
Unlisted	**171,615**
Total	**3,245,096**
Market value of listed bonds	**3,043,116**

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	30 June 2018
Debt securities	(i)	1,318,240
Equity instruments	(ii)	2,607
Total		1,320,847

Analysed by type of issuers

(i) Debt securities

	30 June 2018
Government	745,977
Central banks	41,157
Policy banks	317,656
Banks and non-bank financial institutions	81,036
Enterprises	142,078
Amortised cost	1,327,904
Accumulated change of fair value charged in OCI	(9,664)
Carrying value	1,318,240
Listed (Note)	1,287,938
–of which in Hong Kong	64,584
Unlisted	30,302
Total	1,318,240

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as listed.

(ii) Equity instruments designated as measured at fair value through other comprehensive income

	30 June 2018
Banks and non-bank financial institutions	1,447
Other enterprises	493
Cost	1,940
Accumulated change of fair value charged in OCI	667
Carrying value	2,607
Listed	1,909
–of which in Hong Kong	699
Unlisted	698
Total	2,607

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(2) Analysed by assessment method of allowances for impairment losses

	30 June 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**3,247,889**	**2,152**	**526**	**3,250,567**
Less: Allowances for impairment losses	**(4,674)**	**(294)**	**(503)**	**(5,471)**
Carrying amount of financial assets measured at amortised cost	**3,243,215**	**1,858**	**23**	**3,245,096**
Allowance for financial assets measured at fair value through other comprehensive income	**(1,517)**	**–**	**–**	**(1,517)**

(3) Analysed by movements of allowances for impairment losses

Financial assets measured at amortised cost

	30 June 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2018 (Note 2(4)(c))	**4,049**	**83**	**523**	**4,655**
Charge for the period	**768**	**283**	**–**	**1,051**
Write-back	**(167)**	**–**	**(20)**	**(187)**
Transfers in/(out)	**24**	**(72)**	**–**	**(48)**
As at 30 June 2018	**4,674**	**294**	**503**	**5,471**

(4) Available-for-sale financial assets

Analysed by type of nature

	31 December 2017
Debt securities	1,461,824
Equity instruments	31,723
Funds	57,133
Total	1,550,680

Debt securities

Analysed by type of issuers

	31 December 2017
Government	985,559
Central banks	36,742
Policy banks	228,104
Banks and non-bank financial institutions	89,327
Enterprises	122,092
Total	1,461,824
Listed (Note)	1,428,927
–of which in Hong Kong	22,662
Unlisted	32,897
Total	1,461,824

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified in the listed category.

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(4) Available-for-sale financial assets (continued)

Equity instruments and funds

	31 December 2017
Debt-to-equity swap	913
Other equity instruments	30,810
Funds	57,133
Total	88,856
Listed	54,172
–of which in Hong Kong	1,957
Unlisted	34,684
Total	88,856

Mainly pursuant to the debt-to-equity swap arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to the relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control, joint control or significant influence over these entities.

(5) Held-to-maturity investments

Analysed by type of issuers

	31 December 2017
Government	1,908,032
Central banks	434
Policy banks	552,057
Banks and non-bank financial institutions	27,045
Enterprises	102,564
Gross balances	2,590,132
Allowances for impairment losses (Note 31)	(3,410)
Net balances	2,586,722
Listed (Note)	2,575,216
–of which in Hong Kong	4,000
Unlisted	11,506
Total	2,586,722
Market value of listed securities	2,522,112

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified in the listed category.

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(6) Investments classified as receivables

	Note	31 December 2017
Government		
–Special government bond	(a)	49,200
–Others		304,554
Policy banks		20,000
Banks and non-bank financial institutions		13,462
Enterprises		29,096
Others	(b)	51,612
Gross balances		467,924
Allowances for impairment losses (Note 31)		(2,114)
Net balances		465,810
Listed		406,864
–of which in Hong Kong		1,181
Unlisted		58,946
Total		465,810

(a) This represents a non-transferable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank's use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(b) Others include asset management plans and capital trust plans with fixed or determined payments. They will mature from January 2017 to November 2026 and bear interest rates ranging from 2.95% to 9.50% per annum. During the reporting period, matured plans have been repaid without overdue.

22 Investments in subsidiaries

(1) Investment cost

	30 June 2018	31 December 2017
CCB Financial Asset Investment Corporation Limited ("CCBFI")	**12,000**	12,000
CCB Brasil Financial Holding – Investimentos e Participações Ltda	**9,542**	9,542
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**8,163**	8,163
CCB Life Insurance Company Limited ("CCB Life")	**3,902**	3,902
CCB Trust Corporation Limited ("CCB Trust")	**3,409**	3,409
China Construction Bank (London) Limited ("CCB London")	**2,861**	2,861
CCB Pension Management Corporation Limited ("CCB Pension")	**1,955**	1,955
China Construction Bank (Europe) S.A. ("CCB Europe")	**1,629**	1,629
Sino-German Bausparkasse Corporation Limited ("Sino-German Bausparkasse")	**1,502**	1,502
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")	**1,352**	1,352
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")	**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")	**976**	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")	**851**	851
Golden Fountain Finance Limited ("Golden Fountain")	**676**	676
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**–**	–
Rural Banks	**1,378**	1,378
Total	**51,660**	51,660

The total investment amount of rural banks consists of investment costs of 27 rural banks in total, which are established and controlled by the Bank in substance (31 December 2017: 27 rural banks).

(Expressed in millions of RMB, unless otherwise stated)

22 Investments in subsidiaries (continued)

(2) Except for CCB Indonesia, major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCBFI	Beijing, the PRC	RMB12,000 million	Investment	100%	–	100%	Establishment
CCB Brasil Financial Holding – Investimentos e Participações Ltda	Sao Paulo, Brasil	R$4,281 million	Investment	99.99%	0.01%	100%	Acquisition
CCBFLCL	Beijing, the PRC	RMB8,000 million	Financial Leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Insurance	51%	–	51%	Acquisition
CCB Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Commercial Banking	100%	–	100%	Establishment
CCB Pension	Beijing, the PRC	RMB2,300 million	Pension Management	85%	–	85%	Establishment
CCB Europe	Luxembourg	Euro200 million	Commercial Banking	100%	–	100%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	House savings	75.1%	–	75.1%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR1,663,146 million	Commercial Banking	60%	–	60%	Acquisition
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Investment	100%	–	100%	Acquisition
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	US$601 million	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Multiplo S/A ("CCB Brasil")	Sao Paulo, Brasil	R$2,957 million	Commercial Banking	–	100%	100%	Acquisition

(3) As at 30 June 2018, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(Expressed in millions of RMB, unless otherwise stated)

23 Interests in associates and joint ventures

(1) The movement of the Group's interests in associates and joint ventures is as follows:

	Six months ended 30 June 2018	2017
As at 1 January	**7,067**	7,318
Acquisition during the period/year	**745**	1,544
Disposal during the period/year	**(204)**	(1,549)
Share of profits	**152**	161
Cash dividend receivable	**(262)**	(42)
Effect of exchange difference and others	**35**	(365)
As at 30 June/31 December	**7,533**	7,067

(2) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid up capital	Principal activities	% of ownership held	% of voting held	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
Diamond String Limited	Hong Kong, the PRC	HK $10,000	Property investment	50.00%	50.00%	1,672	1,533	112	51
Wuhu Jianxin Dingxin Investment Management Center (Limited Partnership)	Wuhu, the PRC	RMB701 million	Investment management and consultancy	30.43%	30.43%	1,237	471	11	21
Maotai CCBT Private Equity Fund (Limited Partnership)	Guizhou, the PRC	RMB900 million	Investment management and consultancy	13.33%	37.50%	1,044	4	14	7
Guangdong SOE Reorganization Development Fund (Limited Partnership)	Zhuhai, the PRC	RMB900 million	Investment management and consultancy	49.67%	33.33%	744	–	5	2

(Expressed in millions of RMB, unless otherwise stated)

24 Structured entities

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust investments, asset management plans, fund investments, asset-backed securities and wealth management products held for investment purpose, as well as non-principal guaranteed wealth management products, trust schemes and funds, etc. which were issued or established for providing a wide range of wealth management services and collecting management fees, commission and custodian fees.

As at 30 June 2018 and 31 December 2017, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	30 June 2018	31 December 2017
Interest receivables	**297**	178
Financial assets measured at fair value through profit or loss	**75,466**	17,405
Financial assets measured at amortised cost	**59,386**	N/A
Financial assets measured at fair value through other comprehensive income	**969**	N/A
Available-for-sale financial assets	**N/A**	79,231
Investments classified as receivables	**N/A**	48,356
Interests in associates and joint ventures	**3,775**	3,430
Other assets	**2,947**	3,398
Total	**142,840**	151,998

For the six months ended 30 June 2018 and 2017, the income from these unconsolidated structured entities held by the Group was as follows:

	Six months ended 30 June	
	2018	2017
Interest income	**1,758**	1,266
Fee and commission income	**6,870**	11,886
Net trading (loss)/gain	**(8)**	3
Dividend income	**208**	677
Net gain/(loss) arising from investment securities	**1,343**	(2,806)
Share of profit/(loss) of associates and joint ventures	**44**	(21)
Total	**10,215**	11,005

As at 30 June 2018, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,599,092 million (as at 31 December 2017: RMB1,730,820 million). For the six months ended 30 June 2018, there were debt securities purchased and sold between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions were not material to the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products (Note 21(1)(a)(iv)) and certain asset management plans and trust plan investments.

(Expressed in millions of RMB, unless otherwise stated)

25 Fixed assets

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2018	**122,870**	**26,646**	**54,989**	**22,855**	**43,636**	**270,996**
Additions	**272**	**1,477**	**671**	**2,291**	**485**	**5,196**
Transfer in/(out)	**549**	**(1,015)**	**12**	**–**	**454**	**–**
Other movements	**(176)**	**(332)**	**(2,381)**	**176**	**(1,164)**	**(3,877)**
As at 30 June 2018	**123,515**	**26,776**	**53,291**	**25,322**	**43,411**	**272,315**
Accumulated depreciation						
As at 1 January 2018	**(34,156)**	**–**	**(36,351)**	**(2,250)**	**(28,141)**	**(100,898)**
Charge for the period	**(2,110)**	**–**	**(2,945)**	**(606)**	**(2,110)**	**(7,771)**
Other movements	**103**	**–**	**2,305**	**(27)**	**1,107**	**3,488**
As at 30 June 2018	**(36,163)**	**–**	**(36,991)**	**(2,883)**	**(29,144)**	**(105,181)**
Allowances for impairment losses (Note 31)						
As at 1 January 2018	**(415)**	**–**	**–**	**(1)**	**(3)**	**(419)**
Charge for the period	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Other movements	**7**	**–**	**–**	**–**	**–**	**7**
As at 30 June 2018	**(408)**	**(1)**	**–**	**(1)**	**(3)**	**(413)**
Net carrying value						
As at 1 January 2018	**88,299**	**26,646**	**18,638**	**20,604**	**15,492**	**169,679**
As at 30 June 2018	**86,944**	**26,775**	**16,300**	**22,438**	**14,264**	**166,721**

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2017	119,972	25,543	54,987	20,501	42,193	263,196
Additions	1,082	6,305	4,109	6,229	2,309	20,034
Transfer in/(out)	3,111	(4,568)	59	–	1,398	–
Other movements	(1,295)	(634)	(4,166)	(3,875)	(2,264)	(12,234)
As at 31 December 2017	122,870	26,646	54,989	22,855	43,636	270,996
Accumulated depreciation						
As at 1 January 2017	(30,328)	–	(34,598)	(1,478)	(26,201)	(92,605)
Charge for the year	(4,192)	–	(5,791)	(1,058)	(4,066)	(15,107)
Other movements	364	–	4,038	286	2,126	6,814
As at 31 December 2017	(34,156)	–	(36,351)	(2,250)	(28,141)	(100,898)
Allowances for impairment losses (Note 31)						
As at 1 January 2017	(418)	–	–	(75)	(3)	(496)
Charge for the year	–	–	–	(1)	–	(1)
Other movements	3	–	–	75	–	78
As at 31 December 2017	(415)	–	–	(1)	(3)	(419)
Net carrying value						
As at 1 January 2017	89,226	25,543	20,389	18,948	15,989	170,095
As at 31 December 2017	88,299	26,646	18,638	20,604	15,492	169,679

Notes:

(1) Other movements include disposals, retirements and exchange gains or losses of fixed assets.

(2) As at 30 June 2018, the ownership documentation for the Group's bank premises with a net carrying value of RMB17,928 million (as at 31 December 2017: RMB19,512 million) was still being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(Expressed in millions of RMB, unless otherwise stated)

26 Land use rights

	Six months ended 30 June 2018	2017
Cost/Deemed cost		
As at 1 January	**21,495**	21,206
Additions	**13**	499
Disposals	**(61)**	(210)
As at 30 June/31 December	**21,447**	21,495
Amortisation		
As at 1 January	**(6,810)**	(6,322)
Charge for the period/year	**(247)**	(535)
Disposals	**18**	47
As at 30 June/31 December	**(7,039)**	(6,810)
Allowances for impairment losses (Note 31)		
As at 1 January	**(140)**	(142)
Disposals	**2**	2
As at 30 June/31 December	**(138)**	(140)
Net carrying value		
As at 1 January	**14,545**	14,742
As at 30 June/31 December	**14,270**	14,545

27 Intangible assets

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2018	**8,424**	**1,211**	**9,635**
Additions	**214**	**25**	**239**
Disposals	**(9)**	**(22)**	**(31)**
As at 30 June 2018	**8,629**	**1,214**	**9,843**
Amortisation			
As at 1 January 2018	**(6,429)**	**(446)**	**(6,875)**
Charge for the period	**(329)**	**(40)**	**(369)**
Disposals	**9**	**22**	**31**
As at 30 June 2018	**(6,749)**	**(464)**	**(7,213)**
Allowances for impairment losses (Note 31)			
As at 1 January 2018	**–**	**(8)**	**(8)**
As at 30 June 2018	**–**	**(8)**	**(8)**
Net carrying value			
As at 1 January 2018	**1,995**	**757**	**2,752**
As at 30 June 2018	**1,880**	**742**	**2,622**

(Expressed in millions of RMB, unless otherwise stated)

27 Intangible assets (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2017	7,688	1,128	8,816
Additions	851	121	972
Disposals	(115)	(38)	(153)
As at 31 December 2017	8,424	1,211	9,635
Amortisation			
As at 1 January 2017	(5,851)	(358)	(6,209)
Charge for the year	(628)	(107)	(735)
Disposals	50	19	69
As at 31 December 2017	(6,429)	(446)	(6,875)
Allowances for impairment losses (Note 31)			
As at 1 January 2017	(1)	(7)	(8)
Additions	–	(1)	(1)
Disposals	1	–	1
As at 31 December 2017	–	(8)	(8)
Net carrying value			
As at 1 January 2017	1,836	763	2,599
As at 31 December 2017	1,995	757	2,752

28 Goodwill

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movement of the goodwill is listed as follows:

	Six month ended 30 June 2018	2017
As at 1 January	**2,751**	2,947
Effect of exchange difference	**(64)**	(196)
As at 30 June/31 December	**2,687**	2,751

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

No impairment losses on goodwill of the group were recognised as at 30 June 2018 (as at 31 December 2017: nil).

(Expressed in millions of RMB, unless otherwise stated)

29 Deferred tax

	30 June 2018	31 December 2017
Deferred tax assets	**56,165**	46,189
Deferred tax liabilities	**(526)**	(389)
Total	**55,639**	45,800

(1) Analysed by nature

	30 June 2018		31 December 2017	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**5,258**	**1,257**	31,341	8,162
– Allowances for impairment losses	**228,369**	**56,944**	153,278	38,023
– Early retirement benefits and accrued salaries	**18,084**	**4,463**	23,511	5,814
– Others	**(27,407)**	**(6,499)**	(26,160)	(5,810)
Total	**224,304**	**56,165**	181,970	46,189
Deferred tax liabilities				
– Fair value adjustments	**(822)**	**(183)**	(1,446)	(343)
– Others	**(1,812)**	**(343)**	(556)	(46)
Total	**(2,634)**	**(526)**	(2,002)	(389)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Early retirement benefits and accrued salaries	Others	Total
As at 1 January 2018 (Note)	**5,332**	**46,906**	**5,814**	**(5,856)**	**52,196**
Recognised in profit or loss	**492**	**10,038**	**(1,351)**	**(986)**	**8,193**
Recognised in other comprehensive income	**(4,750)**	**–**	**–**	**–**	**(4,750)**
As at 30 June 2018	**1,074**	**56,944**	**4,463**	**(6,842)**	**55,639**
As at 1 January 2017	(43)	27,959	6,188	(3,612)	30,492
Recognised in profit or loss	(233)	10,064	(374)	(2,244)	7,213
Recognised in other comprehensive income	8,095	–	–	–	8,095
As at 31 December 2017	7,819	38,023	5,814	(5,856)	45,800

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

Note: The differences between the opening balances of deferred tax of this period and the balances at 31 December 2017 were due to the adoption of IFRS 9.

(Expressed in millions of RMB, unless otherwise stated)

30 Other assets

	Note	30 June 2018	31 December 2017
Repossessed assets	(1)		
– Buildings		**1,722**	1,589
– Land use rights		**626**	624
– Others		**831**	953
		3,179	3,166
Clearing and settlement accounts		**19,021**	6,095
Fee and commission receivables		**10,233**	9,463
Policyholder account assets and accounts receivable of insurance business		**5,337**	3,194
Leasehold improvements		**3,210**	3,401
Deferred expenses		**3,160**	3,254
Others		**75,695**	46,865
Gross balances		**119,835**	75,438
Allowances for impairment losses (Note 31)			
– Repossessed assets		**(951)**	(1,035)
– Others		**(2,804)**	(2,987)
Total		**116,080**	71,416

(1) For the six months ended 30 June 2018, the original cost of repossessed assets disposed of by the Group amounted to RMB240 million (for the six months ended 30 June 2017: RMB363 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

31 Movements of allowances for impairment losses

		Six months ended 30 June 2018				
	Note	As at 1 January	Charge/ (Write-back)	Transfer in/(out)	Write-offs	As at 30 June
Deposits with banks and non-bank financial institutions	15	**129**	**17**	**–**	**–**	**146**
Precious metals		**41**	**10**	**–**	**–**	**51**
Placements with banks and non-bank financial institutions	16	**115**	**1**	**(3)**	**–**	**113**
Financial assets held under resale agreements	18	**15**	**(3)**	**(1)**	**–**	**11**
Loans and advances to customers	20	**343,802**	**62,971**	**(4,764)**	**(18,103)**	**383,906**
Financial assets measured at amortised cost	21(3)	**4,655**	**864**	**(48)**	**–**	**5,471**
Fixed assets	25	**419**	**1**	**–**	**(7)**	**413**
Land use rights	26	**140**	**–**	**–**	**(2)**	**138**
Intangible assets	27	**8**	**–**	**–**	**–**	**8**
Other assets	30	**4,022**	**275**	**–**	**(542)**	**3,755**
Total		**353,346**	**64,136**	**(4,816)**	**(18,654)**	**394,012**

(Expressed in millions of RMB, unless otherwise stated)

31 Movements of allowances for impairment losses (continued)

		2017				
	Note	As at 1 January	Charge/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	15	66	(9)	–	–	57
Precious metals		27	14	–	–	41
Placements with banks and non-bank financial institutions	16	123	(11)	–	–	112
Loans and advances to customers	20	268,677	123,389	(26,107)	(36,991)	328,968
Available-for-sale debt securities	21(4)	1,309	457	57	–	1,823
Available-for-sale equity instruments	21(4)	4,076	307	119	(30)	4,472
Held-to-maturity investments	21(5)	3,049	413	(52)	–	3,410
Investments classified as receivables	21(6)	1,351	796	(33)	–	2,114
Fixed assets	25	496	1	–	(78)	419
Land use rights	26	142	–	–	(2)	140
Intangible assets	27	8	1	–	(1)	8
Other assets	30	4,340	1,613	–	(1,931)	4,022
Total		283,664	126,971	(26,016)	(39,033)	345,586

Transfer in/(out) includes exchange differences.

32 Borrowings from central banks

	30 June 2018	31 December 2017
Mainland China	**385,904**	484,657
Overseas	**60,653**	62,630
Total	**446,557**	547,287

33 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2018	31 December 2017
Banks	**175,586**	149,749
Non-bank financial institutions	**1,096,045**	1,187,246
Total	**1,271,631**	1,336,995

(2) Analysed by geographical sectors

	30 June 2018	31 December 2017
Mainland China	**1,140,588**	1,181,374
Overseas	**131,043**	155,621
Total	**1,271,631**	1,336,995

(Expressed in millions of RMB, unless otherwise stated)

34 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2018	31 December 2017
Banks	395,359	353,317
Non-bank financial institutions	41,187	30,322
Total	436,546	383,639

(2) Analysed by geographical sectors

	30 June 2018	31 December 2017
Mainland China	167,308	148,424
Overseas	269,238	235,215
Total	436,546	383,639

35 Financial liabilities measured at fair value through profit or loss

	30 June 2018	31 December 2017
Principal guaranteed wealth management products	349,480	354,382
Financial liabilities related to precious metals	35,669	39,927
Structured financial instruments	20,252	19,839
Total	405,401	414,148

The Group's financial liabilities measured at FVPL are those designated as measured at FVPL. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period and year presented and cumulatively as at 30 June 2018 and 31 December 2017.

36 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	30 June 2018	31 December 2017
Securities		
– Government bonds	31,998	63,322
– Debt securities issued by policy banks, banks and non-bank financial institutions	7,485	3,632
– Corporate bonds	14	–
Subtotal	39,497	66,954
Discounted bills	651	401
Others	8,457	6,924
Total	48,605	74,279

(Expressed in millions of RMB, unless otherwise stated)

37 Deposits from customers

	30 June 2018	31 December 2017
Demand deposits		
– Corporate customers	**5,945,674**	5,767,595
– Personal customers	**3,226,986**	3,204,950
Subtotal	**9,172,660**	8,972,545
Time deposits (including call deposits)		
– Corporate customers	**3,358,334**	3,312,456
– Personal customers	**4,434,495**	4,078,753
Subtotal	**7,792,829**	7,391,209
Total	**16,965,489**	16,363,754

Deposits from customers include:

		30 June 2018	31 December 2017
(1)	Pledged deposits		
	– Deposits for acceptance	**78,815**	83,365
	– Deposits for guarantee	**87,934**	97,050
	– Deposits for letter of credit	**23,860**	22,491
	– Others	**269,666**	290,235
	Total	**460,275**	493,141
(2)	Outward remittance and remittance payables	**13,818**	29,635

38 Accrued staff costs

		Six months ended 30 June 2018			
	Note	As at 1 January	Increased	Decreased	As at 30 June
Salaries, bonuses, allowances and subsidies		**23,628**	**30,269**	**(34,469)**	**19,428**
Other social insurance and welfare		**3,973**	**3,482**	**(3,692)**	**3,763**
Housing funds		**163**	**3,071**	**(3,070)**	**164**
Union running costs and employee education costs		**2,738**	**928**	**(496)**	**3,170**
Post-employment benefits	(1)				
– Defined contribution plans		**893**	**6,287**	**(6,362)**	**818**
– Defined benefit plans		**(440)**	**191**	**(22)**	**(271)**
Early retirement benefits		**1,674**	**24**	**(108)**	**1,590**
Compensation to employees for termination of employment relationship		**3**	**1**	**(1)**	**3**
Total		**32,632**	**44,253**	**(48,220)**	**28,665**

(Expressed in millions of RMB, unless otherwise stated)

38 Accrued staff costs (continued)

		2017			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		24,813	64,274	(65,459)	23,628
Other social insurance and welfare		2,735	10,213	(8,975)	3,973
Housing funds		193	6,214	(6,244)	163
Union running costs and employee education costs		2,252	2,609	(2,123)	2,738
Post-employment benefits	(1)				
– Defined contribution plans		964	12,923	(12,994)	893
– Defined benefit plans		970	25	(1,435)	(440)
Early retirement benefits		1,940	76	(342)	1,674
Compensation to employees for termination of employment relationship		3	4	(4)	3
Total		33,870	96,338	(97,576)	32,632

The Group had no overdue balance of accrued staff costs as at the end of reporting period.

(1) Post-employment benefits

(a) Defined contribution plans

	Six months ended 30 June 2018			
	As at 1 January	**Increased**	**Decreased**	**As at 30 June**
Basic pension insurance	**589**	**4,658**	**(4,741)**	**506**
Unemployment insurance	**37**	**142**	**(143)**	**36**
Annuity contribution	**267**	**1,487**	**(1,478)**	**276**
Total	**893**	**6,287**	**(6,362)**	**818**

	2017			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	664	9,622	(9,697)	589
Unemployment insurance	42	312	(317)	37
Annuity contribution	258	2,989	(2,980)	267
Total	964	12,923	(12,994)	893

(Expressed in millions of RMB, unless otherwise stated)

38 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

(b) *Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

	Present value of defined benefit plan obligations		**Fair value of plan assets**		**Net liabilities/(assets) of defined benefit plans**	
	Six months ended 30 June 2018	2017	**Six months ended 30 June 2018**	2017	**Six months ended 30 June 2018**	2017
As at 1 January	**6,197**	7,131	**6,637**	6,161	**(440)**	970
Cost of the net defined benefit liability in profit or loss						
– *Interest costs*	**118**	212	**127**	187	**(9)**	25
Remeasurements of the defined benefit liability in other comprehensive income						
– *Actuarial losses/(gains)*	**191**	(519)	**–**	–	**191**	(519)
– *Returns on plan assets*	**–**	–	**13**	74	**(13)**	(74)
Other changes						
– *Benefits paid*	**(302)**	(627)	**(302)**	(627)	**–**	–
– *Contribution to plan assets*	**–**	–	**–**	842	**–**	(842)
As at 30 June/31 December	**6,204**	6,197	**6,475**	6,637	**(271)**	(440)

Interest cost was recognised in other general and administrative expenses.

(i) *Principal actuarial assumptions of the Group as at the end of reporting period are as follows:*

	30 June 2018	31 December 2017
Discount rate	**3.50%**	4.00%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**12.2 years**	12.4 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013) (published historical statistics in China).

(ii) *The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:*

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(123)	128
Health care cost increase rate	47	(45)

(iii) *As at 30 June 2018, the weighted average duration of supplementary retirement benefit obligations of the Group is 8.1 years (As at 31 December 2017: 7.9 years).*

(iv) *Plan assets of the Group are as follows:*

	30 June 2018	31 December 2017
Cash and cash equivalents	**506**	411
Equity instruments	**526**	532
Debt instruments	**5,327**	5,557
Others	**116**	137
Total	**6,475**	6,637

(Expressed in millions of RMB, unless otherwise stated)

39 Taxes payable

	30 June 2018	31 December 2017
Income tax	**38,943**	44,359
Value added tax	**8,765**	7,549
Others	**2,122**	2,198
Total	**49,830**	54,106

40 Interest payable

	30 June 2018	31 December 2017
Deposits from customers	**163,904**	175,126
Deposits from banks and non-bank financial institutions	**7,550**	7,550
Debts securities issued	**5,659**	2,307
Others	**12,153**	14,605
Total	**189,266**	199,588

41 Provisions

	30 June 2018	31 December 2017
Expected credit losses on off-balance sheet activities and others	**34,023**	7,635
Litigation provisions	**2,329**	2,946
Total	**36,352**	10,581

42 Debt securities issued

	Note	30 June 2018	31 December 2017
Certificates of deposit issued	(1)	**389,889**	321,366
Bonds issued	(2)	**89,502**	71,331
Subordinated bonds issued	(3)	**144,900**	144,898
Eligible Tier 2 capital bonds issued	(4)	**59,176**	58,931
Total		**683,467**	596,526

(1) Certificates of deposit were mainly issued by head office, overseas branches, and Sino-German Bausparkasse.

(Expressed in millions of RMB, unless otherwise stated)

42 Debt securities issued (continued)

(2) Bonds issued

Issuance date	Maturity date	Interest rate per annum	Issuance place	Currency	30 June 2018	31 December 2017
2014-05-28	2019-05-28	1.375%	Switzerland	CHF	**2,005**	2,002
2014-07-02	2019-07-02	3.25%	Hong Kong	USD	**3,973**	3,904
2014-09-05	2019-09-05	3.75%	Taiwan	RMB	**600**	600
2014-09-05	2021-09-05	4.00%	Taiwan	RMB	**600**	600
2014-11-18	2019-11-18	3.75%	Taiwan	RMB	**1,000**	1,000
2014-11-18	2021-11-18	3.95%	Taiwan	RMB	**1,000**	1,000
2014-11-18	2024-11-18	4.08%	Taiwan	RMB	**600**	600
2015-01-20	2020-01-20	3.125%	Hong Kong	USD	**4,636**	4,555
2015-02-11	2020-02-11	1.50%	Luxembourg	EUR	**3,869**	3,902
2015-06-18	2018-06-18	4.317%	Auckland	NZD	**–**	231
2015-06-18	2019-06-18	4.30%	Auckland	NZD	**7**	7
2015-06-18	2020-06-18	3 month New Zealand benchmark interest rate +1.2%	Auckland	NZD	**112**	115
2015-07-16	2018-06-18	3.935%	Auckland	NZD	**–**	69
2015-07-28	2020-07-28	3.25%	Hong Kong	USD	**3,311**	3,253
2015-09-10	2019-09-10	3.945%	Auckland	NZD	**55**	57
2015-09-18	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	**1,961**	2,031
2015-12-07	2018-09-18	3 month Australia benchmark interest rate +1.15%	Sydney	AUD	**15**	15
2015-12-29	2020-01-27	3.80%	Auckland	NZD	**90**	92
2016-03-30	2026-03-30	4.08%	Mainland China	RMB	**3,500**	3,500
2016-05-16	2019-05-16	3.10%	Auckland	NZD	**45**	47
2016-05-31	2019-05-31	2.38%	Hong Kong	USD	**1,460**	1,434
2016-05-31	2021-05-31	2.75%	Hong Kong	USD	**1,682**	1,967
2016-08-18	2020-09-18	2.95%	Auckland	NZD	**461**	475
2016-08-22	2018-08-22	3.25%	Singapore	RMB	**1,000**	–
2016-10-18	2020-10-18	3.05%	Auckland	NZD	**7**	7
2016-10-21	2021-10-21	2.25%	Hong Kong	USD	**4,636**	1,757
2016-11-09	2019-11-09	3.05%	Mainland China	RMB	**3,200**	3,200
2016-11-09	2021-11-09	3.05%	Mainland China	RMB	**800**	800
2016-12-22	2019-12-22	3.35%	Auckland	NZD	**45**	46
2017-02-17	2020-02-17	0.63%	Luxembourg	EUR	**3,869**	3,902
2017-05-05	2022-07-26	Senior Tranche A: CNLR1Y +0.18% Senior Tranche B: CNLR1Y +0.64%	Mainland China	RMB	**1,056**	1,012
2017-05-31	2020-05-29	3M LIBOR +0.77%	Hong Kong	USD	**7,947**	7,808
2017-06-13	2022-06-13	2.75%	Hong Kong	USD	**3,974**	3,904
2017-08-04	2018-02-05	1.87%	Hong Kong	USD	**–**	163
2017-09-27	2019-09-27	2.37%	Hong Kong	USD	**497**	488
2017-10-25	2022-10-25	3.15%	Hong Kong	USD	**662**	651
2017-10-25	2020-10-27	2.20%	Hong Kong	USD	**79**	78
2017-10-26	2020-10-26	2.08%	Singapore	SGD	**2,430**	2,432
2017-11-09	2022-11-09	3.93%	Auckland	NZD	**672**	692
2017-12-04	2020-12-04	2.29%	Hong Kong	USD	**5,298**	5,205
2017-12-04	2020-12-04	2.75%	Hong Kong	USD	**3,311**	3,253
2017-12-04	2022-12-04	3.00%	Hong Kong	USD	**2,649**	2,603
2017-12-22	2018-12-21	3.25%	Hong Kong	USD	**–**	2,798
2018-03-13	2021-03-13	3.20%	Auckland	NZD	**45**	–
2018-04-17	2019-04-17	2.97%	Hong Kong	USD	**66**	–
2018-04-17	2021-03-26	3M LIBOR +0.75%	Hong Kong	USD	**530**	–
2018-04-18	2021-04-18	4.88%	Mainland China	RMB	**6,000**	–
2018-04-19	2019-04-26	3M LIBOR +0.45%	Hong Kong	USD	**265**	–
2018-04-30	2021-04-30	3M LIBOR +0.75%	Hong Kong	USD	**132**	–
2018-05-04	2021-05-04	3M LIBOR +0.80%	Hong Kong	USD	**166**	–
2018-06-08	2021-06-08	3M LIBOR +0.73%	Hong Kong	USD	**5,960**	–
2018-06-08	2023-06-08	3M LIBOR +0.83%	Hong Kong	USD	**3,973**	–
2018-06-19	2023-06-19	4.01%	Auckland	NZD	**448**	–
Total nominal value					**90,699**	72,255
Less: unamortised issuance costs					**(1,197)**	(924)
Carrying value as at period/year end					**89,502**	71,331

(Expressed in millions of RMB, unless otherwise stated)

42 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC, the CBIRC, the HKMA and Brasil Central Bank is as follows:

Issuance date	Maturity date	Interest rate per annum	Currency	Note	30 June 2018	31 December 2017
2009-02-24	2024-02-26	4.00%	RMB	(a)	**28,000**	28,000
2009-08-07	2024-08-11	4.04%	RMB	(b)	**10,000**	10,000
2009-11-03	2019-11-04	Benchmark rate released by Brasil Central Bank	BRL	(c)	**342**	393
2009-12-18	2024-12-22	4.80%	RMB	(d)	**20,000**	20,000
2010-04-27	2020-04-27	8.50%	USD	(c)	**1,671**	1,713
2011-11-03	2026-11-07	5.70%	RMB	(e)	**40,000**	40,000
2012-11-20	2027-11-22	4.99%	RMB	(f)	**40,000**	40,000
2014-08-20	2024-08-20	4.25%	USD	(g)	**4,967**	4,880
Total nominal value					**144,980**	144,986
Less: Unamortised issuance cost					**(80)**	(88)
Carrying value as at the end of the reporting period					**144,900**	144,898

(a) The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(b) The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(c) The subordinated bonds were issued by CCB Brasil.

(d) The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(e) The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(f) The Group has an option to redeem the bonds on 22 November 2022, subject to an approval from relevant authority.

(g) The Group has an option to redeem the bonds on 20 August 2019, subject to an approval from relevant authority.

(4) Eligible Tier 2 capital bonds issued

Issuance date	Maturity date	Interest rate per annum	Currency	Note	30 June 2018	31 December 2017
2014-08-15	2029-08-18	5.98%	RMB	(a)	**20,000**	20,000
2014-11-12	2024-11-12	4.90%	RMB	(b)	**2,000**	2,000
2015-05-13	2025-05-13	3.875%	USD	(c)	**13,244**	13,014
2015-12-18	2025-12-21	4.00%	RMB	(d)	**24,000**	24,000
Total nominal value					**59,244**	59,014
Less: Unamortised issuance cost					**(68)**	(83)
Carrying value as at the end of the reporting period					**59,176**	58,931

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(b) The Group has an option to redeem the bonds on 12 November 2019, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate will be reset annually and increase by 1.538% on the basis of twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(c) The Group has an option to redeem the bonds on 13 May 2020, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate per annum will be reset on 13 May 2020 and increase by 2.425% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(d) The Group has an option to redeem the bonds on 21 December 2020, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events incur. Any accumulated unpaid interest will not be paid, either.

(Expressed in millions of RMB, unless otherwise stated)

43 Other liabilities

	30 June 2018	31 December 2017
Insurance related liabilities	**116,315**	112,914
Dividend payable (Note 50)	**72,773**	–
Clearing and settlement accounts	**28,355**	16,136
Payment and collection clearance accounts	**13,361**	13,986
Deferred income	**11,890**	11,731
Cash pledged and rental income received in advance	**8,427**	8,887
Capital expenditure payable	**7,288**	9,552
Dormant accounts	**5,854**	5,032
Accrued expenses	**3,462**	3,382
Others	**63,112**	53,145
Total	**330,837**	234,765

44 Share capital

	30 June 2018	31 December 2017
Listed in Hong Kong (H shares)	**240,417**	240,417
Listed in Mainland China (A shares)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1.00 per share and rank pari passu with the same rights and benefits.

45 Other equity instruments

(1) Preference shares outstanding as at the end of the reporting period

Preference shares	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million)	Total amount: Original currency (USD)	Total amount: (RMB)	Maturity date	Conversion conditions
2015 Offshore Preference Shares	16 December 2015	Equity instruments	4.65%	US$20 per share	152.5	3,050	19,711	No maturity date	None
2017 Domestic Preference Shares	21 December 2017	Equity instruments	4.75%	RMB100 per share	600		60,000	No maturity date	None
Less: Issuance fee							(75)		
Carrying amount							79,636		

(2) The key terms

(a) Offshore Preference Shares

(i) Dividend

The initial annual dividend rate is 4.65% and is subsequently subject to reset per agreement, but in no case shall exceed 20.4850%. The dividend is measured and paid in dollars. After such dividend being paid at the agreed dividend payout ratio, the holders of the above offshore preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The dividends for offshore preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend for the offshore preference shares, and such cancellation shall not be deemed a default. However, until the Bank fully pays the dividends for the current dividend period, the Bank shall not make any dividend distribution to ordinary shareholders.

(ii) Redemption

Subject to receiving the prior approval of CBIRC and satisfaction of the redemption conditions precedent, all or some of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 16 December 2020 or on any dividend payment date thereafter at the redemption price which is equal to issue price plus dividends payable but not yet distributed in current period.

45 Other equity instruments (continued)

(2) The key terms (continued)

(a) Offshore Preference Shares (continued)

(iii) Compulsory conversion of preference shares

When an Additional Tier 1 Capital Instrument Trigger Event occurs, that is Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% (or below), the Bank shall (without the need for the consent of offshore preference shareholders) convert all or only some of the preference shares in issue into such number of H shares which will be sufficient to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above 5.125% according to contract. When a Tier 2 Capital Instrument Trigger Event occurs, the Bank shall (without the need for the consent of offshore preference shareholders) convert all of the offshore preference shares in issue into such number of H shares according to contract. Tier 2 Capital Instrument Trigger Event is defined as the earlier of: (1) the CBIRC having decided that without a conversion or write-off the Bank would become non-viable; and (2) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Once a preference share has been converted, it will not be restored in any circumstances. When the compulsory conversion of offshore preference shares occurs, the Bank shall report to the CBIRC for approval and decision.

(b) Domestic Preference Shares

(i) Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

(ii) Redemption

The Bank may, subject to CBIRC Approval and compliance with the Redemption Preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

(iii) Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the triggering point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (1) the CBIRC having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (2) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and CSRC.

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

(Expressed in millions of RMB, unless otherwise stated)

45 Other equity instruments (continued)

(3) Changes in preference shares outstanding

Financial instruments in issue	1 January 2018 Amount (million shares)	1 January 2018 Carrying value	Increase/(Decrease) Amount (million shares)	Increase/(Decrease) Carrying value	30 June 2018 Amount (million shares)	30 June 2018 Carrying value
2015 Offshore Preference Shares	152.5	19,659	–	–	**152.5**	**19,659**
2017 Domestic Preference Shares	600	59,977	–	–	**600**	**59,977**
Total	752.5	79,636	–	–	**752.5**	**79,636**

(4) Interests attributable to the holders of equity instruments

Items	30 June 2018	31 December 2017
1. Total equity attributable to equity holders of the Bank	**1,848,266**	1,779,760
(1) Equity attributable to ordinary equity holders of the Bank	**1,768,630**	1,700,124
(2) Equity attributable to other equity holders of the Bank	**79,636**	79,636
Of which: net profit	**–**	1,045
dividends received	**–**	1,045
2. Total equity attributable to non-controlling interests	**16,311**	16,067
(1) Equity attributable to non-controlling interests of ordinary shares	**12,889**	12,645
(2) Equity attributable to non-controlling interests of other equity instruments	**3,422**	3,422

46 Capital reserve

	30 June 2018	31 December 2017
Share premium	**134,537**	134,537
Cash flow hedge reserve	**–**	320
Others	**–**	368
Total	**134,537**	135,225

(Expressed in millions of RMB, unless otherwise stated)

47 Other comprehensive income

	Other comprehensive income of statement of financial position			Other comprehensive income of income statement for the first half of 2018				
	1 January 2018 (Note 2(3))	Net-of-tax amount attributable to equity shareholders of the bank	30 June 2018	The amount before income taxes	Less: Reclassification adjustments	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the bank	Net-of-tax amount attributable to non-controlling interests
Items that will not be reclassified to profit or loss								
Gains of equity instrument designated as measured at fair value through other comprehensive income (a)	479	(33)	**446**	(44)	–	11	(33)	–
Remeasurements of post-employment benefit obligations	(110)	(178)	**(288)**	(178)	–	–	(178)	–
Others	478	(5)	**473**	(5)	–	–	(5)	–
Items that may be reclassified subsequently to profit or loss								
(Losses)/Gains of debt instruments measured at fair value through other comprehensive income (a)	(16,444)	14,685	**(1,759)**	19,823	(351)	(4,761)	14,685	26
Net losses on cash flow hedges	320	(342)	**(22)**	(342)	–	–	(342)	–
Exchange difference on translating foreign operations	(4,322)	(582)	**(4,904)**	(550)	–	–	(582)	32
Total	(19,599)	13,545	**(6,054)**	18,704	(351)	(4,750)	13,545	58

(a) Changes in the fair value of financial assets measured at fair value through other comprehensive income/available-for-sale financial assets

	Six months ended 30 June 2018		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January 2018 (Note 2(3))	**(20,954)**	**4,989**	**(15,965)**
Gains from the financial assets measured at fair value through other comprehensive income			
– Debt securities	**19,530**	**(4,775)**	**14,755**
– Equity instruments	**(44)**	**11**	**(33)**
– Discounted bills	**258**	**(65)**	**193**
	19,744	**(4,829)**	**14,915**
Reclassification adjustments	**(351)**	**88**	**(263)**
As at 30 June 2018	**(1,561)**	**248**	**(1,313)**

(Expressed in millions of RMB, unless otherwise stated)

47 Other comprehensive income (continued)

(a) Changes in the fair value of financial assets measured at fair value through other comprehensive income/available-for-sale financial assets (continued)

	2017		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January 2017	(1,381)	405	(976)
Losses during the year			
– Debt securities	(39,394)	9,541	(29,853)
– Equity instruments and funds	1,896	(474)	1,422
	(37,498)	9,067	(28,431)
Reclassification adjustments			
– Impairment	764	(191)	573
– Disposals	4,048	(1,012)	3,036
– Others	(274)	68	(206)
	4,538	(1,135)	3,403
As at 31 December 2017	(34,341)	8,337	(26,004)

48 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

49 General reserve

The general reserve of the Group as at the end of the reporting period is set up based upon the requirements of:

	Note	30 June 2018	31 December 2017
MOF	(1)	**254,104**	254,104
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in Mainland China	(3)	**3,209**	2,866
Other overseas regulatory bodies		**761**	586
Total		**260,198**	259,680

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the 'Regulation on Management of Financial Institutions for Reserves' (Cai Jin [2012] No. 20), issued by the MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

(Expressed in millions of RMB, unless otherwise stated)

50 Profit distribution

In the Annual General Meeting held on 29 June 2018, the shareholders approved the profit distribution for the year ended 31 December 2017. The Bank appropriated cash dividend for the year ended 31 December 2017 in an aggregate amount of RMB72,753 million.

51 Notes to cash flow statement

Cash and cash equivalents

	30 June 2018	31 December 2017	30 June 2017
Cash	**75,574**	73,876	70,031
Surplus deposit reserves with central banks	**276,242**	209,080	227,539
Demand deposits with banks and non-bank financial institutions	**55,376**	60,910	71,487
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**334,826**	59,220	144,786
Placements with banks and non-bank financial institutions with original maturity with or within three months	**110,976**	168,253	75,832
Total	**852,994**	571,339	589,675

52 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 30 June 2018, the transactions of debt securities lent to counterparties have all matured and the carrying value was zero (as at 31 December 2017: RMB35,938 million).

Credit assets securitisation transactions

The Group enters into securitisation transactions in normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial positions to the extent of the Group's continuing involvement.

As at 30 June 2018, loans with an original carrying amount of RMB275,954 million (as at 31 December 2017: RMB153,397 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2018, the carrying amount of assets that the Group continued to recognise was RMB25,437 million (as at 31 December 2017: RMB13,175 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB25,267 million as at 30 June 2018 (as at 31 December 2017: RMB13,352 million).

53 Operating segments

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

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

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

(1) Geographical segments

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

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

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.

(Expressed in millions of RMB, unless otherwise stated)

53 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2018								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	27,633	25,386	20,719	29,121	28,207	7,274	93,516	7,630	239,486
Internal net interest income/ (expense)	10,339	7,804	15,377	13,330	12,151	4,937	(61,257)	(2,681)	–
Net interest income	37,972	33,190	36,096	42,451	40,358	12,211	32,259	4,949	239,486
Net fee and commission income	11,104	11,044	10,542	9,203	5,552	2,262	17,707	1,590	69,004
Net trading gain	299	452	289	209	150	51	5,457	1,005	7,912
Dividend income	52	–	–	13	3	–	211	133	412
Net (loss)/gain arising from investment securities	(451)	(46)	(11)	299	(197)	–	2,466	1,059	3,119
Net gains/(losses) on derecognition of financial assets measured at amortised cost	4	–	–	–	–	–	(2,434)	65	(2,365)
Other operating income, net	130	293	1,093	246	860	73	330	2,136	5,161
Operating income	49,110	44,933	48,009	52,421	46,726	14,597	55,996	10,937	322,729
Operating expenses	(12,351)	(9,451)	(12,723)	(13,679)	(12,177)	(5,222)	(5,708)	(3,370)	(74,681)
Impairment losses	(7,159)	(5,802)	(15,493)	(11,094)	(7,722)	(9,042)	(10,035)	(433)	(66,780)
Share of profit of associates and joint ventures	–	–	–	83	–	–	–	69	152
Profit before tax	29,600	29,680	19,793	27,731	26,827	333	40,253	7,203	181,420
Capital expenditure	382	196	2,516	556	387	227	120	918	5,302
Depreciation and amortisation	1,303	913	1,262	1,749	1,408	745	707	236	8,323
	30 June 2018								
Segment assets	4,644,882	3,528,199	5,152,434	4,136,338	3,475,135	1,132,618	8,900,041	1,756,030	32,725,677
Interests in associates and joint ventures	2	–	8	6,105	–	–	–	1,418	7,533
	4,644,884	3,528,199	5,152,442	4,142,443	3,475,135	1,132,618	8,900,041	1,757,448	32,733,210
Deferred tax assets									56,165
Elimination									(9,984,193)
Total assets									22,805,182
Segment liabilities	4,615,897	3,504,552	5,084,733	4,111,837	3,458,610	1,128,270	7,370,392	1,649,981	30,924,272
Deferred tax liabilities									526
Elimination									(9,984,193)
Total liabilities									20,940,605
Off-balance sheet credit commitments	548,763	418,371	717,258	500,928	366,320	153,077	–	238,686	2,943,403

(Expressed in millions of RMB, unless otherwise stated)

53 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2017								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	22,934	20,989	18,716	24,487	25,768	5,568	92,533	6,859	217,854
Internal net interest income/ (expense)	11,957	9,481	16,697	14,867	12,685	6,186	(68,209)	(3,664)	–
Net interest income	34,891	30,470	35,413	39,354	38,453	11,754	24,324	3,195	217,854
Net fee and commission income	10,349	10,270	11,012	10,754	6,742	2,964	14,875	1,114	68,080
Net trading gain/(loss)	627	815	539	176	264	69	(219)	571	2,842
Dividend income	580	–	–	93	6	–	146	155	980
Net (loss)/gain arising from investment securities	(46)	–	23	91	–	–	(2,013)	313	(1,632)
Other operating income, net	700	485	762	238	1,318	85	5,074	6,347	15,009
Operating income	47,101	42,040	47,749	50,706	46,783	14,872	42,187	11,695	303,133
Operating expenses	(10,489)	(9,075)	(11,793)	(13,344)	(11,856)	(5,192)	(5,181)	(3,617)	(70,547)
Impairment losses	(5,993)	(8,196)	(16,180)	(10,815)	(10,354)	(5,503)	(2,749)	(720)	(60,510)
Share of (loss)/profit of associates and joint ventures	–	–	–	(6)	–	–	–	23	17
Profit before tax	30,619	24,769	19,776	26,541	24,573	4,177	34,257	7,381	172,093
Capital expenditure	469	452	3,227	451	327	175	167	2,023	7,291
Depreciation and amortisation	1,266	867	1,561	1,656	1,341	700	792	423	8,606
	31 December 2017								
Segment assets	4,687,992	3,479,166	4,916,680	4,058,155	3,294,459	1,100,318	8,672,547	1,723,881	31,933,198
Interests in associates and joint ventures	1	–	–	4,904	–	–	–	2,162	7,067
	4,687,993	3,479,166	4,916,680	4,063,059	3,294,459	1,100,318	8,672,547	1,726,043	31,940,265
Deferred tax assets									46,189
Elimination									(9,862,071)
Total assets									22,124,383
Segment liabilities	4,675,179	3,479,313	4,887,516	4,058,490	3,303,501	1,110,903	7,050,551	1,624,785	30,190,238
Deferred tax liabilities									389
Elimination									(9,862,071)
Total liabilities									20,328,556
Off-balance sheet credit commitments	600,582	422,504	767,363	492,226	348,508	155,452	–	242,537	3,029,172

(Expressed in millions of RMB, unless otherwise stated)

53 Operating segments (continued)

(2) Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

	Six months ended 30 June 2018				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	83,937	61,176	84,221	10,152	239,486
Internal net interest income/(expenses)	34,395	30,069	(61,862)	(2,602)	–
Net interest income	118,332	91,245	22,359	7,550	239,486
Net fee and commission income	17,927	38,682	7,407	4,988	69,004
Net trading (loss)/gain	(104)	(53)	2,506	5,563	7,912
Dividend income	–	–	–	412	412
Net (loss)/gain arising from investment securities	(1,966)	(1,944)	7,251	(222)	3,119
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(2,452)	–	18	69	(2,365)
Other operating income, net	20	364	3,684	1,093	5,161
Operating income	131,757	128,294	43,225	19,453	322,729
Operating expenses	(25,965)	(37,982)	(4,518)	(6,216)	(74,681)
Impairment losses	(56,649)	(9,587)	(20)	(524)	(66,780)
Share of profit of associates and joint ventures	–	–	–	152	152
Profit before tax	49,143	80,725	38,687	12,865	181,420
Capital expenditure	818	1,291	140	3,053	5,302
Depreciation and amortisation	2,878	4,541	492	412	8,323
	30 June 2018				
Segment assets	7,411,411	5,724,063	8,188,131	1,687,258	23,010,863
Interests in associates and joint ventures	–	–	–	7,533	7,533
	7,411,411	5,724,063	8,188,131	1,694,791	23,018,396
Deferred tax assets					56,165
Elimination					(269,379)
Total assets					22,805,182
Segment liabilities	10,213,564	7,927,869	828,798	2,239,227	21,209,458
Deferred tax liabilities					526
Elimination					(269,379)
Total liabilities					20,940,605
Off-balance sheet credit commitments	1,867,170	837,465	–	238,768	2,943,403

(Expressed in millions of RMB, unless otherwise stated)

53 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2017				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	74,962	45,631	85,334	11,927	217,854
Internal net interest income/(expenses)	32,513	40,090	(70,550)	(2,053)	–
Net interest income	107,475	85,721	14,784	9,874	217,854
Net fee and commission income	18,612	33,708	13,151	2,609	68,080
Net trading (loss)/gain	(3,149)	(207)	5,851	347	2,842
Dividend income	–	–	–	980	980
Net (loss)/gain arising from investment securities	–	–	(1,759)	127	(1,632)
Other operating (expense)/income, net	(97)	330	4,195	10,581	15,009
Operating income	122,841	119,552	36,222	24,518	303,133
Operating expenses	(24,538)	(35,875)	(4,464)	(5,670)	(70,547)
Impairment losses	(51,045)	(7,634)	(709)	(1,122)	(60,510)
Share of profit of associates and joint ventures	–	–	–	17	17
Profit before tax	47,258	76,043	31,049	17,743	172,093
Capital expenditure	864	1,345	161	4,921	7,291
Depreciation and amortisation	2,796	4,353	523	934	8,606
	31 December 2017				
Segment assets	6,837,261	5,377,252	8,475,693	1,648,535	22,338,741
Interests in associates and joint ventures	–	–	–	7,067	7,067
	6,837,261	5,377,252	8,475,693	1,655,602	22,345,808
Deferred tax assets					46,189
Elimination					(267,614)
Total assets					22,124,383
Segment liabilities	10,072,832	7,502,694	900,534	2,119,721	20,595,781
Deferred tax liabilities					389
Elimination					(267,614)
Total liabilities					20,328,556
Off-balance sheet credit commitments	2,016,432	761,613	–	251,127	3,029,172

(Expressed in millions of RMB, unless otherwise stated)

54 Entrusted lending business

As at the end of the reporting period, the entrusted loans and funds were as follows:

	30 June 2018	31 December 2017
Entrusted loans	**2,808,522**	2,736,842
Entrusted funds	**2,808,522**	2,736,842

55 Pledged assets

(1) Assets pledged as security

Carrying value of pledged assets analysed by category

	30 June 2018	31 December 2017
Cash deposit	**692**	–
Discounted bills	**651**	401
Bonds	**504,430**	628,172
Others	**8,457**	6,924
Total	**514,230**	635,497

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2018 and 31 December 2017, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

56 Commitments and contingent liabilities

(1) Credit commitments

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

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

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

	30 June 2018	31 December 2017
Loan commitments		
– with an original maturity under one year	**166,716**	192,768
– with an original maturity of one year or over	**342,763**	396,467
Credit card commitments	**878,369**	801,618
	1,387,848	1,390,853
Bank acceptances	**260,080**	276,629
Financing guarantees	**69,671**	60,821
Non-financing guarantees	**955,646**	898,422
Sight letters of credit	**41,931**	41,216
Usance letters of credit	**216,769**	266,865
Others	**11,458**	94,366
Total	**2,943,403**	3,029,172

(2) Credit risk-weighted amount

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

	30 June 2018	31 December 2017
Credit risk-weighted amount of contingent liabilities and commitments	**1,055,867**	1,110,481

(Expressed in millions of RMB, unless otherwise stated)

56 Commitments and contingent liabilities (continued)

(3) Operating lease commitments

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

	30 June 2018	31 December 2017
Within one year	**5,656**	5,720
After one year but within two years	**4,172**	4,289
After two years but within three years	**2,939**	3,024
After three years but within five years	**3,336**	3,350
After five years	**2,119**	2,423
Total	**18,222**	18,806

(4) Capital commitments

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

	30 June 2018	31 December 2017
Contracted for	**6,856**	5,882

(5) Underwriting obligations

As at 30 June 2018, the unexpired underwriting commitment of the Group was RMB313 million (as at 31 December 2017: nil).

(6) Government bonds redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2018, were RMB79,097 million (as at 31 December 2017: RMB79,431 million).

(7) Outstanding litigation and disputes

As at 30 June 2018, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB8,892 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 (Note 41). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

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

(Expressed in millions of RMB, unless otherwise stated)

57 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2018, Huijin directly held 57.11% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB144,980 million (as at 31 December 2017: RMB144,986 million). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) *Transactions with parent companies*

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	Six months ended 30 June			
	2018		2017	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**814**	**0.21%**	230	0.06%
Interest expense	**77**	**0.05%**	81	0.06%

Balances outstanding as at the end of the reporting period

	30 June 2018		31 December 2017	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable	**342**	**0.28%**	140	0.12%
Loans and advances to customers	**28,000**	**0.21%**	28,000	0.22%
Financial investments				
Financial assets measured at amortised cost	**8,479**	**0.26%**	N/A	N/A
Financial assets measured at fair value through other comprehensive income	**2,855**	**0.22%**	N/A	N/A
Available-for-sale financial assets	**N/A**	**N/A**	2,199	0.14%
Held-to-maturity investments	**N/A**	**N/A**	9,140	0.35%
Deposits from banks and non-bank financial institutions	**26**	**0.00%**	6,114	0.46%
Deposits from customers	**55**	**0.00%**	55	0.00%
Interest payable	**2**	**0.00%**	–	0.00%
Credit commitments	**288**	**0.01%**	288	0.01%

(Expressed in millions of RMB, unless otherwise stated)

57 Related party relationships and transactions (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		Six months ended 30 June			
		2018		2017	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**11,426**	**2.90%**	13,317	3.66%
Interest expense		**4,102**	**2.63%**	7,700	5.29%
Fee and commission income		**69**	**0.09%**	40	0.05%
Fee and commission expense		**57**	**0.90%**	89	1.46%
Operating expenses	(i)	**414**	**0.58%**	476	0.71%

Balances outstanding as at the end of the reporting period

		30 June 2018		31 December 2017	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**29,653**	**6.36%**	36,672	20.95%
Placements with banks and non-bank financial institutions		**58,593**	**17.55%**	71,066	21.85%
Positive fair value of derivatives		**4,516**	**9.27%**	7,522	9.06%
Financial assets held under resale agreements		**30,709**	**7.78%**	62,500	30.00%
Interest receivable		**10,148**	**8.22%**	21,747	18.59%
Loans and advances to customers		**45,583**	**0.35%**	30,553	0.24%
Financial investments					
Financial assets measured at fair value through profit or loss		**16,296**	**2.40%**	22,323	3.86%
Financial assets measured at amortised cost		**301,069**	**9.28%**	N/A	N/A
Financial assets measured at fair value through other comprehensive income		**221,574**	**16.78%**	N/A	N/A
Available-for-sale financial assets		**N/A**	**N/A**	215,607	13.90%
Held-to-maturity investments		**N/A**	**N/A**	458,789	17.74%
Investments classified as receivables		**N/A**	**N/A**	28,925	6.21%
Other assets	(ii)	**2**	**0.00%**	15	0.02%
Deposits from banks and non-bank financial institutions	(iii)	**166,738**	**13.11%**	194,730	14.56%
Placements from banks and non-bank financial institutions		**93,504**	**21.42%**	109,661	28.58%
Negative fair value of derivatives		**4,858**	**10.24%**	6,739	8.44%
Financial assets sold under repurchase agreements		**1,337**	**2.75%**	1,255	1.69%
Deposits from customers		**21,524**	**0.13%**	14,455	0.09%
Interest payable		**592**	**0.31%**	423	0.21%
Other liabilities		**1,796**	**0.54%**	1,251	0.53%
Credit commitments		**12,977**	**0.43%**	10,231	0.34%

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(Expressed in millions of RMB, unless otherwise stated)

57 Related party relationships and transactions (continued)

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	Six months ended 30 June	
	2018	2017
Interest income	**193**	42
Interest expense	**37**	8
Fee and commission income	**28**	–
Operating expenses	**106**	22

Balances outstanding as at the end of the reporting period

	30 June 2018	31 December 2017
Loans and advances to customers	**8,345**	7,497
Placements from banks and non-bank financial institutions	**98**	98
Deposits from customers	**1,979**	2,223
Interest payable	**8**	2
Other liabilities	**174**	264
Credit commitments	**–**	82

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 2(2).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	Six months ended 30 June	
	2018	2017
Interest income	**444**	636
Interest expense	**95**	417
Fee and commission income	**1,196**	852
Fee and commission expense	**264**	48
Dividend Income	**52**	–
Net gain arising from investment securities	**–**	399
Other operating expense, net	**(68)**	(189)
Operating expenses	**631**	430

(Expressed in millions of RMB, unless otherwise stated)

57 Related party relationships and transactions (continued)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	30 June 2018	31 December 2017
Deposits with banks and non-bank financial institutions	**3,790**	4,871
Placements with banks and non-bank financial institutions	**98,671**	90,481
Positive fair value of derivatives	**1,364**	1,424
Interest receivable	**179**	120
Loans and advances to customers	**9,474**	10,653
Financial investments		
Financial assets measured at amortised cost	**4,500**	N/A
Financial assets measured at fair value through other comprehensive income	**9,220**	N/A
Available-for-sale financial assets	**N/A**	9,074
Held-to-maturity investments	**N/A**	656
Investment classified as receivables	**N/A**	455
Other assets	**37,719**	38,480
Deposits from banks and non-bank financial institutions	**24,234**	19,547
Placements from banks and non-bank financial institutions	**70,732**	58,017
Negative fair value of derivatives	**667**	1,288
Deposits from customers	**7,927**	3,821
Interest payable	**73**	94
Debt securities issued	**2,274**	840
Other liabilities	**142**	1,033

As at 30 June 2018, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB41,111 million (as at 31 December 2017: RMB53,726 million).

For the six months ended 30 June 2018, the transactions between subsidiaries of the Group are mainly debt securities issued and deposits from banks and non-bank financial institutions. As at 30 June 2018, the balances of the above transactions were RMB2,087 million (as at 31 December 2017: RMB2,322 million) and RMB1,407 million (as at 31 December 2017: RMB10,721 million) respectively.

(4) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the six months ended 30 June 2018 and the year ended 31 December 2017.

As at 30 June 2018, RMB3,861 million of the Group's supplementary retirement benefit plan assets (as at 31 December 2017: RMB3,183 million) were managed by CCB Principal and management fees payable to CCB Principal was RMB5.29 million (as at 31 December 2017: RMB8.73 million).

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior management. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2018 and for the year ended 31 December 2017, there were no material transactions and balances with key management personnel. At June 30 2018, the aggregate balance of loans and credit card overdraft to the person which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB16.67 million.

(6) Loans and advances to directors, supervisors and senior management

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior management as at the end of reporting period. Those loans and advances to directors, supervisors and senior management were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

58 Risk Management

The Group has exposures to the following risks:

– credit risk
– market risk
– liquidity risk
– operational risk
– insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors carries out their responsibilities according to the articles of association and other related regulatory requirements. The Board of Directors of the Bank established the Risk Management Committee to be responsible for formulating risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has overseen the establishment of the overall risk management system and the carrying out of risk management responsibilities by the Board of Directors and senior management. Senior management is responsible for carrying out the risk management strategies established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints the Chief Risk Officer who assists the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk Management Department is in charge of the overall business risk management. Credit Management Department is in charge of the overall credit risk management. Credit Approval Department is in charge of the overall credit business approval. Internal Control and Compliance Department coordinates operating risk management, internal control and compliance. Other departments are responsible for managing various corresponding risks.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. Internal Control Department assists the Audit Committee to execute the above mentioned responsibilities and reports to the Audit Committee.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Special Assets Resolution Center is responsible for the special assets resolutions. The Credit Approval Department is responsible for the Group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the Small Business Banking Department, the Institutional Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risks and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually carries out post-lending monitoring, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A refined management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

58 Risk Management (continued)

(1) Credit risk (continued)

Treasury business

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of Expected Credit Loss (ECL)

(A) Segmentation of Financial Instruments

The Group adopts a "three-stage" model for impairment based on changes in credit quality since initial recognition, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but there are no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: For financial assets show objective evidence of impairment at the end of the reporting period, lifetime expected credit losses are recognised.

(B) Significant Increase in Credit Risk (SICR)

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on a quarterly basis. The Group sufficiently considers all reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviours, etc. The Group compares the risk of a default occurring as at the end of the reporting period with that as at the date of initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk characteristics. The Group considers the change in probability of default (PD), whether the overdue exceeds 30 days and other factors to determine whether there is significant increase in credit risk since initial recognition.

(C) Definition of default and credit-impaired assets

The Group considers a financial instrument is default, when it is credit-impaired. Generally, overdue for more than 90 days on contractual payment terms is considered default.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

– Significant financial difficulty of the borrower or issuer;

– Breach of contract term, such as a default or delinquency in interest or principal payments;

– The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– Disappearance of an active market for financial assets because of financial difficulties;

– Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

– Other objective evidence indicating there is an impairment of the financial asset.

The Group's definition of default has been consistently applied to the modelling process of PD, EAD and LGD during the ECL calculation.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

Measurement of Expected Credit Loss (ECL) (continued)

(D) Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The expected credit loss (ECL) is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) under the three scenarios, defined as follows:

– PD represents after consideration of forward-looking information the likelihood of a borrower defaulting on its financial obligation in the future. Please refer to earlier disclosure in this note for the definition of default.

– LGD represents after consideration of forward-looking information the Group's expectation on the ratio of extent of loss and a defaulted exposure.

– EAD is based on the total amount of risk exposure on and off balances sheet at the time of default. The exposure is determined by the repayment plan according to different types of product.

– The discount rate used in the ECL calculation is the effective interest rate.

Please refer to later disclosure in this note for forward looking information which is incorporated in the calculation of expected credit losses.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how the collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(E) Forward-looking information incorporated in the ECL

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio, such as GDP, PMI, M2, unemployment rate, customer confidence index, real estate climate index and so on. The forecasts of these economic variables are provided periodically and the most relevant variables are picked and estimated by the Group. The impact of these economic variables on PD and LGD has been determined by constructing empirical model to ascertain the impacting changes in these variables have had historically on PD and LGD.

The Group constructs empirical model to determine the weightings in positive, neutral and negative scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	30 June 2018	31 December 2017
Deposits with central banks	**2,599,271**	2,914,380
Deposits with banks and non-bank financial institutions	**465,900**	175,005
Placements with banks and non-bank financial institutions	**333,942**	325,233
Positive fair value of derivatives	**48,723**	82,980
Financial assets held under resale agreements	**394,863**	208,360
Interest receivable	**123,468**	116,993
Loans and advances to customers	**13,068,482**	12,574,473
Financial investments		
Financial assets measured at amortised cost	**3,245,096**	N/A
Financial assets measured at fair value through other comprehensive income	**1,318,240**	N/A
Financial assets measured at fair value through profit or loss	**605,622**	554,048
Available-for-sale debt securities	**N/A**	1,461,824
Held-to-maturity investments	**N/A**	2,586,722
Investments classified as receivables	**N/A**	465,810
Other financial assets	**110,034**	65,238
Total	**22,313,641**	21,531,066
Off-balance sheet credit commitments	**2,943,403**	3,029,172
Maximum credit risk exposure	**25,257,044**	24,560,238

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows

	Note	30 June 2018	31 December 2017
Credit impaired loans			
– Gross credit impaired loans		**198,754**	192,291
– Allowances for impairment losses		**(134,672)**	(127,622)
Subtotal		**64,082**	64,669
Overdue but not credit impaired			
– not more than 90 days		**37,471**	30,483
Allowances for impairment losses	(i)	**(6,407)**	(3,164)
Subtotal		**31,064**	27,319
Neither overdue nor credit impaired			
– Unsecured loans		**4,078,713**	3,856,502
– Guaranteed loans		**1,929,751**	2,035,372
– Loans secured by tangible assets other than monetary assets		**5,790,937**	5,441,687
– Loans secured by monetary assets		**1,296,119**	1,347,106
Gross amount		**13,095,520**	12,680,667
Allowances for impairment losses	(i)	**(242,827)**	(198,182)
Subtotal		**12,852,693**	12,482,485
Total	(ii)	**12,947,839**	12,574,473

(i) The sum of the balances represent Stage 1 and Stage 2 assessed allowances of expected credit losses.

(ii) The loans and advances to customers disclosed above are measured at amortised cost.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued)

Within overdue but not credit impaired loans and advances and credit impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	30 June 2018		
	Overdue but not credit impaired loans and advances		**Credit impaired loans and advances**
	Corporate	**Personal**	**Corporate**
Portion covered	**3,772**	**16,674**	**25,922**
Portion not covered	**4,152**	**12,873**	**147,668**
Total	**7,924**	**29,547**	**173,590**

	31 December 2017		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	4,112	14,678	29,810
Portion not covered	3,523	8,170	139,988
Total	7,635	22,848	169,798

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

	30 June 2018			31 December 2017		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	**1,452,540**	**10.80%**	**498,564**	1,429,583	11.08%	516,193
– Manufacturing	**1,341,870**	**9.97%**	**387,867**	1,318,827	10.22%	410,706
– Leasing and commercial services	**1,069,760**	**7.95%**	**367,181**	981,704	7.61%	347,367
– Production and supply of electric power, heat, gas and water	**877,493**	**6.52%**	**202,328**	867,818	6.73%	199,689
– Real estate	**607,023**	**4.51%**	**305,552**	522,242	4.05%	284,698
– Wholesale and retail trade	**474,065**	**3.52%**	**229,217**	477,404	3.70%	266,890
– Water, environment and public utility management	**408,124**	**3.03%**	**206,793**	395,163	3.06%	193,538
– Construction	**316,035**	**2.35%**	**74,412**	280,721	2.18%	70,228
– Mining	**245,420**	**1.82%**	**29,820**	250,698	1.94%	28,685
– Public management, social securities and social organisation	**83,514**	**0.62%**	**12,887**	107,297	0.83%	18,035
– Agriculture, forestry, farming, fishing	**71,081**	**0.53%**	**23,158**	74,831	0.58%	24,972
– Education	**67,767**	**0.50%**	**15,904**	70,981	0.55%	16,912
– Others	**689,980**	**5.15%**	**134,889**	710,563	5.50%	87,281
Total corporate loans and advances	**7,704,672**	**57.27%**	**2,488,572**	7,487,832	58.03%	2,465,194
Personal loans and advances	**5,629,548**	**41.85%**	**4,710,975**	5,279,894	40.92%	4,429,426
Discounted bills	**118,168**	**0.88%**	**–**	135,715	1.05%	–
Total loans and advances to customers	**13,452,388**	**100.00%**	**7,199,547**	12,903,441	100.00%	6,894,620

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations (continued);*

Details of credit impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	30 June 2018				Six months ended 30 June 2018	
	Stage 3 Gross loans	Allowances for expected credit losses – Stage 1	Allowances for expected credit losses – Stage 2	Allowances for expected credit losses – Stage 3	Charged to income statement during the period	Written off during the period
Manufacturing	**78,045**	**(23,657)**	**(42,367)**	**(52,368)**	**(29,826)**	**11,284**
Transportation, storage and postal services	**15,161**	**(16,014)**	**(7,407)**	**(10,698)**	**(5,156)**	**51**

	31 December 2017			2017	
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to income statement during the year	Written off during the year
Manufacturing	76,557	(51,220)	(39,504)	(47,638)	15,896
Transportation, storage and postal services	13,844	(8,651)	(26,573)	(10,184)	549

(d) *Loans and advances to customers analysed by geographical sector concentrations*

	30 June 2018			31 December 2017		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**2,380,964**	**17.70%**	**1,512,455**	2,288,830	17.74%	1,476,742
Central	**2,304,021**	**17.13%**	**1,427,776**	2,176,159	16.86%	1,346,200
Western	**2,205,357**	**16.39%**	**1,259,055**	2,117,740	16.41%	1,206,486
Bohai Rim	**2,191,879**	**16.29%**	**1,044,669**	2,131,045	16.52%	1,024,363
Pearl River Delta	**2,029,585**	**15.09%**	**1,401,975**	1,941,337	15.05%	1,370,326
Northeastern	**696,706**	**5.18%**	**354,231**	672,309	5.21%	341,388
Head office	**641,424**	**4.77%**	**–**	574,506	4.45%	–
Overseas	**1,002,452**	**7.45%**	**199,386**	1,001,515	7.76%	129,115
Gross loans and advances to customers	**13,452,388**	**100.00%**	**7,199,547**	12,903,441	100.00%	6,894,620

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations (continued);*

Details of Stage 3 loans and expected credit losses in respect of geographical sectors are as follows:

	30 June 2018			
	Stage 3	Allowances for expected credit losses		
	Gross loans	Stage 1	Stage 2	Stage 3
Bohai Rim	**41,105**	**(25,254)**	**(19,453)**	**(28,165)**
Western	**34,124**	**(27,591)**	**(11,917)**	**(23,293)**
Central	**33,670**	**(29,638)**	**(12,313)**	**(21,719)**
Yangtze River Delta	**29,597**	**(32,543)**	**(16,301)**	**(20,723)**
Pearl River Delta	**25,561**	**(26,646)**	**(9,218)**	**(17,480)**
Northeastern	**22,471**	**(9,536)**	**(12,491)**	**(14,474)**
Head office	**7,798**	**(10,253)**	**(2,304)**	**(6,534)**
Overseas	**4,428**	**(2,780)**	**(996)**	**(2,284)**
Total	**198,754**	**(164,241)**	**(84,993)**	**(134,672)**

	31 December 2017		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	38,302	(22,645)	(39,339)
Western	34,973	(19,205)	(37,230)
Central	32,154	(19,135)	(35,432)
Yangtze River Delta	31,460	(21,038)	(40,866)
Pearl River Delta	27,777	(18,022)	(31,612)
Northeastern	18,920	(11,925)	(15,798)
Head Office	5,867	(394)	(10,640)
Overseas	2,838	(1,456)	(4,231)
Total	192,291	(113,820)	(215,148)

The definitions of geographical segments are set out in note 53(1).

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	30 June 2018	31 December 2017
Unsecured loans	**4,187,893**	3,885,329
Guaranteed loans	**2,064,948**	2,123,492
Loans secured by tangible assets other than monetary assets	**5,892,720**	5,539,863
Loans secured by monetary assets	**1,306,827**	1,354,757
Gross loans and advances to customers	**13,452,388**	12,903,441

(f) Rescheduled loans and advances to customers

	30 June 2018		31 December 2017	
	Total	**Percentage of gross loans and advances to customers**	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	**5,745**	**0.04%**	4,001	0.03%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	**1,539**	**0.01%**	998	0.01%

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	30 June 2018
Occurred credit impaired	**17**
Allowances for impairment losses	**(17)**
Subtotal	**–**
Neither overdue nor impaired	
– grade A to AAA	**1,054,729**
– grade B to BBB	**3,070**
– unrated	**137,159**
Total	**1,194,958**
Allowances for impairment losses	**(253)**
Subtotal	**1,194,705**
Total	**1,194,705**

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows (continued):

	31 December 2017
Impaired	
– Individually assessed and impaired gross amount	25
– Allowances for impairment losses	(25)
Subtotal	–
Neither overdue nor impaired	
– grade A to AAA	646,592
– grade B to BBB	489
– unrated	61,661
Total	708,742
Allowances for impairment losses	(144)
Subtotal	708,598
Total	708,598

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investments portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2018					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
Occurred credit impaired						
– Banks and non-bank financial institutions	330	–	–	–	–	330
– Enterprises	196	–	–	–	–	196
Total	526	–	–	–	–	526
Allowances for impairment losses						(503)
Subtotal						23
Neither overdue nor impaired						
– Government	1,388,003	1,936,041	12,689	22,174	21,252	3,380,159
– Central banks	23,662	9,340	8,623	–	–	41,625
– Policy banks	734,027	5,633	4,094	19,453	–	763,207
– Banks and non-bank financial institutions	243,174	107,023	17,703	40,058	9,314	417,272
– Enterprises	206,078	268,231	23,425	20,568	5,659	523,961
– Others	46,618	400	–	199	462	47,679
Total	2,641,562	2,326,668	66,534	102,452	36,687	5,173,903
Allowances for impairment losses						(4,968)
Subtotal						5,168,935
Total						5,168,958

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(1) Credit risk (continued)

(h) Distribution of debt investments analysed by rating (continued)

	Note	31 December 2017 Unrated	AAA	AA	A	Lower than A	Total
Impaired							
Individually assessed and impaired gross amount							
– Enterprises		632	–	–	–	–	632
– Others		200	–	–	–	–	200
Total		832	–	–	–	–	832
Allowances for impairment losses							(434)
Subtotal							398
Neither overdue nor impaired							
– Government		2,042,536	1,158,184	8,698	24,490	25,461	3,259,369
– Central banks		6,891	5,837	25,089	–	–	37,817
– Policy banks		803,872	3,665	1,545	13,491	–	822,573
– Banks and non-bank financial institutions		253,410	100,733	12,765	31,369	8,443	406,720
– Enterprises		164,026	282,420	29,681	15,708	5,319	497,154
– Others		8,278	22,641	19,218	695	454	51,286
Total		3,279,013	1,573,480	96,996	85,753	39,677	5,074,919
Allowances for impairment losses	(i)						(6,913)
Subtotal							5,068,006
Total							5,068,404

(i) The balances represent collectively assessed allowances of impairment losses.

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) *VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective periods is as follows:

		Six months ended 30 June 2018			
	Note	**As at 30 June**	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**158**	**120**	**158**	**92**
Of which:					
– Interest rate risk		**44**	**43**	**58**	**32**
– Foreign exchange risk	(i)	**151**	**113**	**151**	**77**
– Commodity risk		**–**	**11**	**39**	**–**

		Six months ended 30 June 2017			
		As at 30 June	Average	Maximum	Minimum
VaR of trading portfolio		252	181	252	114
Of which:					
– Interest rate risk		74	102	148	61
– Foreign exchange risk	(i)	226	119	226	76
– Commodity risk		16	4	16	–

(i) The VaR in relation to bullion is included in foreign exchange risk above.

58 Risk Management (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB56,362 million (as at 31 December 2017: RMB46,727 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB43,242 million (as at 31 December 2017: RMB50,694 million).

The above interest rate sensitivity is for illustration purpose only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(2) Market risk (continued)

(c) *Interest rate repricing gap analysis (continued)*

The following tables indicate the average interest rate ("AIR") for the respective period, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		30 June 2018						
	Note	Average interest rate(i)	Non-interest bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.53%	118,195	2,556,650	–	–	–	2,674,845
Deposits and placements with banks and non-bank financial institutions		3.45%	–	632,957	159,827	7,058	–	799,842
Financial assets held under resale agreements		3.14%	–	394,863	–	–	–	394,863
Loans and advances to customers	(ii)	4.31%	–	3,244,533	9,559,944	196,335	67,670	13,068,482
Investments	(iii)	3.80%	81,811	976,322	562,896	2,147,777	1,484,570	5,253,376
Other assets			613,774	–	–	–	–	613,774
Total assets		3.81%	813,780	7,805,325	10,282,667	2,351,170	1,552,240	22,805,182
Liabilities								
Borrowings from central banks		3.21%	–	83,425	362,369	763	–	446,557
Deposits and placements from banks and non-bank financial institutions		2.79%	–	1,300,721	329,527	71,749	6,180	1,708,177
Financial liabilities measured at fair value through profit or loss		3.50%	21,592	180,801	182,739	20,269	–	405,401
Financial assets sold under repurchase agreements		2.85%	–	39,119	2,586	6,900	–	48,605
Deposits from customers		1.34%	76,062	11,563,190	3,356,386	1,957,989	11,862	16,965,489
Debt securities issued		4.31%	–	291,373	171,899	196,717	23,478	683,467
Other liabilities			682,909	–	–	–	–	682,909
Total liabilities		1.61%	780,563	13,458,629	4,405,506	2,254,387	41,520	20,940,605
Asset-liability gap		2.20%	33,217	(5,653,304)	5,877,161	96,783	1,510,720	1,864,577

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

		31 December 2017						
	Note	Average interest rate(i)	Non-interest bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.51%	122,593	2,865,663	–	–	–	2,988,256
Deposits and placements with banks and non-bank financial institutions		2.64%	–	364,272	128,267	7,699	–	500,238
Financial assets held under resale agreements		2.99%	–	208,360	–	–	–	208,360
Loans and advances to customers	(ii)	4.18%	–	7,514,939	4,660,444	336,579	62,511	12,574,473
Investments	(iii)	3.74%	120,309	460,631	522,564	2,362,479	1,722,732	5,188,715
Other assets			664,341	–	–	–	–	664,341
Total assets		3.66%	907,243	11,413,865	5,311,275	2,706,757	1,785,243	22,124,383
Liabilities								
Borrowings from central banks		2.99%	–	204,808	341,709	770	–	547,287
Deposits and placements from banks and non-bank financial institutions		2.49%	–	1,462,200	202,473	51,471	4,490	1,720,634
Financial liabilities measured at fair value through profit or loss		3.37%	19,854	234,157	153,549	6,588	–	414,148
Financial assets sold under repurchase agreements		3.33%	–	67,469	1,892	4,632	286	74,279
Deposits from customers		1.33%	121,264	11,569,194	2,987,851	1,674,005	11,440	16,363,754
Debt securities issued		3.69%	–	251,877	79,399	210,334	54,916	596,526
Other liabilities			611,928	–	–	–	–	611,928
Total liabilities		1.56%	753,046	13,789,705	3,766,873	1,947,800	71,132	20,328,556
Asset-liability gap		2.10%	154,197	(2,375,840)	1,544,402	758,957	1,714,111	1,795,827

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB75,166 million as at 30 June 2018 (as at 31 December 2017: RMB64,750 million).

(iii) Investments include financial assets measured at FVPL, financial assets measured at amortised cost, financial assets measured at FVOCI and investments in associates and joint ventures, etc. (as at 31 December 2017: Investments include financial assets measured at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, investments classified as receivables and investments in associates and joint ventures, etc.).

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposure by minimizing foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact to the pre-tax profits and other comprehensive income of the group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		30 June 2018			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,456,038	116,953	101,854	2,674,845
Deposits and placements with banks and non-bank financial institutions	(i)	1,043,043	126,675	24,987	1,194,705
Loans and advances to customers		11,851,731	779,674	437,077	13,068,482
Investments	(ii)	5,005,089	152,505	95,782	5,253,376
Other assets		510,478	90,447	12,849	613,774
Total assets		20,866,379	1,266,254	672,549	22,805,182
Liabilities					
Borrowings from central banks		414,642	27,243	4,672	446,557
Deposits and placements from banks and non-bank financial institutions	(iii)	1,258,145	338,118	160,519	1,756,782
Financial liabilities measured at fair value through profit or loss		386,610	16,998	1,793	405,401
Deposits from customers		16,121,144	534,133	310,212	16,965,489
Debt securities issued		342,198	245,055	96,214	683,467
Other liabilities		529,270	87,023	66,616	682,909
Total liabilities		19,052,009	1,248,570	640,026	20,940,605
Long position		1,814,370	17,684	32,523	1,864,577
Net notional amount of derivatives		111,699	(124,577)	32,344	19,466
Credit commitments		2,576,502	252,486	114,415	2,943,403

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2017			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,796,711	102,635	88,910	2,988,256
Deposits and placements with banks and non-bank financial institutions	(i)	538,969	151,775	17,854	708,598
Loans and advances to customers		11,304,255	832,693	437,525	12,574,473
Investments	(ii)	4,927,815	167,193	93,707	5,188,715
Other assets		589,623	31,493	43,225	664,341
Total assets		20,157,373	1,285,789	681,221	22,124,383
Liabilities					
Borrowings from central banks		484,657	35,805	26,825	547,287
Deposits and placements from banks and non-bank financial institutions	(iii)	1,378,896	277,483	138,534	1,794,913
Financial liabilities measured at fair value through profit or loss		392,984	20,628	536	414,148
Deposits from customers		15,453,722	593,332	316,700	16,363,754
Debt securities issued		269,389	226,549	100,588	596,526
Other liabilities		511,113	77,123	23,692	611,928
Total liabilities		18,490,761	1,230,920	606,875	20,328,556
Long position		1,666,612	54,869	74,346	1,795,827
Net notional amount of derivatives		268,286	(294,407)	55,765	29,644
Credit commitments		2,673,845	153,622	201,705	3,029,172

(i) Including financial assets held under resale agreements.

(ii) Please refer to note 58(2)(c)(iii) for the scope of investments.

(iii) Including financial assets sold under repurchase agreements.

(3) Liquidity risk

Liquidity risk is the risk that occurs when the Group cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet the other funding needs in regular business development. Major factors and events affecting liquidity risks include: massive outflow of wholesale or retail deposits, increase in wholesale or retail financing cost, debtor defaults, decrease in the liquidity of assets, and decrease in the financing ability etc.

In managing liquidity risks, the decision-making system consists of the Bank's Board of Directors and its sub-committee, and the senior management. The Head Office's Asset and Liability Management Department takes the lead in the daily management of the Bank's liquidity risks, and works along with the Financial Market Department, Channel and Operation Management Department, Data Management Department, Public Relations & Corporate Culture Department, Board of Directors' Office, management arms of business lines, and relevant divisions of the branches and subsidiaries to ensure proper execution of liquidity risk management actions. The Board of Supervisors and Audit Department constitute as the supervisory component. These three units perform decision-making, execution and supervisory functions respectively in the Bank's liquidity risk management as per their roles and responsibilities.

The Group's objective for liquidity risk management is to guarantee the Group's payment and settlement security, and maintain an optimal balance between the Bank's liquidity position and profitability. Liquidity risks are managed on a consolidated basis, where the Head Office centrally manages the Bank's overall liquidity risks, and in light of regulatory requirements, external macro environment and the Bank's business development status, formulates liquidity risk management policies, including limit management, intraday liquidity risk management, stress testing and contingency planning. Subsidiaries are the primary owners of their own liquidity risk management.

The Group conducts stress testing on its liquidity risk position on a quarterly basis in order to gauge its risk tolerance in adverse situations, including improbable extreme scenarios. The results have shown that under stress scenarios, the Bank's liquidity risk increases but remains manageable.

The Group uses a variety of methods to measure its liquidity risks, including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	30 June 2018							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,323,029	351,816	–	–	–	–	–	2,674,845
Deposits and placements with banks and non-bank financial institutions	–	74,083	471,053	85,279	162,269	7,158	–	799,842
Financial assets held under resale agreements	–	–	394,696	167	–	–	–	394,863
Loans and advances to customers	77,800	498,083	477,162	592,111	2,828,129	3,278,597	5,316,600	13,068,482
Investments								
– Financial assets measured at fair value through profit or loss	74,278	–	117,585	96,960	202,399	128,089	60,589	679,900
– Financial assets measured at amortised cost	–	–	94,056	66,088	281,878	1,655,807	1,147,267	3,245,096
– Financial assets measured at fair value through other comprehensive income	2,607	–	11,945	49,116	157,706	753,804	345,669	1,320,847
– Interests in associates and joint ventures	7,533	–	–	–	–	–	–	7,533
Other assets	252,438	92,238	33,213	59,190	72,702	55,366	48,627	613,774
Total assets	2,737,685	1,016,220	1,599,710	948,911	3,705,083	5,878,821	6,918,752	22,805,182
Liabilities								
Borrowings from central banks	–	–	22,879	60,546	362,369	763	–	446,557
Deposits and placements from banks and non-bank financial institutions	–	790,445	266,237	221,590	337,830	83,924	8,151	1,708,177
Financial liabilities measured at fair value through profit or loss	–	21,592	102,821	77,980	182,739	20,269	–	405,401
Financial assets sold under repurchase agreements	–	–	36,750	2,369	2,586	6,900	–	48,605
Deposits from customers	–	10,207,735	1,035,302	962,226	2,758,421	1,976,191	25,614	16,965,489
Debt securities issued								
– Certificates of deposit issued	–	–	78,780	157,177	133,604	20,328	–	389,889
– Bonds issued	–	–	49	2,974	3,836	78,552	4,091	89,502
– Subordinated bonds issued	–	–	–	–	27,997	116,903	–	144,900
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	39,191	19,985	59,176
Other liabilities	7,826	224,648	64,606	69,225	228,768	58,281	29,555	682,909
Total liabilities	7,826	11,244,420	1,607,424	1,554,087	4,038,150	2,401,302	87,396	20,940,605
Net gaps	2,729,859	(10,228,200)	(7,714)	(605,176)	(333,067)	3,477,519	6,831,356	1,864,577
Notional amount of derivatives								
– Interest rate contracts	–	–	24,014	61,744	208,326	103,640	12,472	410,196
– Exchange rate contracts	–	–	913,570	989,874	2,272,960	124,899	2,608	4,303,911
– Other contracts	–	–	13,930	22,584	48,330	2,971	33	87,848
Total	–	–	951,514	1,074,202	2,529,616	231,510	15,113	4,801,955

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2017							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,705,300	282,956	–	–	–	–	–	2,988,256
Deposits and placements with banks and non-bank financial institutions	–	85,221	194,429	80,625	128,814	11,149	–	500,238
Financial assets held under resale agreements	–	–	203,910	4,450	–	–	–	208,360
Loans and advances to customers	72,933	631,065	445,807	581,601	2,641,172	2,881,396	5,320,499	12,574,473
Investments								
– Financial assets measured at fair value through profit or loss	24,386	–	150,934	103,563	150,580	128,825	20,148	578,436
– Available-for-sale financial assets	88,855	–	37,644	31,627	127,903	931,628	333,023	1,550,680
– Held-to-maturity investments	–	–	13,953	36,360	220,316	1,186,295	1,129,798	2,586,722
– Investments classified as receivables	–	–	2,841	11,479	23,610	207,401	220,479	465,810
– Interests in associates and joint ventures	7,067	–	–	–	–	–	–	7,067
Other assets	244,725	76,990	42,548	85,403	127,317	48,817	38,541	664,341
Total assets	3,143,266	1,076,232	1,092,066	935,108	3,419,712	5,395,511	7,062,488	22,124,383
Liabilities								
Borrowings from central banks	–	–	97,125	107,684	341,708	770	–	547,287
Deposits and placements from banks and non-bank financial institutions	–	764,478	347,584	287,101	250,648	65,779	5,044	1,720,634
Financial liabilities measured at fair value through profit or loss	–	19,854	136,833	97,323	153,550	6,588	–	414,148
Financial assets sold under repurchase agreements	–	–	66,125	1,344	1,892	4,632	286	74,279
Deposits from customers	–	9,783,474	1,117,271	1,101,977	2,636,627	1,699,395	25,010	16,363,754
Debt securities issued								
– Certificates of deposit issued	–	–	60,085	150,190	91,918	19,140	33	321,366
– Bonds issued	–	–	–	162	3,715	63,355	4,099	71,331
– Subordinated bonds issued	–	–	–	–	–	140,044	4,854	144,898
– Eligible Tier 2 capital bonds issued	–	–	–	–	–	12,967	45,964	58,931
Other liabilities	4,022	135,125	74,668	78,171	255,819	49,822	14,301	611,928
Total liabilities	4,022	10,702,931	1,899,691	1,823,952	3,735,877	2,062,492	99,591	20,328,556
Net gaps	3,139,244	(9,626,699)	(807,625)	(888,844)	(316,165)	3,333,019	6,962,897	1,795,827
Notional amount of derivatives								
– Interest rate contracts	–	–	30,749	45,943	145,336	98,848	11,604	332,480
– Exchange rate contracts	–	–	870,778	893,633	3,430,481	110,477	2,626	5,307,995
– Other contracts	–	–	33,184	61,192	84,471	3,513	272	182,632
Total	–	–	934,711	1,000,768	3,660,288	212,838	14,502	5,823,107

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	30 June 2018							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	446,557	459,782	–	22,942	62,047	374,030	763	–
Deposits and placements from banks and non-bank financial institutions	1,708,177	1,732,791	790,756	268,081	224,461	346,367	93,528	9,598
Financial liabilities measured at fair value through profit or loss	405,401	409,255	21,592	103,617	78,897	184,681	20,468	–
Financial assets sold under repurchase agreements	48,605	50,273	–	36,820	2,408	2,730	8,315	–
Deposits from customers	16,965,489	17,392,098	10,208,266	1,037,776	991,885	2,911,663	2,213,503	29,005
Debt securities issued								
– Certificates of deposit issued	389,889	393,746	–	79,538	158,365	134,748	21,095	–
– Bonds issued	89,502	97,451	–	246	3,280	5,959	83,408	4,558
– Subordinated bonds issued	144,900	167,825	–	–	404	34,330	133,091	–
– Eligible Tier 2 capital bonds issued	59,176	71,646	–	–	1,196	1,571	46,502	22,377
Other financial liabilities	356,143	356,143	90,084	98,393	26,647	115,752	–	25,267
Total	20,613,839	21,131,010	11,110,698	1,647,413	1,549,590	4,111,831	2,620,673	90,805
Off-balance sheet loan commitments and credit card commitments (Note)		1,387,848	1,151,561	81,676	25	18,128	68,714	67,744
Guarantees, acceptances and other credit commitments (Note)		1,555,555	–	261,279	157,726	458,321	643,908	34,321

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	31 December 2017							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	547,287	563,332	–	99,448	110,503	352,611	770	–
Deposits and placements from banks and non-bank financial institutions	1,720,634	1,751,770	766,491	351,816	291,385	260,618	74,705	6,755
Financial liabilities measured at fair value through profit or loss	414,148	418,613	19,854	138,903	98,501	154,750	6,605	–
Financial assets sold under repurchase agreements	74,279	75,774	–	66,326	1,374	2,030	5,658	386
Deposits from customers	16,363,754	16,725,423	9,785,489	1,131,863	1,138,058	2,735,162	1,905,745	29,106
Debt securities issued								
– Certificates of deposit issued	321,366	359,190	–	63,261	150,660	104,893	40,339	37
– Bonds issued	71,331	82,226	–	201	1,796	8,139	67,539	4,551
– Subordinated bonds issued	144,898	204,878	–	36	1,224	5,913	175,336	22,369
– Eligible Tier 2 capital bonds issued	58,931	80,778	–	–	–	2,758	28,842	49,178
Other financial liabilities	216,642	216,642	24,349	26,551	28,197	124,193	–	13,352
Total	19,933,270	20,478,626	10,596,183	1,878,405	1,821,698	3,751,067	2,305,539	125,734
Off-balance sheet loan commitments and credit card commitments (Note)		1,390,853	1,133,818	85,704	8,111	37,721	83,073	42,426
Guarantees, acceptances and other credit commitments (Note)		1,638,319	–	398,492	232,930	425,987	542,427	38,483

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amount to be paid.

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events. In the first half year of 2018, the Group continued to standardise and strengthen operational risk management.

– Continue to promote data management of internal and external operational risk loss, highlighting the analysis of regulatory penalties, and organizing risk investigation and problem rectification.

– Expand the application of key risk indicators, strengthen the monitoring and early warning of the operational risks of key components, identify and respond to risks in a timely manner and eliminate hidden dangers.

– Continuously optimise operational risk management information systems and enhance system support for business continuity management.

– By constructing the New Generation Core System, continuously increase the mechanical control proportion and control abilities in the incompatible positions, and strengthen the balance mechanism across departments and positions.

– According to the construction of the New Generation Core System, timely promote the construction and training of supporting emergency plans, and enhance the ability to respond to emergencies.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(5) Fair value of financial instruments

(a) Valuation technique, input and process

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors is in charge of supervising the performance of the Board and Senior Management. According to the requirements of the Board and the Board of Supervisors, Senior Management's responsibility is to organise and implement the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting for valuation results.

There was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2017.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

– Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Positive fair value of derivatives	–	48,672	51	48,723
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	11,061	–	11,061
– Loans and advances measured at fair value through other comprehensive income	–	109,582	–	109,582
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	2,460	194,250	–	196,710
– Equity instruments and funds	1,733	5,649	–	7,382
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	573	–	14,087	14,660
– Other debt instruments	–	240,198	105,818	346,016
Other Financial assets measured at fair value through profit or loss				
– Credit investment	–	34,583	845	35,428
– Debt securities	–	11,678	1,130	12,808
– Funds and others	15,044	25,574	26,278	66,896
Financial assets measured at fair value through other comprehensive income				
– Debt securities	166,856	1,151,384	–	1,318,240
Financial assets designated as measured at fair value through other comprehensive income	1,909	58	640	2,607
Total	188,575	1,832,689	148,849	2,170,113
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities designated as measured at fair value through profit or loss	–	403,695	1,706	405,401
Negative fair value of derivatives	–	47,382	51	47,433
Total	–	451,077	1,757	452,834

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	2,050	187,397	–	189,447
– Equity instruments and funds	1,312	–	–	1,312
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	–	–	10,211	10,211
– Equity instruments and funds	837	–	22,239	23,076
– Other debt instruments	–	228,995	125,395	354,390
Positive fair value of derivatives	–	82,881	99	82,980
Available-for-sale financial assets				
– Debt securities	176,791	1,282,194	2,839	1,461,824
– Equity instruments and funds	8,181	63,806	4,419	76,406
Total	189,171	1,845,273	165,202	2,199,646
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities designated as measured at fair value through profit or loss	–	413,676	472	414,148
Negative fair value of derivatives	–	79,769	98	79,867
Total	–	493,445	570	494,015

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at FVPL classified as level 2 is the fund raised from principal guaranteed WMPs, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial asset measured at FVPL classified as level 3 is the underlying credit assets of principal guaranteed WMPs. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate.

For the six months ended 30 June 2018 and for the year ended 31 December 2017, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(5) Fair value of financial instruments (continued)

(c) *Financial instruments measured at fair value (continued)*

(ii) *Movements of fair value of financial instruments in level 3 of the fair value hierarchy*

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	Six months ended 30 June 2018										
		Financial assets designated as measured at fair value through profit or loss		Other Financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investment	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Negative fair value of derivatives	Financial liabilities designated as measured at fair value through profit or loss	Total liabilities
As at 1 January 2018 (Note 2(3))	99	10,164	125,395	267	1,098	19,462	623	157,108	(98)	(472)	(570)
Total gains or losses:											
In profit or loss	(1)	427	1,910	(5)	38	389	–	2,758	1	45	46
In other comprehensive income	–	–	–	–	–	–	17	17	–	–	–
Purchases	–	5,276	182,867	583	–	12,481	–	201,207	–	(1,353)	(1,353)
Sales and settlements	(47)	(1,780)	(204,354)	–	(6)	(6,054)	–	(212,241)	46	74	120
As at 30 June 2018	51	14,087	105,818	845	1,130	26,278	640	148,849	(51)	(1,706)	(1,757)

	2017									
	Financial assets designated as measured at fair value through profit or loss				Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Other debt instruments	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2017	8,690	16,132	264,856	466	5,719	9,349	305,212	(708)	(545)	(1,253)
Total gains or losses:										
In profit or loss	114	162	2,398	(243)	(264)	(46)	2,121	204	242	446
In other comprehensive income	–	–	–	–	(81)	(50)	(131)	–	–	–
Purchases	3,546	19,532	396,578	–	715	5,160	425,531	(287)	–	(287)
Sales and settlements	(2,139)	(13,587)	(538,437)	(124)	(3,250)	(9,994)	(567,531)	319	205	524
As at 31 December 2017	10,211	22,239	125,395	99	2,839	4,419	165,202	(472)	(98)	(570)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains	1,789	1,015	2,804	4,954	24	4,978

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(5) Fair value of financial instruments (continued)

(d) *Financial instruments not measured at fair value*

(i) *Financial assets*

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial investments measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Financial investments

The following table shows the carrying values and the fair values of financial assets measured at amortised cost of 2018 and the investment classified as receivables and held-to-maturity investments in 2017 which are not presented in the statement of financial position at their fair values.

	30 June 2018					31 December 2017				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**3,245,096**	**3,214,730**	**39,274**	**3,160,107**	**15,349**	N/A	N/A	N/A	N/A	N/A
Investments classified as receivables	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	465,810	480,353	–	466,521	13,832
Held-to-maturity investments	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	2,586,722	2,535,280	23,186	2,512,094	–
Total	**3,245,096**	**3,214,730**	**39,274**	**3,160,107**	**15,349**	3,052,532	3,015,633	23,186	2,978,615	13,832

(ii) *Financial liabilities*

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 30 June 2018 was RMB207,694 million (the Group as at 31 December 2017: RMB211,511 million), and carrying value was RMB204,076 million (the Group as at 31 December 2017: RMB203,829 million) and the carrying values of other financial liabilities approximated their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified as the Level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 30 June 2018, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

58 Risk Management (continued)

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholder's behavior and decision.

(8) Capital management

The Bank has implemented a comprehensive capital management policy, covering the set out of capital management policies, capital design and planning, advanced approach of capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitor and reporting, and so on management activities and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation, strengthen capital restraint and incentive mechanism; support the strategic planning effectively and make capital full use to restrict and conduct the business, and increase the capital efficiency and return level continuously; tamp capital strength, retain relatively high capital quality; achieve capital supplement with priority to the internal accumulation, utilise various capital instruments reasonably and optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit asset policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with CBIRC's "Measures for Capital Management of Commercial Banks (trial)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global Systemically Important Banks should also be met. If a counter-cyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, CBIRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal models approach for market risk and standardised approach for operational risk exposure.

(Expressed in millions of RMB, unless otherwise stated)

58 Risk Management (continued)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBIRC as at the end of the reporting period are as follows:

	Note	30 June 2018	31 December 2017
Common Equity Tier 1 ratio	(a)(b)(c)	**13.08%**	13.09%
Tier 1 ratio	(a)(b)(c)	**13.68%**	13.71%
Total capital ratio	(a)(b)(c)	**15.64%**	15.50%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve	(d)	**134,511**	109,968
– Surplus reserve		**198,613**	198,613
– General reserve		**260,108**	259,600
– Retained earnings		**927,776**	883,184
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**3,072**	3,264
– Others	(e)	**(5,053)**	(4,256)
Deductions for Common Equity Tier 1 capital			
– Goodwill	(f)	**2,493**	2,556
– Other intangible assets (excluding land use right)	(f)	**2,150**	2,274
– Cash-flow hedge reserve		**(22)**	320
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,902**	3,902
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**79,636**	79,636
– Non-controlling interest given recognition in Additional Tier 1 capital		**140**	152
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**123,109**	138,848
– Provisions in Tier 2	(g)	**141,201**	92,838
– Non-controlling interest given recognition in Tier 2 capital		**248**	266
Common Equity Tier 1 capital after deduction	(h)	**1,760,515**	1,691,332
Tier 1 capital after deduction	(h)	**1,840,291**	1,771,120
Total capital after deduction	(h)	**2,104,849**	2,003,072
Risk-weighted assets	(i)	**13,456,292**	12,919,980

Notes:

(a) Since the half-year report of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total Capital ratio is calculated by dividing the Total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(d) Capital reserve at 31 December 2017 includes investment revaluation reserve.

(e) At 30 June 2018, others include other comprehensive income. At 31 December 2017, others mainly include foreign exchange reserve.

(f) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(g) Since the half-year report of 2014, eligible excessive loan provisions was measured based on the advanced approach and implemented parallel period rules.

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

(i) As at 30 June 2018, according to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excessive risk-weighted assets due to the application of capital floor.

(Expressed in millions of RMB, unless otherwise stated)

59 Statement of financial position and statement of changes in equity of the Bank

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Assets:		
Cash and deposits with central banks	**2,655,082**	2,973,506
Deposits with banks and non-bank financial institutions	**436,680**	126,766
Precious metals	**83,038**	157,036
Placements with banks and non-bank financial institutions	**383,398**	286,797
Positive fair value of derivatives	**45,036**	75,851
Financial assets held under resale agreements	**381,799**	194,850
Interest receivable	**118,146**	111,436
Loans and advances to customers	**12,576,574**	12,081,328
Financial investments		
Financial assets measured at fair value through profit or loss	**473,937**	395,536
Financial assets measured at amortised cost	**3,207,096**	N/A
Financial assets measured at fair value through other comprehensive income	**1,224,771**	N/A
Available-for-sale financial assets	**N/A**	1,402,017
Held-to-maturity investments	**N/A**	2,550,066
Investments classified as receivables	**N/A**	575,994
Investments in subsidiaries	**51,660**	51,660
Investment in consolidated structured entities	**164,258**	187,486
Fixed assets	**138,712**	144,042
Land use rights	**13,371**	13,657
Intangible assets	**1,738**	1,831
Deferred tax assets	**53,500**	43,821
Other assets	**129,421**	91,671
Total assets	**22,138,217**	21,465,351
Liabilities:		
Borrowings from central banks	**446,156**	546,633
Deposits from banks and non-bank financial institutions	**1,271,450**	1,323,371
Placements from banks and non-bank financial institutions	**369,545**	318,488
Financial liabilities measured at fair value through profit or loss	**403,538**	413,523
Negative fair value of derivatives	**45,821**	73,730
Financial assets sold under repurchase agreements	**26,719**	53,123
Deposits from customers	**16,658,164**	16,064,638
Accrued staff costs	**26,084**	29,908
Taxes payable	**46,546**	51,772
Interest payable	**186,959**	197,153
Provisions	**34,236**	8,543
Debt securities issued	**619,777**	538,989
Deferred tax liabilities	**59**	39
Other liabilities	**190,871**	95,324
Total liabilities	**20,325,925**	19,715,234

(Expressed in millions of RMB, unless otherwise stated)

59 Statement of financial position and statement of changes in equity of the Bank (continued)

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference Shares	**79,636**	79,636
Capital reserve	**135,109**	135,791
Investment revaluation reserve	**–**	(24,463)
Other comprehensive income	**(358)**	–
Surplus reserve	**198,613**	198,613
General reserve	**255,039**	254,864
Retained earnings	**894,242**	856,109
Exchange reserve	**–**	(444)
Total equity	**1,812,292**	1,750,117
Total liabilities and equity	**22,138,217**	21,465,351

Approved and authorised for issue by the Board of Directors on 28 August 2018.

Wang Zuji	**Chung Shui Ming Timpson**	**Murray Horn**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

(Expressed in millions of RMB, unless otherwise stated)

59 Statement of financial position and statement of changes in equity of the Bank

(continued)

	(Unaudited)									
	Share capital	**Other equity instruments-preference shares**	**Capital reserve**	**Investment revaluation reserve**	**Other comprehensive income**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Exchange reserve**	**Total equity**
As at 31 December 2017	**250,011**	**79,636**	**135,791**	**(24,463)**	**–**	**198,613**	**254,864**	**856,109**	**(444)**	**1,750,117**
Changes in accounting policies	**–**	**–**	**(682)**	**24,463**	**(14,120)**	**–**	**–**	**(28,686)**	**444**	**(18,581)**
As at 1 January 2018	**250,011**	**79,636**	**135,109**	**–**	**(14,120)**	**198,613**	**254,864**	**827,423**	**–**	**1,731,536**
Movements during the period	**–**	**–**	**–**	**–**	**13,762**	**–**	**175**	**66,819**	**–**	**80,756**
(1) Total comprehensive income for the period	**–**	**–**	**–**	**–**	**13,762**	**–**	**–**	**139,747**	**–**	**153,509**
(2) Profit distribution	**–**	**–**	**–**	**–**	**–**	**–**	**175**	**(72,928)**	**–**	**(72,753)**
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**–**	**175**	**(175)**	**–**	**–**
ii Appropriation to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(72,753)**	**–**	**(72,753)**
As at 30 June 2018	**250,011**	**79,636**	**135,109**	**–**	**(358)**	**198,613**	**255,039**	**894,242**	**–**	**1,812,292**

	(Unaudited)								
	Share capital	Other equity instruments-preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2016	250,011	19,659	134,520	(1,213)	175,445	206,697	766,312	(188)	1,551,243
Movements during the period	–	–	547	(15,287)	–	34,213	26,454	(22)	45,905
(1) Total comprehensive income for the period	–	–	547	(15,287)	–	–	130,170	(22)	115,408
(2) Profit distribution									
i Appropriation to general reserve	–	–	–	–	–	34,213	(34,213)	–	–
ii Appropriation to ordinary shareholders	–	–	–	–	–	–	(69,503)	–	(69,503)
As at 30 June 2017	250,011	19,659	135,067	(16,500)	175,445	240,910	792,766	(210)	1,597,148

(Expressed in millions of RMB, unless otherwise stated)

59 Statement of financial position and statement of changes in equity of the Bank (continued)

	Share capital	Other equity instruments-preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 31 December 2016	250,011	19,659	134,520	(1,213)	175,445	206,697	766,312	(188)	1,551,243
Movements during the year	–	59,977	1,271	(23,250)	23,168	48,167	89,797	(256)	198,874
(1) Total comprehensive income for the year	–	–	1,271	(23,250)	–	–	231,680	(256)	209,445
(2) Changes in share capital									
i Capital injection by other equity holders	–	59,977	–	–	–	–	–	–	59,977
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	23,168	–	(23,168)	–	–
ii Appropriation to general reserve	–	–	–	–	–	48,167	(48,167)	–	–
iii Dividends paid to ordinary shareholders	–	–	–	–	–	–	(69,503)	–	(69,503)
iv Dividends paid to preference shareholders	–	–	–	–	–	–	(1,045)	–	(1,045)
As at 31 December 2017	250,011	79,636	135,791	(24,463)	198,613	254,864	856,109	(444)	1,750,117

60 Events after the reporting period

There are no significant events after the reporting period.

61 Comparative figures

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

62 Ultimate parent

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

63 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued certain amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2018 and have not been adopted in the financial statements.

Standards	**Effective for annual period beginning on or after**
(1) IFRIC 23, "Uncertainty over Income Tax Treatments"	1 January 2019
(2) IFRS 16, "Leases"	1 January 2019
(3) IFRS 17, "Insurance Contracts"	1 January 2021
(4) Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23, "The Annual Improvements to IFRSs 2015-2017 Cycle"	1 January 2019
(5) Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	1 January 2019
(6) Amendments to IAS 19, "Employee Benefits Regarding Plan Amendment, Curtailment or Settlement"	1 January 2019
(7) Amendments to IAS 28, "Long-term interests in Associates and Joint Ventures"	1 January 2019

The Group anticipates the adoption of these amendments and new standards will not have a significant impact on the Group's consolidated financial statements.

IFRS 16, "Leases"

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces IAS 17 "Leases", and related interpretations. The Group is currently assessing the impact of IFRS 16 upon initial application.

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the reviewed financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2018 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the six months ended 30 June 2018 or total equity as at 30 June 2018 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations respectively.

2 Liquidity coverage ratio and net stable funding ratio

	Second quarter of 2018	First quarter of 2018
Liquidity coverage ratio	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 June 2018, the Group's available stable funding was RMB15,559,900 million against the required stable funding of RMB12,273,500 million, and the Bank thus met the regulatory requirements with a net stable funding ratio of 126.78%.

3 Currency concentrations

	30 June 2018			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**1,233,823**	**337,749**	**382,525**	**1,954,097**
Spot liabilities	**(1,166,922)**	**(380,229)**	**(295,778)**	**(1,842,929)**
Forward purchases	**2,494,575**	**199,886**	**234,973**	**2,929,434**
Forward sales	**(2,506,471)**	**(127,483)**	**(303,672)**	**(2,937,626)**
Net options position	**(33,713)**	**–**	**–**	**(33,713)**
Net long position	**21,292**	**29,923**	**18,048**	**69,263**
Net structural position	**28,599**	**628**	**(5,868)**	**23,359**

	31 December 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

(Expressed in millions of RMB unless otherwise stated)

3 Currency concentrations (continued)

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

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

4 International claims

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

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

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

	30 June 2018				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**568,711**	**64,510**	**1,169,437**	**112,987**	**1,915,645**
– of which attributed to Hong Kong	**24,450**	**22,754**	**339,512**	**2,597**	**389,313**
Europe	**15,056**	**43,491**	**100,860**	**8,052**	**167,459**
North and South America	**20,486**	**121,585**	**148,245**	**16,859**	**307,175**
Total	**604,253**	**229,586**	**1,418,542**	**137,898**	**2,390,279**

	31 December 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

(Expressed in millions of RMB unless otherwise stated)

5 Overdue loans and advances to customers by geographical sector

	30 June 2018	31 December 2017
Western	**24,364**	19,555
Bohai Rim	**24,237**	18,824
Central	**21,754**	20,327
Yangtze River Delta	**21,542**	18,205
Pearl River Delta	**17,933**	17,965
Northeastern	**11,924**	11,247
Head office	**7,204**	5,223
Overseas	**1,543**	1,136
Total	**130,501**	112,482

The above analysis represents the gross amount of loans and advances overdue for more than three months.

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

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

6 Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2018, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

Appendix Supplementary Information to Capital Adequacy Ratios

The following information is disclosed in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC.

Credit risk exposures

The following table shows, as at the dates indicated, the information related to the credit exposures of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

	As at 30 June 2018		As at 31 December 2017	
(In millions of RMB)	**Covered by internal rating-based approach**	**Uncovered by internal rating-based approach[1]**	Covered by internal rating-based approach	Uncovered by internal rating-based approach[1]
On and off-balance sheet credit exposures	**12,606,088**	**12,110,666**	12,278,430	11,796,402
Corporate exposures	**7,265,042**	**2,078,156**	7,262,022	2,105,936
Sovereign exposures	**–**	**3,839,247**	–	3,645,006
Financial institution exposures	**–**	**2,643,521**	–	2,264,747
Retail exposures	**5,341,046**	**580,561**	5,016,408	516,905
Equity exposures	**–**	**15,262**	–	17,026
Securitisation exposures	**–**	**26,777**	–	15,523
Other exposures	**–**	**2,927,142**	–	3,231,259
Counterparty credit exposures	**–**	**106,036**	–	152,608
Total	**12,606,088**	**12,216,702**	12,278,430	11,949,010

1. Credit exposures uncovered by the internal rating-based approach are exposures before impairments, as in line with the exposure categorisation of the internal rating-based approach.

Market risk capital requirements

The Group's market risk capital requirements are calculated with the internal model approach. Requirements uncovered by the internal model approach are calculated with the standardised approach.

The following table shows, as at the dates indicated, the information related to various market risk capital requirements.

(In millions of RMB)	**As at 30 June 2018 Capital requirement**	As at 31 December 2017 Capital requirement
Covered by internal model approach	**3,599**	4,059
Uncovered by internal model approach	**3,615**	3,528
Interest rate risk	**1,273**	1,061
Equity position risk	**63**	120
Foreign exchange risk	**2,279**	2,347
Commodity risk	**–**	–
Option risk	**–**	–
Total	**7,214**	7,587

The Group measures market risk with value-at-risk (VaR) model. The VaR model is an approach to estimate potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices within a specific timeframe and a fixed confidence level. The Group calculates VaR and stressed VaR and conducts back-testing in compliance with the regulatory requirements. As of the reporting period, the number of back-testing breakthroughs occurred within the green zone according to the requirements of the CBRC, and no abnormal model was identified.

The following table shows the VaR and stressed VaR of the Group covered by the internal model approach for the six months ended 30 June 2018.

	For the six months ended 30 June 2018			
(In millions of RMB)	**Average**	**Maximum**	**Minimum**	**Period end**
VaR	**391**	**549**	**257**	**535**
Stressed VaR	**634**	**870**	**470**	**735**

Equity exposures in the banking book

The following table shows, as at the dates indicated, the information related to the equity exposures in the banking book and the unrealised potential risk gains or losses of the Group.

(In millions of RMB) **Invested institution categories**	**As at 30 June 2018** **Publicly traded equity exposure[1]**	**Non-publicly traded equity exposure[1]**	**Unrealised potential risk gains or losses[2]**	As at 31 December 2017 Publicly traded equity exposure [1]	Non-publicly traded equity exposure[1]	Unrealised potential risk gains or losses [2]
Financial institutions	**2,086**	**1,545**	**736**	1,562	1,225	521
Non-financial institutions	**1,670**	**9,936**	**(174)**	1,540	8,387	305
Total	**3,756**	**11,481**	**563**	3,102	9,612	826

1. Publicly traded equity exposure is the equity exposure where the invested institutions are listed companies. Non-publicly traded equity exposure is the equity exposure where the invested institutions are unlisted companies.

2. Unrealised potential risk gains or losses are gains or losses that have been recognised in the balance sheet but not in the income statement.

The following information is disclosed in accordance with *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the CBRC.

Composition of capital

In accordance with the *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets under the scope of regulatory consolidation.

	(In millions of RMB, except percentages)	Code	**As at 30 June 2018**	As at 31 December 2017
	Common equity tier 1 capital:			
1	Qualifying common share capital	o	**250,011**	250,011
2	Retained earnings		**1,386,497**	1,341,397
2a	Surplus reserve	u	**198,613**	198,613
2b	General reserve	v	**260,108**	259,600
2c	Undistributed profits	w	**927,776**	883,184
3	Accumulated other comprehensive income and disclosed reserves		**129,458**	105,712
3a	Capital reserve	q	**134,511**	109,968
3b	Others	r	**(5,053)**	(4,256)
4	Amount recognised in common equity tier 1 capital during transition period (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0")		**–**	–
5	Non-controlling interest given recognition in common equity tier 1 capital	x	**3,072**	3,264
6	**Common equity tier 1 capital before regulatory adjustment**		**1,769,038**	1,700,384
	Common equity tier 1 capital: regulatory adjustment			
7	Prudent valuation adjustment		**–**	–
8	Goodwill (excluding deferred tax liabilities)	l	**2,493**	2,556
9	Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)	k	**2,150**	2,274
10	Net deferred tax assets relying on future profits and arising from operating losses		**–**	–
11	Cash-flow hedge reserves	s	**(22)**	320
12	Gaps of loan loss provisions		**–**	–
13	Gains from sales of asset securitisation		**–**	–
14	Unrealised profit/loss arising from the changes in own credit risk on fair values of liability		**–**	–
15	Net defined-benefit pension assets (excluding deferred tax liabilities)		**–**	–
16	Directly or indirectly investments in own shares		**–**	–
17	Reciprocal cross-holdings in common equity tier 1 capital		**–**	–
18	Non-significant investments in common equity tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
19	Significant investments in common equity tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
20	Mortgage-servicing rights		**N/A**	N/A
21	Other deferred tax assets relying on the Bank's future profitability (amount above 10% threshold)		**–**	–
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustment (amount exceeding the 15% threshold)		**–**	–

	(In millions of RMB, except percentages)	Code	**As at 30 June 2018**	As at 31 December 2017
23	of which: Significant investments in the capital of financial institutions		**–**	–
24	of which: Mortgage-servicing rights		**N/A**	N/A
25	of which: Other deferred tax assets that rely on the Bank's future profitability		**–**	–
26a	Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	i	**3,902**	3,902
26b	Gaps of common equity of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
26c	Total regulatory adjustments to common equity tier 1 capital		**–**	–
27	Regulatory adjustments applied to common equity tier 1 due to insufficient additional tier 1 and tier 2 to cover deductions		**–**	–
28	**Total regulatory adjustment in common equity tier 1 capital**		**8,523**	9,052
29	**Common equity tier 1 capital after regulatory adjustment**		**1,760,515**	1,691,332
Additional tier 1 capital:				
30	Other directly issued qualifying additional tier 1 capital instruments including related premium	p	**79,636**	79,636
31	of which: Classified as equity	p	**79,636**	79,636
32	of which: Classified as liabilities		**–**	–
33	of which: Instruments not recognised in additional tier 1 capital after the transition period		**–**	–
34	Non-controlling interest given recognition in additional tier 1 capital	y	**140**	152
35	of which: Portions not recognised in additional tier 1 capital after the transition period		**–**	–
36	**Additional tier 1 capital before regulatory adjustment**		**79,776**	79,788
Additional tier 1 capital: regulatory adjustments				
37	Direct or indirect investments in own additional tier 1 capital instruments		**–**	–
38	Reciprocal cross-holdings in additional tier 1 capital instruments		**–**	–
39	Non-significant investments in the additional tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
40	Significant investments in the additional tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
41a	Investments in additional tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
41b	Gaps of additional tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
41c	Other deductions from additional tier 1 capital		**–**	–
42	Regulatory adjustments applied to additional tier 1 due to insufficient Tier 2 to cover deductions		**–**	–
43	**Total regulatory adjustments to additional tier 1 capital**		**–**	–
44	**Additional tier 1 capital after regulatory adjustment**		**79,776**	79,788
45	**Tier 1 capital after regulatory adjustment (common equity tier 1 capital after regulatory adjustment + additional tier 1 capital after regulatory adjustment)**		**1,840,291**	1,771,120
Tier 2 capital:				
46	Directly issued qualifying tier 2 capital instruments including related premium	n	**123,109**	138,848
47	of which: Portions not recognised in tier 2 capital after the transition period		**63,934**	79,917
48	Non-controlling interest given recognition in tier 2 capital	z	**248**	266
49	of which: Portions not recognised after the transition period		**–**	–
50	Provisions in tier 2	–(c+e)	**141,201**	92,838
51	**Tier 2 capital before regulatory adjustments**		**264,558**	231,952
Tier 2 capital: regulatory adjustments				
52	Direct or indirect investments in the Bank's tier 2 capital instruments		**–**	–
53	Reciprocal cross-holdings in tier 2 capital instruments		**–**	–
54	Non-significant investments in the tier 2 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
55	Significant investments in the tier 2 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
56a	Investments in tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
56b	Gaps of tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		**–**	–
56c	Other deductions from tier 2 capital		**–**	–
57	**Total regulatory adjustments in tier 2 capital**		**–**	–
58	**Tier 2 capital after regulatory adjustment**		**264,558**	231,952
59	**Total capital after regulatory adjustment (tier 1 capital after regulatory adjustment +tier 2 capital after regulatory adjustment)**		**2,104,849**	2,003,072
60	**Total risk-weighted assets**		**13,456,292**	12,919,980

	(In millions of RMB, except percentages)	Code	As at 30 June 2018	As at 31 December 2017
Capital adequacy ratio and reserve capital requirements				
61	**Common equity tier 1 ratio**		**13.08%**	13.09%
62	**Tier 1 ratio**		**13.68%**	13.71%
63	**Total capital ratio**		**15.64%**	15.50%
64	Specific buffer requirements of regulators		**3.60%**	3.60%
65	of which: Capital conservation buffer requirements		**2.10%**	2.10%
66	of which: Countercyclical buffer requirements		**0.00%**	0.00%
67	of which: Additional buffer requirements of Global Systemically Important Banks		**1.50%**	1.50%
68	Common equity tier 1 capital available to meet buffers as a percentage of risk-weighted assets		**8.08%**	8.09%
Domestic minimum regulatory capital requirements				
69	Common equity tier 1 ratio		**5.00%**	5.00%
70	Tier 1 ratio		**6.00%**	6.00%
71	Total capital ratio		**8.00%**	8.00%
Amounts below the threshold deductions				
72	Non-significant investments in the capital of other financial institutions outside the scope of regulatory consolidation	a+f+g+h	**17,357**	17,807
73	Significant investments in the capital of other financial institutions outside the scope of regulatory consolidation	j	**115**	167
74	Mortgage-servicing rights (net of deferred tax liabilities)		**N/A**	N/A
75	Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	m	**55,166**	45,542
Limit of provisions in tier 2 capital				
76	Provisions eligible for inclusion in tier 2 in respect of exposures subject to regulatory weighting approach (prior to the application of cap)	–b	**26,062**	21,295
77	Provisions eligible for inclusion in tier 2 capital under regulatory weighting approach	–c	**26,062**	21,295
78	Provisions eligible for inclusion in tier 2 in respect of exposures subject to internal rating-based approach (prior to the application of cap)	–d	**152,688**	111,412
79	Provisions eligible for inclusion in tier 2 capital under internal rating-based approach	–e	**115,139**	71,543
Capital instruments subject to phase-out arrangements				
80	Amount recognised in current-period common equity tier 1 capital due to transitional arrangements		**–**	–
81	Amount not recognised in current-period common equity tier 1 capital due to transitional arrangements		**–**	–
82	Amount recognised in current-period additional tier 1 capital due to transitional arrangements		**–**	–
83	Amount not recognised in current-period additional tier 1 capital due to transitional arrangements		**–**	–
84	Amount recognised in current-period tier 2 capital due to transitional arrangements		**63,934**	79,917
85	Amount not recognised in current-period tier 2 capital due to transitional arrangements		**74,015**	58,020

The following table shows the balance sheet of the accounting and regulatory consolidation.

	As at 30 June 2018	
(In millions of RMB)	Balance sheet of the accounting consolidation	Balance sheet of the regulatory consolidation
Assets		
Cash and deposits with central banks	2,674,845	2,674,760
Deposits with banks and non-bank financial institutions	465,900	453,861
Precious metals	83,038	83,038
Placements with banks and non-bank financial institutions	333,942	334,780
Positive fair value of derivatives	48,723	48,650
Financial assets held under resale agreements	394,863	393,869
Interest receivable	123,468	122,356
Loans and advances to customers	13,068,482	13,104,214
Financial assets measured at fair value through profit or loss	679,900	616,630
Financial assets measured at amortised cost	3,245,096	3,153,311
Financial assets measured at fair value through other comprehensive income	1,320,847	1,307,454
Investments in subsidiaries	–	4,880
Investments in associates and jointly ventures	7,533	4,392
Investments in consolidated structured entities	–	–
Fixed assets	166,721	165,695
Land use rights	14,270	13,811
Intangible assets	2,622	2,150
Goodwill	2,687	2,493
Deferred tax assets	56,165	55,166
Other assets	116,080	123,884
Total assets	**22,805,182**	**22,665,394**
Liabilities		
Borrowings from central banks	446,557	446,557
Deposits from banks and non-bank financial institutions	1,271,631	1,270,484
Placements from banks and non-bank financial institutions	436,546	442,691
Financial liabilities measured at fair value through profit or loss	405,401	405,432
Negative fair value of derivatives	47,433	47,409
Financial assets sold under repurchase agreements	48,605	36,765
Deposits from customers	16,965,489	16,965,427
Accrued staff costs	28,665	27,998
Taxes payable	49,830	49,535
Interest payable	189,266	189,213
Provisions	36,352	36,342
Debt securities issued	683,467	666,602
Deferred tax liabilities	526	132
Other liabilities	330,837	226,436
Total liabilities	**20,940,605**	**20,811,023**
Equity		
Share capital	250,011	250,011
Other equity instruments – preference shares	79,636	79,636
Capital reserve	134,537	134,511
Other comprehensive income	(6,054)	(5,053)
Surplus reserve	198,613	198,613
General reserve	260,198	260,108
Retained earnings	931,325	927,776
Total equity attributable to equity shareholders of the Bank	1,848,266	1,845,602
Non-controlling interests	16,311	8,769
Total equity	**1,864,577**	**1,854,371**

The following table shows the information related to the expanded balance sheet under regulatory scope of consolidation, as well as its connections with the Composition of capital.

(In millions of RMB)	As at 30 June 2018 Balance sheet of the regulatory consolidation	Code
Assets		
Cash and deposits with central banks	**2,674,760**	
Deposits with banks and non-bank financial institutions	**453,861**	
Precious metals	**83,038**	
Placements with banks and non-bank financial institutions	**334,780**	
Positive fair value of derivatives	**48,650**	
Financial assets held under resale agreements	**393,869**	
Interest receivable	**122,356**	
Loans and advances to customers	**13,104,214**	
of which: Provisions eligible actually accrued under regulatory weighting approach	**(26,062)**	b
of which: Provisions eligible for inclusion in tier 2 in respect of exposures under regulatory weighting approach	**(26,062)**	c
of which: Provisions eligible actually accrued under internal rating-based approach	**(152,688)**	d
of which: Provisions eligible for inclusion in tier 2 in respect of exposures under internal rating-based approach	**(115,139)**	e
Financial assets measured at fair value through profit or loss	**616,630**	
of which: Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	**12,800**	a
Financial assets measured at amortised cost	**3,153,311**	
of which: Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	**776**	f
Financial assets measured at fair value through other comprehensive income	**1,307,454**	
of which: Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	**3,438**	g
Investments in subsidiaries	**4,880**	
of which: Investments in the common equity tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	**3,902**	i
Investments in associates and jointly ventures	**4,392**	
of which: Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	**343**	h
of which: Significant investments in the capital of financial institutions outside the scope of regulatory consolidation	**115**	j
Investments in consolidated structured entities	**–**	
Fixed assets	**165,695**	
Land use rights	**13,811**	
Intangible assets	**2,150**	k
Goodwill	**2,493**	l
Deferred tax assets	**55,166**	m
Other assets	**123,884**	
Total assets	**22,665,394**	
Liabilities		
Borrowings from central banks	**446,557**	
Deposits from banks and non-bank financial institutions	**1,270,484**	
Placements from banks and non-bank financial institutions	**442,691**	
Financial liabilities measured at fair value through profit or loss	**405,432**	
Negative fair value of derivatives	**47,409**	
Financial assets sold under repurchase agreements	**36,765**	
Deposits from customers	**16,965,427**	
Accrued staff costs	**27,998**	
Taxes payable	**49,535**	
Interest payable	**189,213**	
Provisions	**36,342**	
Debt securities issued	**666,602**	
of which: Directly issued qualifying tier 2 capital instruments including related premium	**123,109**	n
Deferred tax liabilities	**132**	
Other liabilities	**226,436**	
Total liabilities	**20,811,023**	

(In millions of RMB)	As at 30 June 2018 Balance sheet of the regulatory consolidation	Code
Equity		
Share capital	**250,011**	o
Other equity instruments – preference shares	**79,636**	p
Capital reserve	**134,511**	q
Other comprehensive income	**(5,053)**	r
of which: Cash-flow hedge	**(22)**	s
Surplus reserve	**198,613**	u
General reserve	**260,108**	v
Retained earnings	**927,776**	w
Total equity attributable to equity shareholders of the Bank	**1,845,602**	
Non-controlling interests	**8,769**	
of which: Non-controlling interest recognised in common equity tier 1 capital	**3,072**	x
of which: Non-controlling interest recognised in other equity tier 1 capital	**140**	y
of which: Non-controlling interest recognised in tier 2 capital[1]	**248**	z
Total equity	**1,854,371**	

1. Pursuant to regulatory requirements, tier 2 capital instruments issued by the Group's wholly-owned subsidiaries that don't comply with domestic regulations are not recognised in the Group's tier 2 capital instruments including related premium, which is different from the accounting treatment of such instruments.

Main features of eligible regulatory capital instruments

The following table shows the information related to main features of various kinds of eligible regulatory capital instruments issued by the Group.

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issues	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB	CCB
2	Identifier code	0939.HK	601939.SH	0939.HK, 601939.SH	ISIN: CND100007Z10	ISIN: HK0000223849	ISIN: XS1227820187
3	Governing law(s)	Hong Kong SAR law	Chinese law	Chinese/Hong Kong SAR law	Chinese law	Hong Kong SAR law	British law
	Regulatory treatment						
4	of which: Transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Common equity tier 1 capital	Common equity tier 1 capital	Common equity tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	of which: Post-transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Common equity tier 1 capital	Common equity tier 1 capital	Common equity tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	of which: Eligible at the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Equity instrument	Equity instrument	Equity instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	72,550	57,119	61,159	19,985	1,998	13,206
9	Par value of instrument	RMB30,459 million	RMB9,000 million	RMB16,322 million	RMB20,000 million	RMB2,000 million	USD2,000 million
10	Accounting classification	Share capital and capital reserve	Share capital and capital reserve	Share capital and capital reserve	Debt securities issued	Debt securities issued	Debt securities issued
11	Original date of issuance	27 October 2005	25 September 2007	19 November 2010, 16 December 2010	15 August 2014	12 November 2014	13 May 2015
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated
13	of which: Original maturity date	No maturity	No maturity	No maturity	18 August 2029	12 November 2024	13 May 2025
14	Issuer call subject to regulatory approval	No	No	No	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	18 August 2024, all redeemed	12 November 2019, all redeemed	13 May 2020, all redeemed
16	of which: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A
	Coupons/dividends						
17	of which: Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed	Fixed for the first five years while floating for the rest five years	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date for the consecutive five years.
18	of which: Coupon rate and any related index	N/A	N/A	N/A	5.98%	Fixed rate of 4.90% for the first five years while resetting annually (plus 1.538% on the one year CNHHibor) for the rest five years.	The interest rate is fixed at 3.875% for the first five years, and is reset based on the five-year U.S. government bond benchmark rate plus the initial interest spread (2.425%) at the coupon rate reset date for the consecutive five years.
19	of which: Existence of dividend brake mechanism	N/A	N/A	N/A	No	No	No
20	of which: Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory
21	of which: Existence of redemption incentive mechanism	No	No	No	No	No	No
22	of which: Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	N/A	N/A	No	No	No
24	of which: If convertible, specify conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issues	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
25	of which: If convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	of which: If convertible, specify conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	of which: If convertible, specify if it is mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	of which: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	of which: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	N/A	N/A	N/A	Yes	Yes	Yes
31	of which: If write-down, specify write-down trigger(s)	N/A	N/A	N/A	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.
32	of which: If write-down, specify if it is full or partial	N/A	N/A	N/A	Full	Full	Full
33	of which: If write-down, specify if it is permanent or temporary	N/A	N/A	N/A	Permanent	Permanent	Permanent
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument type immediately senior to instrument)	The lowest priority of all claims	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.	The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.	The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A	N/A

No.	Main features of eligible regulatory capital instruments	Preference shares	Tier 2 capital instrument	Preference shares
1	Issuer	CCB	CCB	CCB
2	Identifier code	4606.HK	ISIN: CND1000099M8	360030.SH
3	Governing law(s)	Overseas preference shares and rights and obligations attached apply to the Chinese law and are interpreted according to the Chinese law	Chinese law	Chinese law
	Regulatory treatment			
4	of which: Transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Additional tier 1 capital	Tier 2 capital	Additional tier 1 capital
5	of which: Post-transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Additional tier 1 capital	Tier 2 capital	Additional tier 1 capital
6	of which: Eligible at the Bank/Group level	The Bank and the Group level	The Bank and the Group level	The Bank and the Group level
7	Instrument type	Additional tier 1 capital instruments	Tier 2 capital instrument	Additional tier 1 capital instruments
8	Amount recognised in regulatory capital (in millions of RMB, as at the latest reporting date)	19,659	23,986	59,977
9	Par value of instrument	RMB15,252 million	RMB24,000 million	RMB60,000 million
10	Accounting classification	Other equity instruments	Debt securities issued	Other equity instruments
11	Original date of issuance	16 December 2015	21 December 2015	21 December 2017
12	Perpetual or dated	Perpetual	Dated	Perpetual
13	of which: Original maturity date	No maturity	20 December 2025	No maturity
14	Issuer call subject to regulatory approval	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	The first call date is 16 December 2020, all or partial redeemed	20 December 2020, all redeemed	The first call date is 27 December 2022, all or partial redeemed
16	of which: Subsequent call dates, if applicable	Every 16 December after the first call date	N/A	Every 27 December after the first call date
	Coupons/dividends			
17	of which: Fixed or floating dividend/coupon	Adjustable dividend rate (benchmark rate plus the fixed interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.	Fixed	Adjustable dividend rate (benchmark rate plus the fixed interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.
18	of which: Coupon rate and any related index	The dividend yield fixed at 4.65% for the first five years, is reset based on the five-year U.S. government bond rate plus the fixed interest spread (2.974%) at the dividend reset date for the consecutive five years, and the dividend yield during each reset period remains unchanged (the first dividend yield reset date is 16 December 2020 and the subsequent reset date is 16 December of every 5 years thereafter).	4%	The dividend yield fixed at 4.75% for the first five years, is reset based on the five-year Chinese government bond rate plus the fixed interest spread (0.89%) at the dividend reset date for the consecutive five years, and the dividend yield during each reset period remains unchanged (the first dividend yield reset date is 21 December 2022 and the subsequent reset date is 21 December of every 5 years thereafter).
19	of which: Existence of dividend brake mechanism	Yes	No	Yes
20	of which: Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Fully discretionary
21	of which: Existence of redemption incentive mechanism	No	No	No
22	of which: Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Yes	No	Yes
24	of which: If convertible, specify conversion trigger(s)	Additional tier 1 capital instruments triggers or tier 2 capital instruments triggers	N/A	Additional tier 1 capital instruments triggers or tier 2 capital instruments triggers
25	of which: If convertible, specify if it is fully or partially	Fully or partially convertible for additional tier 1 capital instruments triggers, and fully convertible for tier 2 capital instruments triggers	N/A	Fully or partially convertible for additional tier 1 capital instruments triggers, and fully convertible for tier 2 capital instruments triggers

No.	Main features of eligible regulatory capital instruments	Preference shares	Tier 2 capital instrument	Preference shares
26	of which: If convertible, specify conversion rate	The initial conversion price is the average trading price of H shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the preference shares (namely HKD5.98 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, Where the Bank distributes bonus shares or stock dividends for H ordinary shareholders, issues new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and makes rights issue after the plan on the preference share issuance is approved by the Board of Directors, the Bank will accumulatively adjust the conversion price in sequence for the matters above. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the forced conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders.	N/A	The initial conversion price is the average trading price of A shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the preference shares (namely RMB5.20 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, Where the Bank distributes bonus shares or stock dividends for A ordinary shareholders, issues new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and makes rights issue after the plan on the preference share issuance is approved by the Board of Directors, the Bank will accumulatively adjust the conversion price in sequence for the matters above. However, the distribution of cash dividends of ordinary shares will not cause adjustment. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the forced conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders.
27	of which: If convertible, specify if it is mandatory or optional conversion	Yes	N/A	Yes
28	of which: If convertible, specify instrument type convertible into	Common equity tier 1 capital	N/A	Common equity tier 1 capital
29	of which: If convertible, specify issuer of instrument it converts into	CCB	N/A	CCB
30	Write-down feature	No	Yes	No
31	of which: If write-down, specify write-down trigger(s)	N/A	Write-down is triggered at the earlier of followings: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	N/A
32	of which: If write-down, specify if it is full or partial	N/A	Full	N/A
33	of which: If write-down, specify if it is permanent or temporary	N/A	Permanent	N/A
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument type immediately senior to instrument)	The lower priority behind all depositors, general creditors, and tier 2 capital instrument issued or guaranteed by the Bank, and the capital instruments prior to preference shares, the same priority with additional tier 1 capital instruments with the same priority.	The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.	The lower priority behind all depositors, general creditors, and tier 2 capital instrument issued or guaranteed by the Bank, and the capital instruments prior to preference shares, the same priority with additional tier 1 capital instruments with the same priority.
36	Non-eligible transitioned features	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A