中国建设银行
China Construction Bank

中國建設銀行股份有限公司

CHINA CONSTRUCTION BANK CORPORATION

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

Stock Code: 939 (Ordinary H-Share)

4606 (Offshore Preference Share)

INTERIM RESULTS ANNOUNCEMENT

For the Six Months Ended 30 June 2018

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2018 prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules of Hong Kong Stock Exchange") and International Accounting Standard 34 "Interim Financial Reporting". The interim results have been reviewed by the audit committee and external auditors of the Bank.

1 SUMMARY OF INTERIM RESULTS 2018

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 Financial statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change
	2018 (Unaudited)	2017 (Unaudited)	(%)
Interest income	**395,320**	363,489	8.76
Interest expense	**(155,834)**	(145,635)	7.00
Net interest income	**239,486**	217,854	9.93
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
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 losses on derecognition of financial assets measured at amortised cost	**(2,365)**	N/A	N/A
Other operating income, net:			
- Other operating income	**23,503**	34,143	(31.16)
- Other operating expense	**(18,342)**	(19,134)	(4.14)
Other operating income, net	**5,161**	15,009	(65.61)
Operating income	**322,729**	303,133	6.46
Operating expenses	**(74,681)**	(70,547)	5.86
	248,048	232,586	6.65
Impairment losses on:			
- Loans and advances to customers	**(63,164)**	(59,729)	5.75
- Others	**(3,616)**	(781)	363.00
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

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change
	2018 (Unaudited)	2017 (Unaudited)	(%)
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	N/A
Re-measurements of post-employment benefit obligations	**(178)**	374	(147.59)
Others	**(5)**	-	
Subtotal	**(216)**	374	(157.75)
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	N/A
Income tax impact relating to debt instruments measured at fair value through other comprehensive income	**(4,849)**	N/A	N/A
Losses of available-for-sale financial assets arising during the period	**N/A**	(24,044)	N/A
Income tax impact relating to available-for-sale financial assets	**N/A**	5,949	N/A
Reclassification adjustments included in profit or loss	**(263)**	2,456	(110.71)
Net (loss)/gain on cash flow hedges	**(342)**	173	(297.69)
Exchange difference on translating foreign operations	**(550)**	(1,733)	(68.26)
Subtotal	**13,819**	(17,199)	(180.35)
Other comprehensive income for the period, net of tax	**13,603**	(16,825)	(180.85)

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change
	2018 (Unaudited)	2017 (Unaudited)	(%)
Total comprehensive income for the period	**161,068**	122,184	31.82
Net profit attributable to:			
Equity shareholders of the Bank	**147,027**	138,339	6.28
Non-controlling interests	**438**	670	(34.63)
	147,465	139,009	6.08
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**160,572**	121,448	32.21
Non-controlling interests	**496**	736	(32.61)
	161,068	122,184	31.82
Basic and diluted earnings per share (in RMB Yuan)	**0.59**	0.55	7.27

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	Change (%)
Assets:			
Cash and deposits with central banks	**2,674,845**	2,988,256	(10.49)
Deposits with banks and non-bank financial institutions	**465,900**	175,005	166.22
Precious metals	**83,038**	157,036	(47.12)
Placements with banks and non-bank financial institutions	**333,942**	325,233	2.68
Positive fair value of derivatives	**48,723**	82,980	(41.28)
Financial assets held under resale agreements	**394,863**	208,360	89.51
Interest receivable	**123,468**	116,993	5.53
Loans and advances to customers	**13,068,482**	12,574,473	3.93
Financial investments			
Financial assets measured at fair value through profit or loss	**679,900**	578,436	17.54
Financial assets measured at amortised cost	**3,245,096**	N/A	N/A
Financial assets measured at fair value through other comprehensive income	**1,320,847**	N/A	N/A
Available-for-sale financial assets	**N/A**	1,550,680	N/A
Held-to-maturity investments	**N/A**	2,586,722	N/A
Investments classified as receivables	**N/A**	465,810	N/A
Interests in associates and joint ventures	**7,533**	7,067	6.59
Fixed assets	**166,721**	169,679	(1.74)
Land use rights	**14,270**	14,545	(1.89)
Intangible assets	**2,622**	2,752	(4.72)
Goodwill	**2,687**	2,751	(2.33)
Deferred tax assets	**56,165**	46,189	21.60
Other assets	**116,080**	71,416	62.54
Total assets	**22,805,182**	22,124,383	3.08

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	Change (%)
Liabilities:			
Borrowings from central banks	**446,557**	547,287	(18.41)
Deposits from banks and non-bank financial institutions	**1,271,631**	1,336,995	(4.89)
Placements from banks and non-bank financial institutions	**436,546**	383,639	13.79
Financial liabilities measured at fair value through profit or loss	**405,401**	414,148	(2.11)
Negative fair value of derivatives	**47,433**	79,867	(40.61)
Financial assets sold under repurchase agreements	**48,605**	74,279	(34.56)
Deposits from customers	**16,965,489**	16,363,754	3.68
Accrued staff costs	**28,665**	32,632	(12.16)
Taxes payable	**49,830**	54,106	(7.90)
Interest payable	**189,266**	199,588	(5.17)
Provisions	**36,352**	10,581	243.56
Debt securities issued	**683,467**	596,526	14.57
Deferred tax liabilities	**526**	389	35.22
Other liabilities	**330,837**	234,765	40.92
Total liabilities	**20,940,605**	20,328,556	3.01
Equity:			
Share capital	**250,011**	250,011	-
Other equity instruments			
Preference Shares	**79,636**	79,636	-
Capital reserve	**134,537**	135,225	(0.51)
Investment revaluation reserve	**-**	(26,004)	(100.00)
Other comprehensive income	**(6,054)**	-	
Surplus reserve	**198,613**	198,613	-
General reserve	**260,198**	259,680	0.20
Retained earnings	**931,325**	886,921	5.01
Exchange reserve	**-**	(4,322)	(100.00)
Total equity attributable to equity shareholders of the Bank	**1,848,266**	1,779,760	3.85
Non-controlling interests	**16,311**	16,067	1.52
Total equity	**1,864,577**	1,795,827	3.83
Total liabilities and equity	**22,805,182**	22,124,383	3.08

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)										
	Attributable to equity shareholders of the Bank										
	Share capital	**Other equity instruments -preference shares**	**Capital reserve**	**Investment revaluation reserve**	**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	**-**	**-**	**(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)**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)										
	Attributable to equity shareholders of the Bank										
	Share capital	Other equity instruments -preference shares	Capital reserve	Investment revaluation reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
(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**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

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

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	(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

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	(Audited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments -preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
(3) Profit distribution										
i Appropriation to surplus reserve	-	-	-	-	23,168	-	(23,168)	-	-	-
ii Appropriation to general reserve	-	-	-	-	-	48,487	(48,487)	-	-	-
iii Appropriation to ordinary shareholders	-	-	-	-	-	-	(69,503)	-	-	(69,503)
iv Dividends paid to preference shareholders	-	-	-	-	-	-	(1,045)	-	-	(1,045)
v Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(117)	(117)
As at 31 December 2017	250,011	79,636	135,225	(26,004)	198,613	259,680	886,921	(4,322)	16,067	1,795,827

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	**181,420**	172,093
Adjustments for:		
-Impairment losses	**66,780**	60,510
-Depreciation and amortisation	**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	**(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	**(3,119)**	1,632
-Net gain on disposal of fixed assets and other long-term assets	**(69)**	(113)
	255,854	236,822

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities (continued)		
Changes in operating assets:		
Net decrease in deposits with central banks and with banks and non-bank financial institutions	**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)

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Cash flows from investing activities		
Proceeds from sale and redemption of 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 investment securities	**(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
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

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
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	**571,339**	599,124
Cash and cash equivalents as at 30 June	**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)

Notes:

(1) Except for the new or revised IFRSs and Interpretations effective for the year ended 30 June 2018 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2017.

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

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

(4) Net 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)

(5) 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

(6) 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.

(7) 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

(8) Derivatives and hedge accounting

① Analysed by type of contract

	Note	**30 June 2018**			31 December 2017		
		Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	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.

(8) Derivatives and hedge accounting (continued)

③ Hedge accounting

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

	30 June 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 fair value through other comprehensive income, certificates of deposit issued, deposits from customers and non-bank financial institutions, and loans and advances to customers arising from changes in interest rates and exchange rates.

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

	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.

(8) Derivatives and hedge accounting (continued)

(3) Hedge accounting (continued)

(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 for the six months ended 30 June 2018.

(9) 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

(10) Commitments and contingent liabilities

① Credit commitments

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

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

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

	30 June 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

(10) Commitments and contingent liabilities (continued)

② Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the 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

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

(10) Commitments and contingent liabilities (continued)

④ Capital commitments

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

	30 June 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. The Group considers that the provisions made are reasonable and adequate.

⑧ Provision against commitments and contingent liabilities

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

(11) Operating segments

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

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

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

① Geographical segments

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

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

(11) Operating segments (continued)

① Geographical segments (continued)

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

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

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

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

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

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

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

(11) Operating segments (continued)

① Geographical segments (continued)

	Six months ended 30 June 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**

(11) Operating segments (continued)

① Geographical segments (continued)

	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
	Six months ended 30 June 2017								
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

(11) Operating segments (continued)

② Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

(11) Operating segments (continued)

② Business segments (continued)

	Six months ended 30 June 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 (losses)/gains	(104)	(53)	2,506	5,563	7,912
Dividend income	-	-	-	412	412
Net (losses)/gains arising from investment securities	(1,966)	(1,944)	7,251	(222)	3,119
Net (losses)/gains 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

11 Operating segments (continued)

② Business segments (continued)

	Six months ended 30 June 2017				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	74,962	45,631	85,334	11,927	217,854
Internal net interest income/(expenses)	32,513	40,090	(70,550)	(2,053)	-
Net interest income	107,475	85,721	14,784	9,874	217,854
Net fee and commission income	18,612	33,708	13,151	2,609	68,080
Net trading (losses)/gains	(3,149)	(207)	5,851	347	2,842
Dividend income	-	-	-	980	980
Net (losses)/gains arising from investment securities	-	-	(1,759)	127	(1,632)
Other operating (expenses)/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					
Elimination					46,189
					(267,614)
Total assets					22,124,383
Segment liabilities	10,072,832	7,502,694	900,534	2,119,721	20,595,781
Deferred tax liabilities					389
Elimination					(267,614)
Total liabilities					20,328,556
Off-balance sheet credit commitments	2,016,432	761,613	-	251,127	3,029,172

3 Unaudited supplementary financial information

(1) 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%.

(2) 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

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

- investments in property and equipment, net of accumulated depreciation;

- capital and statutory reserves of overseas branches; and

- investments in overseas subsidiaries and related companies.

(3) International claims

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

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

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

	30 June 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

(4) 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.

4 MANAGEMENT DISCUSSION & ANALYSIS

4.1 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 monetary market 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, China's 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.

4.1.1 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 following: 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 on assets. The impairment losses 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 investment gain 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 investment gains.

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.

	Six months ended 30 June 2018			Six months ended 30 June 2017		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	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)	NA	NA
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 and valuation gains on foreign exchange derivative transactions.

Operating expenses

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

(In millions of RMB, except percentages)	**Six months ended 30 June 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	NA
Financial assets at fair value through other comprehensive income	(387)	NA
Available-for-sale debt securities	NA	282
Held-to-maturity investments	NA	12
Investment classified as receivables	NA	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.

4.1.2 Statement of Financial Position Analysis

Assets

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

(In millions of RMB, except percentages)	As at 30 June 2018		As at 31 December 2017	
	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	NA	NA
Financial assets at fair value through other comprehensive income	1,320,847	5.79	NA	NA
Held-to-maturity investments	NA	NA	2,586,722	11.69
Available-for-sale financial assets	NA	NA	1,550,680	7.01
Investment classified as receivables	NA	NA	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. Discrepancies between the book values as at 1 January 2018 and 31 December 2017 are due to the implementation of the new financial instruments standard.

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%. Total 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.

(In millions of RMB, except percentages)	As at 30 June 2018		As at 31 December 2017	
	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 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 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 were RMB109,582 million, a decrease of RMB12,913 million or 10.54% over the end of last year, mainly due to the decrease in bill issuance 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.

(In millions of RMB, except percentages)	**As at 30 June 2018**		**As at 31 December 2017**	
	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

(In millions of RMB)	Six months ended 30 June 2018			
	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
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 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.

Financial investments

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

(In millions of RMB, except percentages)	As at 30 June 2018		As at 31 December 2017	
	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.

(In millions of RMB, except percentages)	As at 30 June 2018		As at 31 December 2017	
	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.

(In millions of RMB, except percentages)	As at 30 June 2018		As at 31 December 2017	
	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

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.

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.

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 decreased 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 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*.

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 were 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. 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.

4.1.3 Loan Quality Analysis

Distribution of loans by five-category classification

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

(In millions of RMB, except percentages)	As at 30 June 2018		As at 31 December 2017	
	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.

(In millions of RMB, except percentages)	As at 30 June 2018			As at 31 December 2017		
	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.

(In millions of RMB, except percentages)	As at 30 June 2018				As at 31 December 2017			
	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.

4.1.4 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.

4.1.5 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.

4.2 BUSINESS REVIEW

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

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

(In millions of RMB, except percentages)	Six months ended 30 June 2018		Six months ended 30 June 2017	
	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.

4.2.1 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 Ministry of Finance 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.

4.2.2 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.

4.2.3 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.

4.2.4 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 profit in the first half of 2018 was negative 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.

4.2.5 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.

4.2.6 Analysed by Geographical Segments

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

(In millions of RMB, except percentages)	Six months ended 30 June 2018		Six months ended 30 June 2017	
	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:

(In millions of RMB, except percentages)	As at 30 June 2018		As at 31 December 2017	
	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				As at 31 December 2017			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	2,380,964	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		As at 31 December 2017	
	Amount	% of total	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

4.3 CAPITAL MANAGEMENT

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

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.

4.3.1 Capital Adequacy Ratios

Scope for calculating capital adequacy ratios

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

Capital adequacy ratios

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.

(In millions of RMB, except percentages)	**As at 30 June 2018**		**As at 31 December 2017**	
	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**

4.3.2 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
Derivative assets	**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.

4.4 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 might 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 housing 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.

5 MAJOR ISSUES

5.1 CORPORATE GOVERNANCE

The Bank is committed to a high standard of corporate governance. In strict compliance with the Company Law of the People's Republic of China, the Law of the People's Republic of China on Commercial Banks and other laws and regulations, 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.

5.2 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 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 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.

5.3 PURCHASE, SALE AND REDEMPTION OF SHARES

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

5.4 DIRECTORS AND SUPERVISORS' SECURITIES TRANSACTIONS

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

5.5 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

5.6 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.

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Wang Zuji

Vice chairman, executive director and president

28 August 2018

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