ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398
USD Preference Shares Stock Code: 4603
EUR Preference Shares Stock Code: 4604
RMB Preference Shares Stock Code: 84602

Annual Report 2018

Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to 7,033 thousand corporate customers and 607 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of promoting inclusive finance, supporting targeted poverty relief, protecting environment and resources and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the strategy of mega retail, mega asset management, mega investment banking as well as international and comprehensive development, and actively embraces the internet. The Bank unswervingly delivers specialized services, and pioneers a specialized business model, thus making it "a craftsman in large banking".

The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, ranked 1st place in the Global 2000 listed by *Forbes* and topped the sub-list of commercial banks of the Global 500 in *Fortune* for the sixth consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the third consecutive year.

CONTENTS

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the former CBRC in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
CIC	China Investment Corporation
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
Former CBRC	Former China Banking Regulatory Commission
Global Systemically Important Banks	Banks undertaking key functions with global features in the financial markets as released by the Financial Stability Board
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Austria)	ICBC Austria Bank GmbH
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
MOF	Ministry of Finance of the People's Republic of China
New Financial Instrument Standards	International Financial Reporting Standard 9 — Financial Instruments that was promulgated by International Accounting Standards Board and became effective on 1 January 2018 as well as Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 — Hedging and Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments that were promulgated by MOF and became effective on 1 January 2018

New Rules on Asset Management	The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly promulgated by PBC, CBIRC, CSRC and State Administration of Foreign Exchange in 2018 and relevant rules
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by MOF
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
The Bank/The Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2018 Annual Report of the Bank and its abstract have been considered and approved at the meeting of the Board of Directors of the Bank held on 28 March 2019. All directors of the Bank attended the meeting.

The 2018 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors' reports being issued.

The Board of Directors of the Bank proposed distributing cash dividends for ordinary shares of RMB2.506 (pre-tax) for each ten shares for 2018. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2018. The Bank did not convert capital reserve to share capital.

The Board of Directors of Industrial and Commercial Bank of China Limited

28 March 2019

Mr. Gu Shu, Vice Chairman, President and President in charge of finance of the Bank, and Mr. Zhang Wenwu, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in the Annual Report are authentic, accurate and complete.

The report contains forward-looking statements on the Bank's financial position, business performance and development. The statements are based on existing plans, estimates and forecasts, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

The Bank is primarily exposed to credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

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

Corporate Information

Legal name in Chinese
中國工商銀行股份有限公司 (“中國工商銀行”)

Legal name in English
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Registered address and office address
55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100140
Telephone: 86-10-66106114
Business enquiry and complaint hotline: 86-95588
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong
33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives
Gu Shu and Guan Xueqing

Board Secretary and Company Secretary
Guan Xueqing
Address: 55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
E-mail: ir@icbc.com.cn

Selected media for information disclosure
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publication of the annual report in respect of A shares
www.sse.com.cn

The “HKEXnews” website of SEHK for publication of the annual report in respect of H shares
www.hkexnews.hk

Legal advisors
Mainland China
King & Wood Mallesons
17–18/F, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Haiwen & Partners
20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong, China
Allen & Overy
9/F, Three Exchange Square, Central, Hong Kong

Linklaters
10/F, Alexandra House, Chater Road, Central, Hong Kong

Share Registrars
A Share
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
3/F China Insurance Building, 166 Lujiazui Dong Road, Pudong New Area, Shanghai, China
Telephone: 86-4008058058

H Share
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong
Telephone: 852-28628555
Facsimile: 852-28650990

Location where copies of this annual report are kept
Board of Directors’ Office of the Bank

Place where shares are listed, and their names and codes
A Share
Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Offshore Preference Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC USDPREF1
Stock code: 4603

Stock name: ICBC EURPREF1
Stock code: 4604

Stock name: ICBC CNHPREF1-R
Stock code: 84602

Domestic Preference Share
Shanghai Stock Exchange
Stock name: 工行優1
Stock code: 360011

Name and office address of auditors
Domestic auditors
KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang’an Avenue, Dongcheng District, Beijing, China
CPAs (Practicing): Li Li and He Qi

International auditors
KPMG
8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong

Financial Highlights

(Financial data and indicators in this annual report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	2018	2017	2016	2015	2014
Annual operating results (in RMB millions)					
Net interest income	572,518	522,078	471,846	507,867	493,522
Net fee and commission income	145,301	139,625	144,973	143,391	132,497
Operating income	725,121	675,654	641,681	668,733	634,858
Operating expenses	194,203	186,194	193,112	220,835	218,674
Impairment losses	161,594	127,769	87,894	86,993	56,729
Operating profit	369,324	361,691	360,675	360,905	359,455
Profit before taxation	372,413	364,641	363,279	363,235	361,612
Net profit	298,723	287,451	279,106	277,720	276,286
Net profit attributable to equity holders of the parent company	297,676	286,049	278,249	277,131	275,811
Net cash flows from operating activities	724,133	770,864	239,221	1,131,764	201,457
As at the end of reporting period (in RMB millions)					
Total assets	27,699,540	26,087,043	24,137,265	22,209,780	20,609,953
Total loans and advances to customers	15,419,905	14,233,448	13,056,846	11,933,466	11,026,331
Allowance for impairment losses on loans(1)	413,177	340,482	289,512	280,654	257,581
Investment	6,754,692	5,756,704	5,481,174	5,009,963	4,433,237
Total liabilities	25,354,657	23,945,987	22,156,102	20,409,261	19,072,649
Due to customers	21,408,934	19,562,936	18,113,931	16,514,992	16,086,368
Due to banks and other financial institutions	1,814,495	1,706,549	2,016,799	2,265,860	1,539,239
Equity attributable to equity holders of the parent company	2,330,001	2,127,491	1,969,751	1,789,474	1,530,859
Share capital	356,407	356,407	356,407	356,407	353,495
Net core tier 1 capital(2)	2,232,033	2,030,108	1,874,976	1,701,495	1,486,733
Net tier 1 capital(2)	2,312,143	2,110,060	1,954,770	1,781,062	1,521,233
Net capital base(2)	2,644,885	2,406,920	2,127,462	2,012,103	1,812,137
Risk-weighted assets(2)	17,190,992	15,902,801	14,564,617	13,216,687	12,475,939
Per share data (in RMB yuan)					
Net asset value per share(3)	6.30	5.73	5.29	4.80	4.23
Basic earnings per share	0.82	0.79	0.77	0.77	0.78
Diluted earnings per share	0.82	0.79	0.77	0.77	0.78
Credit rating					
S&P(4)	A	A	A	A	A
Moody's(4)	A1	A1	A1	A1	A1

Notes: (1) Calculated by adding impairment losses of loans and advances to customers measured at amortised cost with impairment losses of loans and advances to customers measured at fair value through other comprehensive income.

(2) Calculated in accordance with the Capital Regulation.

(3) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(4) The rating results are in the form of "long-term foreign currency deposits rating".

Financial Indicators

	2018	2017	2016	2015	2014
Profitability (%)					
Return on average total assets[1]	1.11	1.14	1.20	1.30	1.40
Return on weighted average equity[2]	13.79	14.35	15.24	17.10	19.96
Net interest spread[3]	2.16	2.10	2.02	2.30	2.46
Net interest margin[4]	2.30	2.22	2.16	2.47	2.66
Return on risk-weighted assets[5]	1.81	1.89	2.01	2.16	2.26
Ratio of net fee and commission income to operating income	20.04	20.67	22.59	21.44	20.87
Cost-to-income ratio[6]	25.71	26.45	27.40	26.69	27.93
Asset quality (%)					
Non-performing loans ("NPLs") ratio[7]	1.52	1.55	1.62	1.50	1.13
Allowance to NPLs[8]	175.76	154.07	136.69	156.34	206.90
Allowance to total loans ratio[9]	2.68	2.39	2.22	2.35	2.34
Capital adequacy (%)					
Core tier 1 capital adequacy ratio[10]	12.98	12.77	12.87	12.87	11.92
Tier 1 capital adequacy ratio[10]	13.45	13.27	13.42	13.48	12.19
Capital adequacy ratio[10]	15.39	15.14	14.61	15.22	14.53
Total equity to total assets ratio	8.47	8.21	8.21	8.11	7.46
Risk-weighted assets to total assets ratio	62.06	60.96	60.34	59.51	60.53

Notes: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

(5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

(7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.

(9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.

(10) Calculated in accordance with the Capital Regulation.

Quarterly Financial Data

	2018				2017			
(In RMB millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating income	183,185	178,117	178,578	185,241	168,186	168,553	169,526	169,389
Net profit attributable to equity holders of the parent company	78,802	81,640	79,185	58,049	75,786	77,209	75,004	58,050
Net cash flows from operating activities	62,160	124,372	696,370	(158,769)	109,306	237,236	370,254	54,068

President **Gu Shu**

The year 2018 marked the 40th anniversary of China's reform and opening-up. In retrospect from this significant juncture in history, we feel honored to have taken part in and witnessed the great reform practice. In 2018, ICBC stayed focused, stimulated vitality and pooled efforts to deliver its annual results marked with high-quality development and steady progress in its new journey towards being a world-class and modern financial enterprise with global competitiveness.

Our overall operation and fundamentals were "stable", especially our profitability, quality and risk control constituted a "multi-stable" prospect. In terms of profitability, the Group recorded RMB298.7 billion in net profit, representing an increase of 3.9% from the previous year. Profit before provision was RMB534.0 billion, representing an increase of 8.4%. Net interest margin (NIM) rose by 8 basis points to 2.30% from the previous year, a major contributing factor to profit growth. In terms of quality, the Bank continued to enhance asset quality through the implementation of the "Consolidate the Foundation" program. Our balance sheet has become cleaner, and our ability to serve the real economy has become more sustainable. The Bank recovered and disposed of RMB226.5 billion of non-performing loans (NPLs), an increase of RMB33.8 billion from the previous year. The NPL ratio dropped 0.03 percentage points to 1.52% from the end of the previous year, falling for 8 consecutive quarters. The "scissors difference" between overdue loans and NPLs fell for three consecutive years and it dropped by 46% in 2018. Allowance to NPLs rose to over 175%. In terms of risk control, we have acquired a deeper understanding of the characteristics and nature of risks as they evolve. With the goal of "clear vision, thorough understanding and good management", we have built a risk control system that allows for lifecycle management of a full spectrum of risks across the entire market, which in turn ensures that each type of risks overall is within a manageable level and forges a healthier operation structure.

We stepped "forward" by further improving and enhancing our financial services for the real economy. We established a new mechanism for the integrated development of investment and financing, coordinated increment and stock, credit and non-credit as well as financing and intelligence, which led to the activation of the vitality and efficiency of all key financial elements. In 2018, aggregate new financing reached nearly RMB4 trillion, including new RMB loans of RMB1.16 trillion, re-lending after collections of RMB1.96 trillion, and new bond investment and other non-credit financing of RMB840.0 billion. We provided targeted support to private enterprises and small and micro enterprises as breakthrough points for promoting the spread of the monetary policy and implementing the principle of "Six Stabilities". We upheld the development philosophy of "ICBC has no future without serving small and micro enterprises" and the principle of equal credit. We reinforced our policy on "dare to lend, willing to lend, able to lend and good at lending", and extended our credit to private enterprises and small and macro enterprises at fair prices and terms, so that hard-working entrepreneurs may experience a real sense of fulfillment. New loans to private enterprises reached RMB113.7 billion, and inclusive finance loans grew more than twice as fast as the average of all loans, demonstrating the Bank's leading role in providing enterprises with accessible and affordable financing. In addition, in alignment with the requirements of high-quality economic development, the Bank continued to improve on the allocations of financial resources and nourished the real economy through "targeted irrigation" by focusing on areas such as major national infrastructure, development of advanced manufacturing, a shift to new growth drivers, enhancement of domestic consumption and cooperation under the Belt and Road Initiative.

We could "maintain stability while making progress", as we insisted on reform and innovation as well as transformation and development. Based on the new-era concept of "serving the broadest customer base", we endeavored to build a more open and more inclusive customer base. Following the addition of 40.00 million new personal customers in the year, which represented the strongest growth in recent years, the Bank's total number of personal customers exceeds 0.6 billion. The total number of users on our online platforms exceeds 0.4 billion. Owing to the continuous expansion of our customer base and the ongoing improvement of the services we provide, the Bank's general deposits increased by RMB1.45 trillion, the best level in nearly a decade. Our strategy on mega retail began to reap rewards, as shown by the stronger revenue contribution and an increase in the market competitiveness in the sector. Asset management and investment banking transformed steadily amid the implementation of the New Rules on Asset Management. As the key battle of last year's innovation, we upheld an ICBC outlook on FinTech development, reformed the technology system, launched the IT architecture upgrading project and pursued smart banking across the board. From setting sail to bravely forging ahead, we have become a "main force" in the FinTech arena. We pursued coordinated reforms in areas such as credit system and mechanism, enhancing city branches' competitiveness, integrated marketing service system, differentiated performance assessment, network mapping and improvements of human resources, so as to enhance connectivity and unleash dividend and vitality across the Bank.

In the past year, we acquired a deeper understanding of and further applied the Bank's governance philosophies and methodologies as we forged ahead against all odds. That is, **we must remain guided by our strategy.** The larger the vessel, the greater the winds and waves it will experience, and the more it will have to give full play to the role of strategy as the "bellwether", enshrine our new vision to guide us in the pursuit of our common values across the Bank, and unify our operation activities with the new strategy, in order to get through the "last mile" to fulfill our strategy and reach our goal without distractions.

We must abide by the rules of commercial banking. Banking requires a high level of professionalism. It is our cardinal principle to stand in awe of, respect and comply with its rules. We continuously refresh our knowledge and further our understanding of the nature and laws of finance. In managing the relationships between assets and liabilities, scale and price, size and structure, market and risk, centralization and decentralization, inheritance and innovation, strategy and tactics, and others, we have struck a balance. We have made changes while following the rules, sought development without rash advance, forestalled systemic risks without being too conservative, and sailed through the trends without being led by them.

We must stay on the track of reform and innovation. The best celebration of the 40th anniversary of China's reform and opening-up is to address our own challenges by learning from past experience, to seek truth from facts while freeing our minds and to keep moving forward non-stop with reform and innovation. To make steady, prudent yet innovative reform will be the indispensable pillars of ICBC. We look downwards and inwards. We combine top-level design with grass-roots exploration, specially targeted breakthroughs with overall advancement, individual strike with concerted action, and temporary fixes with permanent solutions. The reform and innovation we have undertaken enable us to develop on all fronts.

We must adhere to the principle of "people-orientation". The Bank's two most gratifying changes are the quality of management and the team morale. We are committed to choosing and using the right people and managing them well. We have upheld the "fighter + doer" culture, fostered a healthy atmosphere of integrity and forged ahead boldly to ensure that ICBC rises to the forefront.

In January 2019, Mr. Yi Huiman resigned from the positions of Chairman of the Board of Directors and Executive Director due to a change in job assignments. Mr. Yi Huiman has outstanding strategic and dialectic mindset. With keen financial insights, diligence and dedication, he has led and steered the Bank amid significant changes in the market to a steady growth of quality, and exemplified how a leading bank should act at home and abroad. On behalf of the Board of Directors of the Bank, I would like to express my sincere gratitude to Mr. Yi Huiman for his outstanding contribution during his term of office. There were other significant changes to the Board of Directors, the Board of Supervisors and other members of the Bank's senior management last year. Their hard work and contributions during their terms of office are greatly appreciated.

In 2019, banks will see a more complex operating environment and a higher level of uncertainties, and may face another period of challenges since the new economic normal. ICBC is now sailing against stronger currents in the middle reaches, where it becomes increasingly difficult to advance, and where we have no choice but to advance. Banks are born to deal with risks. We will maintain strategic resolve, take bold steps in a clear direction, strive to identify opportunities for growth in adversities, find certainty among uncertainties, and create opportunities in addressing risks and challenges.

President: Gu Shu

28 March 2019

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

In 2018, affected by tightened global monetary policy, intensified trade friction, Brexit and geopolitical risks, the momentum for global economic recovery faded, and the internal recovery of developed and emerging market economies diverged. The US economic growth rate approached a staged high, and the growth of the Eurozone and Japan slowed down. The international financial market continued to fluctuate, with the slight appreciation of USD and YEN, and the decline of EUR, emerging market currencies, global stock markets, and the prices of crude oil and gold to varying degrees.

In 2018, China's economic performance remained within a reasonable range. China's gross domestic product (GDP), consumer price index, retail sales of consumer goods, fixed asset investment, industrial added value of above-scale enterprises, and total imports and exports rose by 6.6%, 2.1%, 9.0%, 5.9%, 6.2% and 9.7% respectively.

The PBC implemented a prudent monetary policy. Through targeted reduction of required reserve ratio and increased re-lending and rediscounting quotas, more support was given to the real economy. Credit financing support policies for private enterprises and small and micro enterprises were introduced, and bond-financing-backed instruments were launched for private enterprises. The New Rules on Asset Management and guidelines for regulation of systemically important financial institutions were released. Moreover, innovative capital replenishment instruments such as undated additional tier 1 capital bonds were introduced, to promote the standardized and innovative development of financial market.

Both monetary credit and social financing maintained a stable growth. At the end of 2018, the balance of M2 was RMB182.67 trillion, up 8.1% year-on-year. The outstanding RMB loans reached RMB136.30 trillion, increasing by 13.5% year-on-year. The balance of RMB deposits amounted to RMB177.52 trillion, up 8.2% from the previous year. The existing social financing scale size stood at RMB200.75 trillion, a year-on-year increase of 9.8%. Major stock indexes declined in volatile trading, with a decrease of 24.6% and 34.4% in the Shanghai Composite Index and the Shenzhen Component Index respectively. The total issuance amount of various bonds in the bond market came in at RMB43.1 trillion, up 7.5%. The issuance rate of bond market dropped significantly, and the bond yield curve presented an overall downward trend. At the end of 2018, the central parity of RMB against the US dollar was RMB6.8632, a depreciation of 4.8% from the end of last year.

The asset scale of the Chinese banking sector grew steadily, with the quality of credit assets remaining stable overall. At the end of 2018, the total assets of financial institutions in China's banking sector were RMB268.24 trillion, up 6.27%. The balance of NPLs of commercial banks reached RMB2.03 trillion, with a NPL ratio of 1.83% and allowance to NPLs of 186.31%. Besides, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 11.03%, 11.58% and 14.20% respectively.

Looking forward to 2019, the global economy will be exposed to more downside risks, and the international financial market is likely to show an aggravated fluctuation. Under the influence of countercyclical adjustment of macroeconomic policy and other factors, China's economic performance will remain within a reasonable range. A proactive fiscal policy would increase effectiveness, and a larger scale of tax cut and fee reductions would be implemented. The fiscal expenditure structure would be further adjusted and optimized. A moderately sound monetary policy, while maintaining a reasonable and sufficient liquidity, would facilitate structural optimization and better serve the real economy. Supply-side structural reform would adopt more market-oriented and rule-of-law means to continuously optimize economic structure, and hence the employment situation would be further improved.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In 2018, the Bank continued to enhance its service capability for the real economy, consolidated the foundation of operation and management, optimized its profitability structure and intensified its risk precaution and control ability, achieving stability in both benefits and quality. In 2018, the Bank realized a net profit of RMB298,723 million, representing an increase of RMB11,272 million or 3.9% as compared to the previous year. Return on average total assets stood at 1.11%, and return on weighted average equity was 13.79%. Operating income amounted to RMB725,121 million, representing an increase of 7.3%, of which, due to the increase in interest-generating assets and net interest margin, net interest income grew by 9.7% to RMB572,518 million; non-interest income was RMB152,603 million, down by 0.6%. Operating expenses amounted to RMB194,203 million, representing an increase of 4.3%, and the cost-to-income ratio was 25.71%. Allowance for impairment losses was RMB161,594 million, representing an increase of 26.5%. Income tax expense reduced by 4.5% to RMB73,690 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2018	2017	Increase/ (decrease)	Growth rate (%)
Net interest income	572,518	522,078	50,440	9.7
Non-interest income	152,603	153,576	(973)	(0.6)
Operating income	725,121	675,654	49,467	7.3
Less: Operating expenses	194,203	186,194	8,009	4.3
Less: Impairment losses	161,594	127,769	33,825	26.5
Operating profit	369,324	361,691	7,633	2.1
Shares of profits of associates and joint ventures	3,089	2,950	139	4.7
Profit before taxation	372,413	364,641	7,772	2.1
Less: Income tax expense	73,690	77,190	(3,500)	(4.5)
Net profit	298,723	287,451	11,272	3.9
Attributable to: Equity holders of the parent company	297,676	286,049	11,627	4.1
Non-controlling interests	1,047	1,402	(355)	(25.3)

Net Interest Income

In 2018, net interest income was RMB572,518 million, RMB50,440 million or 9.7% higher than that of last year, accounting for 79.0% of the Bank's operating income. Interest income grew by RMB86,500 million or 10.0% to RMB948,094 million and interest expenses increased by RMB36,060 million or 10.6% to RMB375,576 million. Net interest spread and net interest margin came at 2.16% and 2.30%, 6 basis points and 8 basis points higher than those of the previous year, respectively.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	2018			2017		
	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Loans and advances to customers	14,600,596	640,031	4.38	13,535,464	572,688	4.23
Investment	5,483,420	200,157	3.65	5,135,606	185,181	3.61
Due from central banks(2)	3,155,407	49,246	1.56	3,142,370	48,335	1.54
Due from banks and other financial institutions(3)	1,628,820	58,660	3.60	1,651,391	55,390	3.35
Total interest-generating assets	**24,868,243**	**948,094**	**3.81**	**23,464,831**	**861,594**	**3.67**
Non-interest-generating assets	2,211,163			1,788,680		
Allowance for impairment losses	(387,490)			(322,769)		
Total assets	**26,691,916**			**24,930,742**		
Liabilities						
Deposits	19,317,269	280,212	1.45	18,335,825	260,956	1.42
Due to banks and other financial institutions(3)	2,668,229	64,991	2.44	2,668,436	58,418	2.19
Debt securities issued	845,347	30,373	3.59	613,804	20,142	3.28
Total interest-bearing liabilities	**22,830,845**	**375,576**	**1.65**	**21,618,065**	**339,516**	**1.57**
Non-interest-bearing liabilities	1,729,863			1,461,336		
Total liabilities	**24,560,708**			**23,079,401**		
Net Interest Income		**572,518**			**522,078**	
Net interest spread			**2.16**			**2.10**
Net interest margin			**2.30**			**2.22**

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the year and at the end of the year.

(2) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between 2018 and 2017		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	47,040	20,303	67,343
Investment	12,922	2,054	14,976
Due from central banks	283	628	911
Due from banks and other financial institutions	(858)	4,128	3,270
Changes in interest income	**59,387**	**27,113**	**86,500**
Liabilities			
Deposits	13,755	5,501	19,256
Due to banks and other financial institutions	(98)	6,671	6,573
Debt securities issued	8,328	1,903	10,231
Changes in interest expenses	**21,985**	**14,075**	**36,060**
Changes in net interest income	**37,402**	**13,038**	**50,440**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB640,031 million, RMB67,343 million or 11.8% higher as compared to that of last year, as affected by the increase in the size of loans and advances to customers and the increase in the average yield of loans and advances to customers by 15 basis points.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	2018			2017		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,334,008	135,948	4.08	3,632,235	137,050	3.77
Medium to long-term loans	11,266,588	504,083	4.47	9,903,229	435,638	4.40
Total loans and advances to customers	**14,600,596**	**640,031**	**4.38**	**13,535,464**	**572,688**	**4.23**

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	2018			2017		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	8,019,984	356,176	4.44	7,589,729	331,081	4.36
Discounted bills	312,438	14,493	4.64	418,935	16,503	3.94
Personal loans	4,891,776	214,317	4.38	4,230,587	182,589	4.32
Overseas business	1,376,398	55,045	4.00	1,296,213	42,515	3.28
Total loans and advances to customers	**14,600,596**	**640,031**	**4.38**	**13,535,464**	**572,688**	**4.23**

◆ *Interest Income on Investment*

Interest income on investment amounted to RMB200,157 million, representing an increase of RMB14,976 million or 8.1% as compared to that of last year, mainly due to the Bank's moderate increase in investment and the increase in the average yield of investment by 4 basis points.

◆ *Interest Income on Due from Central Banks*

Interest income on due from central banks was RMB49,246 million, recording an increase of RMB911 million or 1.9% as compared to that of last year.

◆ *Interest Income on Due from Banks and Other Financial Institutions*

Interest income on due from banks and other financial institutions was RMB58,660 million, representing an increase of RMB3,270 million or 5.9% as compared to that of last year, principally due to the increase of 25 basis points in the average yield of due from banks and other financial institutions as affected by the product structure adjustment by the Bank in due time based on the trend of interest rates in the market.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB280,212 million, representing an increase of RMB19,256 million or 7.4% over the previous year, principally due to the expansion in the size of due to customers and the increase in the average cost of deposits by 3 basis points.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

	2018			2017		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,286,839	98,625	2.30	4,052,540	90,893	2.24
Demand deposits	5,983,490	42,012	0.70	5,494,567	36,989	0.67
Subtotal	**10,270,329**	**140,637**	**1.37**	**9,547,107**	**127,882**	**1.34**
Personal deposits						
Time deposits	4,488,128	108,872	2.43	4,448,649	108,442	2.44
Demand deposits	3,719,278	14,105	0.38	3,620,245	14,115	0.39
Subtotal	**8,207,406**	**122,977**	**1.50**	**8,068,894**	**122,557**	**1.52**
Overseas business	**839,534**	**16,598**	**1.98**	**719,824**	**10,517**	**1.46**
Total deposits	**19,317,269**	**280,212**	**1.45**	**18,335,825**	**260,956**	**1.42**

◆ *Interest Expense on Due to Banks and Other Financial Institutions*

Interest expense on due to banks and other financial institutions was RMB64,991 million, RMB6,573 million or 11.3% higher over last year, principally attributable to the rise of interest rates in the USD markets during the reporting period and relatively high funds rate in the RMB market in the first half year of 2018, which resulted in the increase of 25 basis points in the average cost of due to banks and other financial institutions.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB30,373 million, indicating an increase of RMB10,231 million or 50.8% over last year, mainly attributable to the increase in the size and average cost of the financial bonds, bills and CDs issued by overseas institutions during the reporting period and the issuance of RMB88.0 billion of tier 2 capital bonds by the Bank in the second half of 2017. Please refer to "Note 35. to the Financial Statements: Debt Securities Issued" for the debt securities issued by the Bank.

Non-interest Income

In 2018, non-interest income was RMB152,603 million, RMB973 million or 0.6% lower than that of last year, accounting for 21.0% of the Bank's operating income. Specifically, net fee and commission income increased by 4.1% to RMB145,301 million, and other non-interest income dropped by 47.7% to RMB7,302 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2018	2017	Increase/ (decrease)	Growth rate (%)
Bank card business	43,719	38,692	5,027	13.0
Settlement, clearing business and cash management	31,785	26,820	4,965	18.5
Personal wealth management and private banking services	27,596	32,846	(5,250)	(16.0)
Investment banking business	24,002	23,189	813	3.5
Corporate wealth management services	14,582	18,984	(4,402)	(23.2)
Guarantee and commitment business	8,861	6,818	2,043	30.0
Asset custody business	7,045	6,731	314	4.7
Trust and agency services	1,959	1,805	154	8.5
Others	2,798	2,781	17	0.6
Fee and commission income	**162,347**	**158,666**	**3,681**	**2.3**
Less: Fee and commission expense	**17,046**	**19,041**	**(1,995)**	**(10.5)**
Net fee and commission income	**145,301**	**139,625**	**5,676**	**4.1**

The Bank proactively responded to the New Rules on Asset Management and other regulatory requirements, focused on serving the real economy and satisfying the financial needs of consumers, and made continuous efforts to promote the transformation and innovation of intermediary services. In 2018, the Bank realized a net fee and commission income of RMB145,301 million, representing an increase of RMB5,676 million or 4.1% over last year. The bank card business income recorded an increase of RMB5,027 million, as benefited by the fast increase in credit card installment service fee and consumption return commission income; income on settlement, clearing business and cash management increased by RMB4,965 million, mainly driven by the rapid growth of third party payment; income on guarantee and commitment business registered an increase of RMB2,043 million, primarily attributable to the fast development of commitment business. The Bank proactively promoted the product transformation based on the New Rules on Asset Management, and meanwhile, as affected by the implementation of VAT for asset management products which started in 2018, income on personal wealth management and corporate wealth management services declined.

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

Item	2018	2017	Increase/ (decrease)	Growth rate (%)
Net trading income	2,846	5,753	(2,907)	(50.5)
Net gain on financial investments	1,345	2,165	(820)	(37.9)
Other operating income, net	3,111	6,033	(2,922)	(48.4)
Total	**7,302**	**13,951**	**(6,649)**	**(47.7)**

Other non-interest related gains amounted to RMB7,302 million, RMB6,649 million or 47.7% lower than that of the previous year. Specifically, the decrease in net trading income was mainly attributable to the increase in losses from derivative contracts; the fall of net gain on financial investments was primarily due to the increase in expected payments to customers resulted from the growth of structured deposits; and the decrease in other net operating income was principally derived from the increase in net loss on exchange and exchange rate products.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2018	2017	Increase/ (decrease)	Growth rate (%)
Staff costs	121,074	114,954	6,120	5.3
Premises and equipment expenses	27,088	27,562	(474)	(1.7)
Taxes and surcharges	7,781	7,465	316	4.2
Amortisation	2,339	2,114	225	10.6
Others	35,921	34,099	1,822	5.3
Total	**194,203**	**186,194**	**8,009**	**4.3**

The Bank continued to strengthen cost control and management. Operating expenses amounted to RMB194,203 million, an increase of RMB8,009 million or 4.3% over last year.

Impairment Losses

In 2018, the Bank set aside an allowance for impairment losses of RMB161,594 million, an increase of RMB33,825 million or 26.5% as compared to that of last year. Specifically, the allowance for impairment losses on loans was RMB147,347 million, indicating an increase of RMB23,251 million or 18.7%. Please refer to "Note 23. to the Financial Statements: Loans and Advances to Customers; Note 14. to the Financial Statements: Impairment Losses" for details.

Income Tax Expense

Income tax expense decreased by RMB3,500 million or 4.5% to RMB73,690 million as compared to the previous year. The effective tax rate stood at 19.79%. Please see "Note 15. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.

Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the MOVA (Management of Value Accounting) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	**725,121**	**100.0**	**675,654**	**100.0**
Corporate banking	353,859	48.8	332,264	49.2
Personal banking	273,490	37.7	247,919	36.7
Treasury operations	92,484	12.8	90,599	13.4
Others	5,288	0.7	4,872	0.7
Profit before taxation	**372,413**	**100.0**	**364,641**	**100.0**
Corporate banking	151,714	40.7	152,873	41.9
Personal banking	144,284	38.7	137,843	37.9
Treasury operations	75,828	20.4	72,713	19.9
Others	587	0.2	1,212	0.3

Note: Please see "Note 50. to the Financial Statements: Segment Information" for details.

Please refer to the section headed "Discussion and Analysis — Business Overview" for details on the development of each of these operating segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	**725,121**	**100.0**	**675,654**	**100.0**
Head Office	86,107	11.9	73,787	10.9
Yangtze River Delta	126,151	17.4	117,132	17.3
Pearl River Delta	94,375	13.0	88,516	13.1
Bohai Rim	136,799	18.7	126,006	18.8
Central China	88,192	12.2	81,341	12.0
Western China	108,518	15.0	100,795	14.9
Northeastern China	27,958	3.9	28,632	4.2
Overseas and others	57,021	7.9	59,445	8.8
Profit before taxation	**372,413**	**100.0**	**364,641**	**100.0**
Head Office	38,506	10.3	47,191	12.9
Yangtze River Delta	77,056	20.7	71,633	19.6
Pearl River Delta	52,131	14.0	47,561	13.0
Bohai Rim	75,483	20.3	66,818	18.3
Central China	36,027	9.7	32,659	9.0
Western China	54,409	14.6	47,694	13.1
Northeastern China	5,562	1.5	10,812	3.0
Overseas and others	33,239	8.9	40,273	11.1

Note: Please see "Note 50. to the Financial Statements: Segment Information" for details.

Balance Sheet Analysis

In 2018, in response to the complicated development trends externally, the Bank adhered to the prudent and steady business strategy based on the macroeconomic policies, sources of funds, performance of the real economy and state of risk control, and promoted the moderate growth and continuous structure optimization of total assets and liabilities. In addition, the Bank made active efforts to support the development of the real economy, appropriately expanded the scale of loan issuance and bond investment, and cemented the foundation for deposit business development, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at the end of 2018, total assets of the Bank amounted to RMB27,699,540 million, RMB1,612,497 million or 6.2% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as "total loans") increased by RMB1,186,457 million or 8.3% to RMB15,419,905 million, investment increased by RMB997,988 million or 17.3% to RMB6,754,692 million, and cash and balances with central banks decreased by RMB241,296 million or 6.7% to RMB3,372,576 million.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

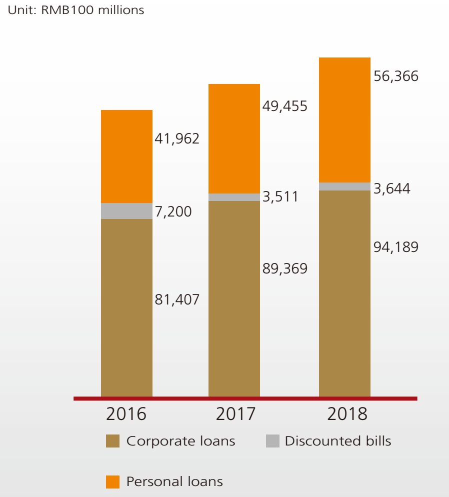
Item	At 31 December 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	15,419,905	—	14,233,448	—
Add: Accrued interest	38,958	—	—	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	412,731	—	340,482	—
Net loans and advances to customers[1]	15,046,132	54.3	13,892,966	53.2
Investment	6,754,692	24.4	5,756,704	22.1
Cash and balances with central banks	3,372,576	12.2	3,613,872	13.9
Due from banks and other financial institutions	962,449	3.5	847,611	3.2
Reverse repurchase agreements	734,049	2.6	986,631	3.8
Others	829,642	3.0	989,259	3.8
Total assets	**27,699,540**	**100.0**	**26,087,043**	**100.0**

Note: (1) Please see "Note 23. to the Financial Statements: Loans and Advances to Customers".

Loan

In 2018, the Bank proactively integrated into the social reform and development, and evidently supported the major areas and key links of the real economy focusing on the supply-side structural reform and replacement of old growth drivers with new ones. As a result, the Bank achieved balanced and orderly credit granting for the whole year and further optimized its credit structure. Moreover, benchmarking to the requirements of high-quality economic development, the Bank further upgraded its financial services for private enterprises and small and micro enterprises, mainly backed the funding demands of the major national infrastructure and supported the rational financing demands of resident households for owner-occupied houses. As at the end of 2018, total loans amounted to RMB15,419,905 million, RMB1,186,457 million or 8.3% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB13,591,421 million, RMB1,160,095 million or 9.3% higher than that at the end of 2017.

Total Loans



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2018 Amount	Percentage (%)	At 31 December 2017 Amount	Percentage (%)
Corporate loans	9,418,894	61.0	8,936,864	62.8
Discounted bills	364,437	2.4	351,126	2.5
Personal loans	5,636,574	36.6	4,945,458	34.7
Total	**15,419,905**	**100.0**	**14,233,448**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 31 December 2018 Amount	Percentage (%)	At 31 December 2017 Amount	Percentage (%)
Short-term corporate loans	2,504,493	26.6	2,802,542	31.4
Medium to long-term corporate loans	6,914,401	73.4	6,134,322	68.6
Total	**9,418,894**	**100.0**	**8,936,864**	**100.0**

Corporate loans rose by RMB482,030 million or 5.4% from the end of last year, mainly because the Bank continuously reinforced the financing support for enterprises in the high-end manufacturing sector, and supported the investment and financing demands of key projects, livelihood projects and projects under construction in fields such as interconnection among transportation infrastructure, urban infrastructure and public services, centering on major strategic planning such as three supporting belts, Xiongan New Area and Guangdong-Hong Kong-Macau Greater Bay Area.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 31 December 2018		At 31 December 2017	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgages	4,589,961	81.5	3,938,689	79.6
Personal consumption loans	204,162	3.6	255,783	5.2
Personal business loans	215,983	3.8	216,210	4.4
Credit card overdrafts	626,468	11.1	534,776	10.8
Total	**5,636,574**	**100.0**	**4,945,458**	**100.0**

Personal loans increased by RMB691,116 million or 14.0% from the end of last year. Specifically, residential mortgages grew by RMB651,272 million or 16.5%, mainly because the Bank supported the residents' financing needs for owner-occupied houses; credit card overdrafts increased by RMB91,692 million or 17.1%, primarily due to the continuous development of credit card installment business and steady growth in the consumption trading volume of credit cards.

Please see the section headed "Discussion and Analysis — Risk Management" for detailed analysis of the Bank's loans and their quality.

Investment

In 2018, the Bank augmented its efforts in supporting the real economy, moderately expanded investment scale and enhanced capital usage efficiency. As at the end of 2018, investment (excluding accrued interest) amounted to RMB6,670,331 million, RMB913,627 million or 15.9% higher compared with the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

	At 31 December 2018		At 31 December 2017	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	6,049,076	89.6	5,373,733	93.4
Equity instruments	57,909	0.9	19,073	0.3
Funds and others[1]	563,346	8.3	363,898	6.3
Accrued interest[2]	84,361	1.2	—	—
Total	**6,754,692**	**100.0**	**5,756,704**	**100.0**

Notes: (1) Includes assets invested by funds raised by the issuance of principal-guaranteed wealth management products by the Bank.

(2) Please see "Note 24. to the Financial Statements: Financial Investments" for details.

Bonds rose by RMB675,343 million or 12.6% from the end of the previous year to RMB6,049,076 million. Funds and others grew by RMB199,448 million or 54.8% to RMB563,346 million.

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	4,040,956	66.9	3,286,729	61.2
Central bank bills	32,746	0.5	18,902	0.4
Policy bank bonds	774,732	12.8	996,669	18.5
Other bonds	1,200,642	19.8	1,071,433	19.9
Total	**6,049,076**	**100.0**	**5,373,733**	**100.0**

In terms of distribution by issuers, government bonds increased by RMB754,227 million or 22.9% over the end of last year; central bank bills increased by RMB13,844 million or 73.2%; policy bank bonds went down by RMB221,937 million or 22.3%; and other bonds increased by RMB129,209 million or 12.1%. In order to support the development of the real economy, the Bank stepped up the allocation to government bonds based on the bond market supply.

DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated(1)	54	0.0	–	–
Less than 3 months	255,716	4.2	281,658	5.2
3 to 12 months	660,914	10.9	561,566	10.5
1 to 5 years	3,319,674	54.9	2,819,961	52.5
Over 5 years	1,812,718	30.0	1,710,548	31.8
Total	**6,049,076**	**100.0**	**5,373,733**	**100.0**

Note: (1) Refers to overdue bonds.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 31 December 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	5,547,079	91.7	4,945,340	92.0
USD-denominated bonds	356,034	5.9	295,590	5.5
Other foreign currency bonds	145,963	2.4	132,803	2.5
Total	**6,049,076**	**100.0**	**5,373,733**	**100.0**

In terms of currency structure, RMB-denominated bonds rose by RMB601,739 million or 12.2%. During the reporting period, the Bank balanced the risks and returns of foreign currency bond investment portfolios and increased the investment in USD-denominated bonds. USD-denominated bonds added by RMB60,444 million or 20.4%; other foreign currency bonds increased by an equivalent of RMB13,160 million or 9.9%.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 31 December 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	805,347	11.9	440,938	7.7
Financial investments measured at fair value through other comprehensive income	1,430,163	21.2		
Financial investments measured at amortised cost	4,519,182	66.9		
Available-for-sale financial assets			1,496,453	26.0
Held-to-maturity investments			3,542,184	61.5
Receivables			277,129	4.8
Total	**6,754,692**	**100.0**	**5,756,704**	**100.0**

As at the end of 2018, the Group held RMB1,378,173 million of financial bonds[1], including RMB774,732 million of policy bank bonds and RMB603,441 million of bonds issued by banks and non-bank financial institutions, accounting for 56.2% and 43.8% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Allowance for impairment losses[(1)]
Policy bank bonds 2012	11,400	4.04%	25 June 2022	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–
Policy bank bonds 2012	10,580	3.94%	21 August 2019	–
Policy bank bonds 2011	10,505	4.62%	22 February 2021	–
Policy bank bonds 2014[(2)]	10,410	5.75%	14 January 2019	–
Policy bank bonds 2012	10,140	3.76%	13 July 2019	–
Policy bank bonds 2012	9,770	4.32%	23 April 2019	–
Policy bank bonds 2010	9,700	3.65%	26 March 2020	–
Commercial bank bonds 2017	9,500	4.20%	17 April 2020	–
Policy bank bonds 2010	9,450	Benchmark interest rate[(3)] plus 0.59%	25 February 2020	–

Notes: (1) Excludes stage 1 allowance for impairment losses set aside in accordance with the New Financial Instrument Standards.

(2) The bonds had been repaid on the maturity date.

(3) Benchmark interest rate refers to the interest rate of one-year time deposits applied by PBC on the each value date of each interest-bearing period.

1 Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bills.

Liabilities

As at the end of 2018, total liabilities reached RMB25,354,657 million, an increase of RMB1,408,670 million or 5.9% compared with the end of last year.

LIABILITIES

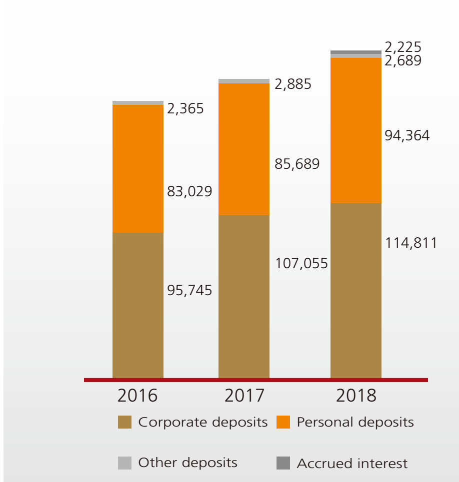
In RMB millions, except for percentages

Item	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Due to customers	21,408,934	84.4	19,562,936	81.7
Due to banks and other financial institutions	1,814,495	7.2	1,706,549	7.1
Repurchase agreements	514,801	2.0	1,046,338	4.4
Debt securities issued	617,842	2.4	526,940	2.2
Others	998,585	4.0	1,103,224	4.6
Total liabilities	**25,354,657**	**100.0**	**23,945,987**	**100.0**

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of 2018, due to customers (excluding accrued interest) was RMB21,186,473 million, RMB1,623,537 million or 8.3% higher than that at the end of the previous year. In terms of customer structure, corporate deposits increased by RMB775,676 million or 7.2%; and personal deposits increased by RMB867,501 million or 10.1%. In terms of maturity structure, time deposits increased by RMB1,197,055 million or 12.8%, while demand deposits increased by RMB446,122 million or 4.5%. In terms of currency structure, RMB deposits stood at RMB19,841,403 million, an increase of RMB1,463,782 million or 8.0% over the end of the previous year. Foreign currency deposits were equivalent to RMB1,345,070 million, an increase of RMB159,755 million or 13.5%.

Due to Customers



DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Corporate deposits				
Time deposits	5,076,005	23.7	4,635,661	23.7
Demand deposits	6,405,136	29.9	6,069,804	31.0
Subtotal	**11,481,141**	**53.6**	**10,705,465**	**54.7**
Personal deposits				
Time deposits	5,505,236	25.7	4,748,525	24.3
Demand deposits	3,931,182	18.4	3,820,392	19.5
Subtotal	**9,436,418**	**44.1**	**8,568,917**	**43.8**
Other deposits[(2)]	**268,914**	**1.3**	**288,554**	**1.5**
Accrued interest	**222,461**	**1.0**	**—**	**—**
Total	**21,408,934**	**100.0**	**19,562,936**	**100.0**

Notes: (1) Please see "Note 34. to the Financial Statements: Due to Customers".

(2) Includes outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Head Office	56,304	0.3	60,261	0.3
Yangtze River Delta	4,032,866	18.8	3,722,756	19.0
Pearl River Delta	2,726,705	12.7	2,736,614	14.0
Bohai Rim	5,922,781	27.7	5,203,857	26.6
Central China	3,064,753	14.3	2,780,882	14.2
Western China	3,591,835	16.8	3,236,441	16.6
Northeastern China	1,105,344	5.2	1,033,381	5.3
Overseas and others	908,346	4.2	788,744	4.0
Total	**21,408,934**	**100.0**	**19,562,936**	**100.0**

Repurchase Agreements

Repurchase agreements were RMB514,801 million, a decrease of RMB531,537 million or 50.8% from the end of last year, mainly because the Bank appropriately adjusted the size of funds raised based on its internal and external liquidity status.

Shareholders' Equity

As at the end of 2018, shareholders' equity amounted to RMB2,344,883 million in aggregate, RMB203,827 million or 9.5% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB202,510 million or 9.5% to RMB2,330,001 million. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

For details on off-balance sheet items, please refer to "Note 45. to the Financial Statements: Commitments and Contingent Liabilities; Note 46. to the Financial Statements: Designated Funds and Loans".

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB724,133 million, representing a decrease of RMB46,731 million as compared to last year, mainly attributable to cash outflows resulted from the drop of repurchase agreements which resulted in cash inflows in the previous year. Specifically, cash outflows of operating assets dropped by RMB559,032 million and cash inflows of operating liabilities dropped by RMB671,055 million.

Net cash outflows from investing activities amounted to RMB731,745 million. Specifically, cash inflows were RMB1,501,388 million, representing a decrease of RMB657,295 million, mainly due to the decreased cash received from the recovery of bond investment; and cash outflows were RMB2,233,133 million, representing a decrease of RMB414,808 million, mainly due to the decrease in cash payment for bond investment.

Net cash outflows from financing activities amounted to RMB35,924 million, of which, cash inflows were RMB1,045,871 million, mainly due to the issuance of debt securities by overseas institutions; and cash outflows were RMB1,081,795 million, mainly due to the repayment of debt securities.

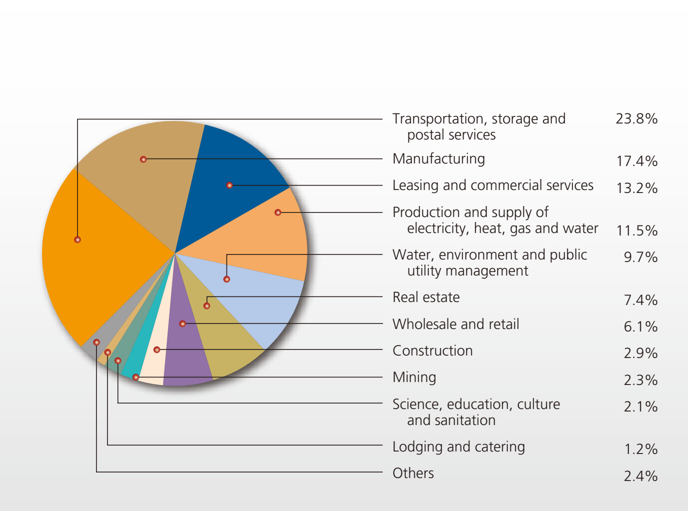
BUSINESS OVERVIEW

Corporate Banking

To address the customer demand, the Bank made further headway in promoting the "full-spectrum corporate" banking strategy, picked up pace in product innovation and marketing service system transformation by adopting FinTech, supported the development of small and micro enterprises, prioritized the provision of financial services for "agriculture, rural areas and farmers" and enhanced the quality and efficiency of serving the real economy to a new high.

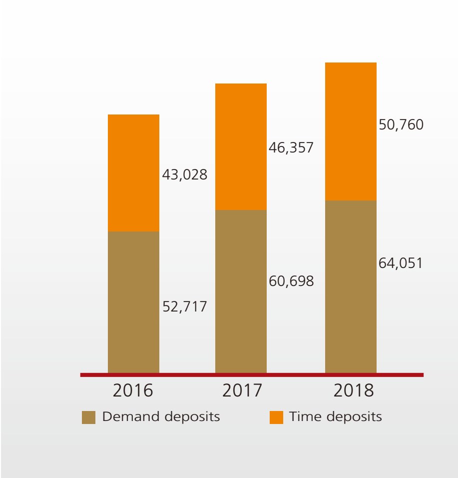
- The Bank steadily progressed in credit restructuring. It retained a good balance in the relationships between direction and amount of lending, frequency and structure, return and risk. The "One plus Three" credit layout, with One referring to the basic industrial sectors, and Three referring to a triple of sectors, i.e. happiness industries, advanced manufacturing and connectivity of the internet of things, made notable progress. All four sectors recorded fast growth. Under a more reasonable regional layout, the Bank actively enlarged the share in the credit markets of Xiongan New Area, Hainan Free Trade Zone, Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta. Besides, the construction of financial service centers for science and technology innovation enterprises in Shenzhen and Shanghai were underway in a bid to support the new economy and enter new markets with fresh mechanisms and models.
- The Bank vigorously supported the development of private economy. It headed the Chinese banking industry in efficiently completing the "Head Office & Headquarters" agreement-signing with key private enterprises. It established relationship with distinctive private enterprises and developed a white list of high-quality and backbone private enterprises. It completed the creation of and investment in the first state-owned large banks' private enterprise bond financing support tools and promoted the debt-for-equity swap of private enterprises in a steady way.
- The Bank continued to grow corporate deposits consistently. All-round efforts, e.g. tapping the source, setting deposit rates flexibly, offering innovative products and strengthening management, secured a sound growth momentum in corporate deposits. The whole Bank launched co-marketing campaigns with the utilization of information systems and big data sharing technology, targeting at high-quality listed company customers and industrial funds, as well as key funding sources, e.g. bond underwriting & offering, M&A and restructuring and QR code payment.
- At the end of 2018, the number of corporate customers increased by 762 thousand over the end of the previous year to 7,033 thousand. The balance of corporate loans reached RMB9,418,894 million, representing an increase of RMB482,030 million or 5.4%. The balance of corporate deposits hit RMB11,481,141 million, representing an increase of RMB775,676 million or 7.2%.

Domestic Corporate Loans by Industry



Corporate Deposits

Unit: RMB100 millions



Inclusive Finance

- The Bank actively developed a service network which was integrated on- and off-line to increase the coverage and convenience of inclusive financial services. Online, the Bank improved the ICBC Small and Micro Finance Platform and the comprehensive inclusive financial service system consisting of Quick Lending for Operation, Online Revolving Loan and Online Supply Chain. Offline, the Bank actively pushed forward the construction of specialized inclusive financial institutions at all levels and strengthened the function of small and micro enterprise banking centers as the marketing organization center, business processing center, risk control center and O2O business service center. At the end of 2018, there were 258 small and micro enterprise banking centers.
- The Bank strongly expanded the small and micro enterprise financial service market, and rolled out serial campaigns to bring inclusive financial services to small and micro enterprises. It visited and established in-depth cooperative relationships with thousands of offline specialized markets, E-commerce platforms and leading enterprises, and signed cooperation deepening agreements with many local governments, industry associations, industrial parks and specialized markets to further diversify inclusive financial services. As at the end of 2018, the loans to small and micro enterprises with the total loans of no more than RMB10 million for each enterprise was RMB321,685 million, representing an increase of RMB49,203 million or 18.1% over the beginning of the year. There were 308 thousand micro and small enterprise loan customers, up 91 thousand over the beginning of the year. The average interest rate of loans granted in 2018 decreased by 0.26 percentage points over the prior year to 4.95%.
- The Bank pushed forward financial services for agriculture, rural areas and farmers in an all-round manner, and set up inclusive finance promotion committees at the levels of the Head Office and tier-one branches to take on the responsibilities in relation to the implementation and overall management of agro-related credit policy in an effort to promote financial services for agriculture, rural areas and farmers across the board. At the end of 2018, farmer business loans and small and micro enterprise loans for agriculture, rural areas and farmers which belonged to the scope of inclusive loans combined to RMB89,134 million, representing an increase of RMB9,547 million or 12.0% over the beginning of the year. There were 55 thousand loan customers, up 21 thousand over the beginning of the year. The average interest rate of loans granted in 2018 decreased by 0.34 percentage points over the prior year to 5.03%.

Institutional Banking

- The Bank made further progress in cooperation with the government. It actively marketed key reform departments to open accounts, having the largest market share for central government-affiliated customers. It earnestly provided financial services supporting pension insurance reform for governmental agencies and administrative institutions, maintaining the largest market share in basic pension insurance accounts. Aligning itself with the fiscal reform of China, the Bank supported the e-reform of income and expenditure of national treasury, enhanced the capabilities of serving fiscal departments and budgetary units at all levels, and still topped the banking industry in terms of the number of regions and customers for launching the fiscal e-payment agency service and e-collection of non-tax revenue agency service, as well as the relevant business volumes under agency. The Bank deepened the cooperation with veteran affairs departments in different places and continued to improve financial service capabilities for veterans. As governmental agencies and administrative institutions were key customers, the Bank researched, developed and promoted systems and applications such as "ICBC Campus Cloud", "Religion Cloud Platform" and "Cloud Platform for the Party, League and Labor Union" for the purpose of strengthening customer expansion, service upgrade and product penetration.
- The Bank carried forward the cooperation with other banks on a steady footing. It signed comprehensive cooperative agreements with Agricultural Development Bank of China, GF Securities Co. Ltd., China Life Insurance Company Limited and the People's Insurance Company of China, among other industry-leading customers.
- The Bank launched a fresh model of alleviating poverty with joined-up efforts from banks, insurers and futures companies, thus beefing up targeted poverty relief in a joint and effective way. Specifically, on the basis that insurers and futures companies provided farmers with risk management service, the Bank increased and underscored services such as credit facility, e-commerce sales, premium donation and linked wealth management product issuance to enrich and improve the financial anti-poverty product and service system.

Settlement and Cash Management

- The Bank propelled the innovation and transformation of basic settlement services. It promoted the services of Industrial and Commercial Enterprise Link, ICBC e Payment and Large-amount Fund Flow Monitoring Platform, and saw a stable rise of the accounts. It sharpened the competitiveness of prestigious wealth management centers and wealth management centers in corporate banking which stimulated the corporate customer service capabilities of all the outlets. The customer service maintenance mechanism combining "outlet and remote service" and "intelligence and manual service" took initial shape.
- The Bank built up the advantages of the Corporate Payment Service Platform. It researched and developed the Global Cash Management Platform integrating financial services, IT and treasury management of enterprises. It actively promoted the application of the Small and Micro Enterprise Financial Service Platform and changed it to a comprehensive financial service platform allowing one-click access to shore up the practice in inclusive finance. By connecting the financial services of the "ICBC Pooling" Platform with the financial demands of customers, the Bank realized an effective customer on-boarding model via "transaction plus finance".
- At the end of 2018, the Bank maintained 8,319 thousand corporate settlement accounts, representing an increase of 11.1% over the end of the previous year, and the volume of settlements reached RMB2,600 trillion, up 1.4%. There were 1,375 thousand cash management customers, and 7,282 global cash management customers, representing an increase of 14.0%.

International Settlement and Trade Finance

- The customer base of international banking was further expanded. The Bank worked out the integrated and joint development mechanism of the Guangdong-Hong Kong-Macau Greater Bay Area to exert the region's synergy effect. It launched the special marketing campaign over the enterprises in the customs system for the purpose of stimulating customer expansion and quality improvement in a multi-pronged approach.
- The transformation and innovation in relation to putting business online was accelerated. The Bank launched the Phase I Project of Connection with the Customs System, and was among the first partner banks of single-window financial services, providing more convenient services for cross-border trade. After the roll-out of the Cross-border Remittance System under the New-generation Corporate Internet Banking, the Bank could better meet individualized demands on the basis of electronically processing all business documents. The Bank launched the non-local presentation of documents in the Bank-Enterprise Interlink System and the SWIFT direct connection, among other functions, for key customers, which enhanced the service response efficiency.
- The Bank actively provided financial services for the First China International Import Expo ("CIIE") and offered a service platform for matchmaking the transactions of exhibitors. Leveraging the Belt and Road Inter-bank Regular Cooperation Mechanism, the Bank hosted the Belt & Road Trade Finance Cooperation and Innovation Forum during the CIIE, as an opportunity for customer marketing and business expansion.
- In 2018, domestic branches disbursed an aggregate of USD53,045 million in international trade finance. International settlements amounted to USD2,908,418 million, of which USD1,161,942 million was handled by overseas institutions.

Investment Banking

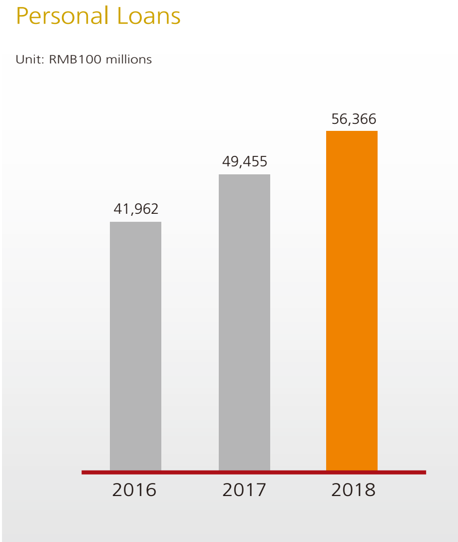
- While attaching importance to product innovation, the Bank actively expanded merger and acquisition advisory business, debt financing advisory business and equity financing advisory business. It offered the product mix of "M&A loan and M&A bond", marketed the asset-backed security ("ABS") business among corporate customers at a faster pace, and enhanced the capability of fund-raising for equity investment business and project operation. The liquidity debt financing business was given the 2018 "Top 10 Financial Product Innovation Award (Corporate Business)" by *The Chinese Banker* magazine.
- The Bank placed greater focus on leading the market with new value-oriented investment research model and worked harder to build the "ICBC Investment Banking Research" brand. The investment banking research team got the first place in the "Vision Cup" global market forecasts of the *Securities Market Weekly* in 2018.

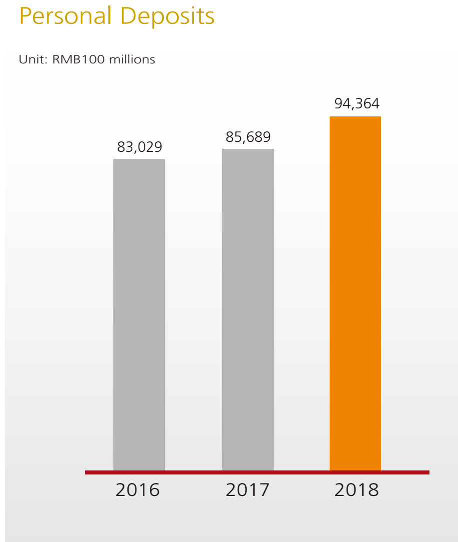
- The Bank was ranked for the fifth year in a row as the No. 1 M&A financial advisor in China and Asia Pacific by number of deals advised according to the "List of Completed Deals with China's Participation" promulgated by REFINITIV; and the Bank remained as the global top financial advisor in terms of the number of deals completed for Chinese outbound acquisition transactions according to the ranking of "Advisors for Chinese Outbound Acquisition Transactions" promulgated by REFINITIV.
- In 2018, the Bank acted as the lead underwriter for 1,600 Chinese and foreign bond projects with a total value of RMB1,324,818 million, preserving its No. 1 position in the market in terms of domestic leading underwriting scale.

Personal Banking

In 2018, capturing the development opportunities of residents' consumption structure upgrade and demand increase, as well as further popularization of FinTech, the Bank actively promoted the intelligent transformation of retail banking, and created novel models, services and channels which were more intelligent through the deep integration of retail banking and FinTech, achieving the all-round enhancement of core business competitiveness.

- The Bank introduced innovative models of online channel services and extended the service boundary, released ICBC e Wallet, co-worked with the third-party platforms in sectors such as the people's well-being, internet firms and new countryside construction, embedded financial services including e-account, fund management, payment & settlement, investment & wealth management and petty financing into the scenarios of partners, and rendered basic financial services for the users of partners' platforms. It improved the offline intelligent service level, innovated customer expansion services, and expanded the use of portable intelligent terminal.
- The Bank enhanced intelligent service capabilities and tailor-made financial services for different customers. It launched intelligent asset allocation business and shifted the wealth management business from single product sales to the combined, intelligent and expert-level prestigious wealth management service model; constructed an intelligent marketing service platform for personal customers and realized the online, automatic and intelligent precise marketing services.
- The Bank strengthened the safety of customer accounts and funds. The Bank upgraded the "ICBC Intelligent Defender" account security service which integrated account security detection, account security lock, transaction limit customization and other personalized functions, and built a complete "cloud plus application" intelligent prevention and control system on the basis of "Monitoring Cloud" to provide all-round and intelligent security protection for customers' account transactions and capital security.
- The Bank continued to strengthen the innovation of deposit products and developed a mix of personal deposit products including basic, inclusive, structured, exclusive and prestigious series. It offered a suite of innovative products "Merchant Benefit", "Happy Deposit" and "Freewill Deposit" for different customer groups to improve the customer experience, and launched deposit products exclusively for customers in county areas to resuscitate higher-quality financial services.
- The Bank provided convenient and efficient personal financing services. It introduced a mortgage direct connection system and integrated residential mortgage application acceptance channels into business scenarios. It was the first in the banking industry to get connected with the systems of government agencies, allowing the exchange of data on house deals, mortgage registrations and loan applications, which improved the business efficiency and brought more convenience to customers.
- The Bank encouraged the transformation of agency sales. It updated the AI investment platform and introduced the AI Index, realizing the intelligent and professional services such as "One-click Investment" and "One-click Holdings Adjustment" of fund products. It debuted an online one-stop auto owner service platform — "Intelligent Travel around the World", enabling auto owners to buy auto insurance across the bank channel online. In 2018, funds under agency sales amounted to RMB768.1 billion, sales of treasury bonds under agency arrangement were valued at RMB68.4 billion, and personal insurance products under agency sales reported at RMB100.9 billion.
- At the end of 2018, personal financial assets totaled RMB13.51 trillion. The personal deposits arrived at RMB9,436,418 million, representing an increase of RMB867,501 million or 10.1%. The personal loans stood at RMB5,636,574 million, representing an increase of RMB691,116 million or 14.0%. The Bank's personal customers increased by 39.67 million to 607 million, including 13.29 million personal loan customers, up 1.03 million.





Private Banking

- ✧ The Bank leveraged on its overall advantages in retail, asset management, investment banking and technology, etc. to provide customers with a whole package of all-round, full-view, full-process, comprehensive and specialized services of private banking.
- ✧ In installing an intelligent platform, the Bank perfected the intelligent investment system of private banking, provided customers with intelligent asset allocation service and realized the intelligent transformation of customer services.
- ✧ The Bank organized an exhibition of financial culture themed "A Man of Honor Marches Forward with His Partners". It acted in cooperation with its business partners and also sponsored a charity project with them to make the private banking brand more influential.
- ✧ The Bank was awarded the "Best Private Bank in China" by *The Banker* and "Best (Mega) Private Bank in China" by *The Asian Banker*.
- ✧ At the end of 2018, the Bank maintained 80,700 private banking customers, representing an increase of 5,200 or 6.9% from the end of the previous year. The Bank had assets of RMB1.39 trillion under management, up RMB58.7 billion or 4.4%.

Bank Card Business

- ✧ Debit card products saw further innovation. Customization of debit card face could meet the personalized demands of customers. The Bank introduced Kylin Debit Cards which combined traditional Chinese culture with financial payment instrument with special technology, with "Kylin Treasury Card" targeting at medium and high-end customers and "Kylin Birth Card" targeting at the teenagers and the youth. The Bank provided direct mailing service of debit cards after online application by customers, the first of its kind in the banking industry.
- ✧ The credit card product portfolio became increasingly diverse. There was a stream of new credit card products including ICBC Zodiac Card, "Like China" ICBC Endeavor Credit Card, WeChat Co-brand Card, Overseas Student Card, Global PLUS Card. The Bank allowed the opening of supplementary cards across the types of credit card products. It updated "I GO" promotional campaigns in order to increase the influence of credit card brands.
- ✧ The branding of the installment business has been further developed. The Bank unified the brands of credit card installment business under a new brand named "Happy Installment", and offered an innovative product — e Installment while at the same time expanding traditional installment business in an orderly manner.

- Celestial Constellation Credit Card won the "Élan Award" from the International Card Manufacturers Association.
- At the end of 2018, the Bank issued 991 million bank cards, representing an increase of 82.59 million cards from the end of the previous year. Specifically, 840 million debit cards and 151 million credit cards were issued. Overdraft balance of credit cards rose by RMB91,692 million or 17.1% from the end of previous year to RMB626,468 million. In 2018, banks cards registered a consumption volume of RMB7.0 trillion, including RMB4.1 trillion of consumptions with debit cards and RMB2.9 trillion of consumptions with credit cards.

Asset Management Services

The Bank actively responded to the challenges and opportunities brought by the release of the New Rules on Asset Management, and carried forward the implementation of the mega asset management strategy as a whole. The Bank pushed forward the transformation of asset management business and products in a steady manner and comprehensively enhanced investment management and research capabilities. The Bank established a mega asset management business system allowing allocation of capital in all markets and value creation across the whole value chain by relying on the strength of the Group's asset management, custody and pension businesses, and the functions of its comprehensive subsidiaries specialized in fund, insurance, leasing and investment banking, and to provide diversified, integrated and specialized services for the clients.

Wealth Management Services

- The Bank steadily pushed forward the net worth-based transformation of wealth management products, offering innovative wealth management products such as "Xin De Li", "Xin Wen Li", "Tian Li Bao" and "Bogu Tongli".
- The Bank deepened system and mechanism innovation and reform, and continued to enhance the overall management level of mega asset management in statistics, products, investment research, sales and risk control.
- The development of the overseas asset management platforms was steadily boosted. ICBC Asset Management (Global) Company Limited has established a relatively complete product system with global layout and customized solutions.
- At the end of 2018, the balance of non-principal-guaranteed wealth management products stood at RMB2,575,857 million.

Asset Custody Services

- Assets under custody grew steadily, further consolidating the Bank's status as the largest custodian bank in China. In response to the changes in external regulatory environment, the Bank, leveraging its expertise and experience in the operation of net-worth products, upgraded the custody size of insurance assets, wealth management products and mutual funds. Grasping the opportunity of the pension insurance system reform, the Bank grabbed more share in the enterprise annuity, occupational annuity and pension insurance fund custody market.
- The Bank steadily promoted the application for depository and custodian qualification of Chinese Depository Receipt ("CDR") under the "Shanghai-London Stock Connect" programme, and fully put value-added custody of "Fund Connect" into service; it took custody of three strategic allocation funds of China Southern Asset Management, ChinaAMC and China Universal.
- The Bank held an asset custody summit, and strengthened external publicity and customer marketing, further enhancing the reputation of "ICBC Custody" brand.
- The Bank was awarded the "Custodian Bank of the Year in Asia Pacific" by *The Asian Banker*, and the "Best National Custodian, China" and the "Best Insurance Custodian, China" by *The Asset*.
- At the end of 2018, the total net value of assets under the Bank's custody reported at RMB16.30 trillion.

Pension Services

- The Bank's leading position was further cemented. It successfully obtained the trustee and the custodian business contracts of occupational annuities of central and all the local governmental agencies and administrative institutions that have completed bid invitations, with the bid-winning rate ranking first among banks.
- In actively serving the people's well-being, the Bank offered an all-dimensional and one-stop pension management service for all enterprises and public institutions, continuing to be the biggest pension service provider in China. It tailor-made the "Ruyi Pension Management" collective enterprise annuity plan products for over 7,000 small and medium enterprises and introduced innovation management means to reduce the management fees.
- The Bank constantly enhanced the service experience and operational efficiency. It set up the strategic allocation teams at the Group level for pension services to further improve its asset allocation capacity. Higher quality trustee services were provided for customers locally. The Bank lifted its business automation and self-service capacity, carried forward account management and custody direct linking projects and continuously optimized the functions of "ICBC e Pension" to provide convenient and safe online annuity services for customers.
- At the end of 2018, the pension funds under the Bank's trusteeship amounted to RMB115.5 billion; the Bank managed 17.87 million individual pension accounts, and the pension funds under the Bank's custody totaled RMB546.2 billion. The Bank continued to lead other banks in terms of the scale of enterprise annuity funds under the Bank's trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank's custody.

Financial Market Business

Money Market Activities

- The Bank took the following actions in the RMB money market: strengthening fund operation and acting as an active lender to the market through reasonable arrangement of business type, maturity and customer structure, and enhancing the efficiency of fund operation; facilitating the innovation-driven development of business, participating in the first batch of interbank lending night deals in RMB, and expanding the nighttime financing channels of cross-border payment and settlement accounts; and actively taking part in the online transaction pilot of non-settlement interbank deposit of the National Interbank Funding Center to retain the advantage of firstly debuting the business.
- In relation to the foreign exchange money market: the Bank conducted an in-depth analysis into the market trends, scaled up the volume of foreign-currency interbank deposit at an appropriate time, and increased the yield from fund operation; engaged actively in deposit business of domestic non-banking institutions to increase the customer number and business volume; broadened the operation channels of foreign-currency funds, invested creatively in USD-denominated certificates of deposit, expanded the interbank deposit business in non-USD currencies, and continuously enhanced the market-making capacity in the domestic interbank deposit market.

Investment

- With respect to RMB bond investment, the Bank responded to the significant decline of yields in the bond market with a suite of actions to raise the return on investment; the Bank actively supported the development of the real economy and enterprises' financing needs, and enlarged the proportion of new investments in unsecured bonds of non-financial enterprises; the Bank also invested in the Credit Risk Mitigation Warrants which were supportive of private enterprise financing and the market's first special-purpose bond for easing financing difficulties of private enterprises.
- In terms of foreign-currency bond investment, the Bank, in the face of the unfavorable situation that the US Federal Reserve's interest rate increase caused the foreign-currency capital cost to rise and the bond portfolio's net interest margin to narrow, managed the foreign-currency bond portfolio with greater efforts, strictly controlled the portfolio duration during the interest rate hike cycle, strengthened the investment in bond products with good credit quality and liquidity, and actively increased allocations at the phased high point of the yield to improve the overall rate of return of the investment portfolio.

Financing

- In line with its fund operation and liquidity management needs, the Bank reasonably arranged the scale and structure of liabilities including interbank borrowing, structured deposits and large-denomination CDs in order to enhance the supporting capacity of diverse liabilities to asset business growth.
- For details on the Bank's CDs and debt securities issued, please refer to "Notes to the Financial Statements: 33. Certificates of Deposit; 35. Debt Securities Issued".

Franchise Treasury Business

- In the aspect of franchise foreign exchange settlement and sales and foreign exchange trading, the Bank continued to diversify the currencies and business types in active response to the government's Belt and Road Initiative and with a focus on serving the real economy. At the end of 2018, the Bank offered 33 currencies for Sale and Purchase of Foreign Currencies Against RMB, and close to 90 currencies for foreign exchange trading and Non-Deliverable Forward ("NDF"). The volume of franchise foreign exchange settlement and sales hit USD449.9 billion in 2018. The trading in currencies of countries along the Belt and Road and the emerging markets grew by 63.2% compared with last year.
- With respect to paper commodities trading, the Bank launched targeted marketing strategy to widen the customer base; it strengthened business innovation and function optimization and launched the mock-account trading function at all channels including internet banking, mobile banking and ICBC financial trading application to increase the activeness of paper commodities trading business and its reputation in the market. In 2018, paper commodities trading business registered a transaction value of RMB587.1 billion, increasing by 42.8% compared with last year.
- In regard to corporate commodities trading, the Bank kept diversifying the trading business products and further consolidated the competitive edges in corporate commodities trading; it constantly improved the functions of the corporate commodities trading system and endeavored to satisfy the demands of corporate customers from different dimensions, e.g. expertise, timeliness and convenience, thus further enhancing the customer service capabilities.
- In the area of bond agent trading and settlement business, the Bank established agency trading relationships with nearly 200 institutional customers from 39 countries and regions. And the Bank has also won the "Excellent Settlement Agent Award" granted by China Central Depository & Clearing Co., Ltd. and "Contribution Award for Opening up: Excellent Settlement Agent" granted by National Interbank Funding Center. Meanwhile, the Bank continued to promote innovation in the over-the-counter ("OTC") bond business, and cooperated with China Development Bank in the distribution of two tranches of OTC poverty-alleviation bonds, based on which the Bank received the "Excellent Institution Award for Over-the-counter Debt Business" from China Central Depository & Clearing Co., Ltd.

Asset Securitization Business

- The asset securitization business effectively supported the Bank's revitalization of stock assets and optimization of credit structure. In 2018, the Bank issued 26 tranches of credit asset securitization programs totaling RMB216.8 billion in the mainland. Specifically, there were 16 tranches of residential mortgage securitization programs worth RMB204.2 billion in aggregate, six tranches of non-performing personal loans securitization programs worth RMB5.9 billion, three tranches of non-performing credit card asset securitization programs worth RMB1.2 billion, and one tranche of corporate loan asset securitization program worth RMB5.5 billion.

Precious Metal Business

- Seizing the opportunity of launching strategic cooperation with the Palace Museum, the Bank offered a proprietary product — "ICBC New Year Celebration Gold • Lucky Year"; and in light of some hot current affairs, the Bank developed regionally-featured products, e.g. "Souvenir Badge for Xiongan New Area" and "Success Precious Metals".
- "Stamp & Coin Pavilion" went alive at ICBC Mall, making the Bank the first commercial bank to have an online primary market for trading in stamps and coins.
- The Bank became the first and exclusive market maker of Standard Gold Panda Coin Contracts at the Shanghai Gold Exchange and was among the first group of market makers of silver enquiry business at the Exchange.
- The Bank cleared RMB345.5 billion on behalf of the Shanghai Gold Exchange, ranking No. 1.

Internet-based Finance

The Bank fully implemented the e-ICBC 3.0 strategy for internet-based financial development. It added intelligent content into traditional financial services, built an open, cooperative and win-win financial services ecosphere, and shifted towards a "bank by your side" of extending universal services, an "open bank" driven by innovation and an "intelligent bank" with powerful applications. In 2018, the Bank, aiming to serve customers and create value in internet-based finance, sped up the implementation of the e-ICBC 3.0 strategy.

Advancement of Core Platforms

ICBC Mobile

- With a focus on the core functions of finance, the Bank tried to build ICBC Mobile to the main front of online financial services. It released Version 4.0 of mobile banking and updated eight functions including account inquiry, cloud storage and unsecured lending; it innovatively launched the industry-leading services such as "Inquiry as You Wish" and "One-Click Transfer" under Mobile Banking and provided convenient functions such as separation of self-registration and card-linking and login-free inquiry of account balance.
- At the end of 2018, the number of ICBC Mobile customers reached 313 million. ICBC Mobile further strengthened its industry-dominance in customer size, customer loyalty and activeness.

ICBC Mall

- The Bank devoted itself to developing high-quality e-commerce and building a one-stop commercial & financial services platform with e-commerce as the core and finance as the foundation. Targeting the "famous merchants, commodities and stores", ICBC Mall highlighted characteristic development and covered more merchants and brands; and the Bank worked harder to promote ICBC e Procurement, ICBC e Travel, ICBC e Assets, ICBC e Cross-border and ICBC e Charity brand building.
- In 2018, ICBC Mall achieved an accumulative transaction amount of RMB1.11 trillion.

ICBC Link

- The Bank positioned ICBC Link as the main bearer of scenarios and the main portal of users to create an online and offline user interaction services platform. It launched a comprehensive upgrade and revision of ICBC Link with a focus on improving functions such as customized message push, user expansion and service scenarios sharing.
- At the end of 2018, ICBC Link had 150 million registered users.

Development of Key Business Lines

Payment

- The Bank continued to improve and update ICBC e Payment for better experience of fee collectors and payers. The Bank successively rolled out "ICBC Campus Connect", "Smart Property" and "Party Membership Fee Cloud" modules, which provided functions such as payee information management, bill import, accounting and report statistics to enterprises, public institutions and merchants with diversified fee charging and collection demands.
- The Bank further improved the aggregation payment function of e-Payment, applied the function in public transportation, education and medical care, and accelerated the construction of e-Payment scenarios such as "Intelligent Campus", "Intelligent Sightseeing Spot" and "Intelligent Traffic".
- The Bank newly launched "e-Business Dream Plan" to build a highly recognizable brand of comprehensive financial services for the merchants, and with e-Payment acquiring as the entry point, provided merchants with a full package of financial solutions, e.g. fund collection and payment, deposit and wealth management, credit and financing, private banking and precious metals. The function was applied in scenarios such as specialized markets and demonstration streets for the benefit of the people during the reporting period.

- In compliance with the requirements of new regulations on the third-party payment business, the Bank actively promoted the connection NetsUnion platform, the governance of payment channels and the control of P2P channel and perfected the centralized deposit of reserves for the purpose of further standardizing the third-party payment business development.

Consumer Finance

- The Bank enriched the product features, cooperation models and scenario applications of ICBC e-Loan in a bid to enhance the customers' experience with internet-based financing. It continued to expand the application scenarios of "Credit Granting in Seconds" and "Payment in Seconds", and achieved online real-time credit granting and real-time lending by importing external credible data such as credit reference information, provident fund and personal tax information and adopting risk control methods such as face recognition.

Digital Inclusive Finance

- The Bank worked harder to build "Quick Lending for Operation", "Online Revolving Loan" and "Online Supply Chain", and the "Small and Micro Enterprise e Loan" product system took initial shape. The Bank increased the efforts in R&D of the "Quick Lending for Operation" product, allowing it to provide the big data-based financing services in all kinds of production and operation scenarios of small and micro customers; improved the Online Revolving Loan business system and introduced the innovation product — "e Mortgage Quick Loan" which made it possible to perform online assessment of property and intelligent approval of loan; continued to perfect the online supply chain financing product system, used blockchain technology to create "ICBC e Credit", a cross-level credit flow tool for core enterprises, covered the financing demands of whole-industry-chain customers, and actively expanded the online supply chain business for key sectors like modern agriculture, IT & communications, aviation & military, construction & installation.

Building of a Financial Ecosphere

- The Bank strengthened the innovation of basic platforms and infrastructure, and continued to enhance the strategic supporting capabilities needed for the development of internet-based finance. It focused on the users as the core, set up scenario guidance and built an ecosphere of financial services by relying on the "scenario-embedded and finance-exporting" API open platform, ICBC Finance Cloud platform featured with "green deployment and agile launching" and the "Ju Fu Tong" platform with a cluster of premium online financial products and functions.
- While centering the development of scenarios in key sectors, the Bank made the scenarios cover public service, travel, education, medical care, business and life service. In the field of public services, the Bank launched social security, provident fund and taxation scenarios and improved the full-featured ecological chain covering identity authentication and personal information inquiry, message push and bill payment; in the field of transportation and travel, the Bank independently developed the "ICBC Car License Payment" product, and won the bids for the expressway toll contactless payment projects in Jilin, Sichuan, etc.; in the field of education, "ICBC Campus Connect" met the requirements of school staff on flexibly managing students' registration information and various types of education costs; in the field of medical care, the Bank actively promoted the development of the medical supply chain collaboration platform "Commercial & Medical Connect".
- The Bank launched an innovative B2B2C service model based on the ICBC e Wallet products, providing customers with easy-to-access, scenario-triggered financial services. Customers were allowed to apply for e-accounts of the Bank through the online channels of partners, while financial products and services were seamlessly integrated into the scenarios in the people's well-being, internet platforms, consumer finance, compensation management, membership management and quasi-margin. The "ICBC Xiaobai" digital bank developed and operated in association with JD Finance was awarded the "Best Digital Brand Innovation Award" by *The Asian Banker*.
- With ICBC e Life as the core, the Bank built a consumer finance ecosphere covering all the scenarios, e.g. clothing, eating, housing, travel, entertainment, learning and medical care, that gathered bank, customers and merchants. And it launched Smart Credit, Online Installment and other financing products. The Bank improved the benefits for customers such as VIP lounge, account security lock, account security insurance and bonus point redemption, and offered services in more scenarios such as provident fund inquiry and hospital appointment & registration.

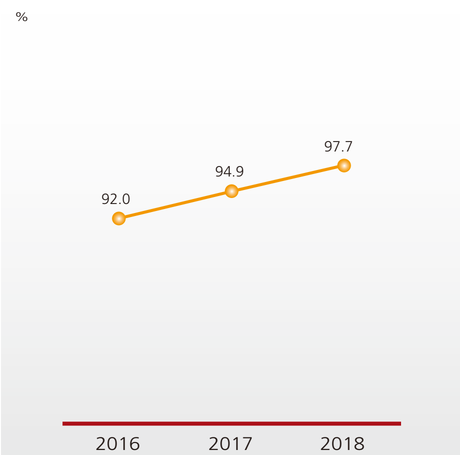
Channel Development and Service Enhancement

The Bank always put improvement of customer service experience in the first place. Orienting towards provision of convenient services, intelligent services and inclusive financial services, the Bank pursued scientific and technological innovation, made unremitting efforts to push forward channel transformation and development, and continued to deepen the integration of online and offline channels through perfecting the offering of "intelligent plus manual, online plus offline, cloud and near-field" services.

Channel Development

- Outlet improvement continued. Aimed mainly at adjusting the outlet structure, controlling the outlet number and enhancing the outlet efficiency, the Bank made the outlet number and business mix more reasonable, covered more core areas and high-quality customer groups, and gradually built a new outlet system featuring the "leading role of top-end business formats, support of middle-level business formats and firmness of basic business formats". Outlet renovation made further headway which effectively improved the customer experience and outlets' service capacity. The Bank continued to deepen outlet transformation and competitiveness enhancement, promoted the intelligent service models at outlets, enhanced the functions of intelligent services, streamlined business processes and raised processing efficiency on the basis of sound risk control. At the end of 2018, the Bank completed the intelligent transformation of 15,410 outlets, put in place 75,756 intelligent devices and covered 255 personal and corporate business items with intelligent services.

Proportion of Internet Financial Transaction



Note: The proportion of internet financial transactions refers to the number of internet financial transactions divided by the total number of transactions of the bank.

- The Bank shifted the Cloud Banking towards the positioning as the "all-channel service center, sharing connection center and cloud marketing center". Depending on the scientific and technological strengths and professional services, the Bank focused on system integration and upgrade and intelligent customer service improvement, and extended the use of intelligent customer service in more than 20 service channels such as ICBC Mobile, ICBC Link and WeChat.

- The Bank diversified the applications of entrances of new channels. It further diversified the entrances of new channels and related tools such as QR code, outlet WiFi and WeChat, and expanded the service functions and application scenarios of such new channels.

- At the end of 2018, the Bank had 16,004 outlets, 26,786 self-service banks and 89,646 ATMs whose trading volume amounted to RMB10,452.2 billion. In 2018, the internet financial transaction amount hit RMB679.82 trillion; the proportion of internet financial transactions rose by 2.8 percentage points from the end of last year to 97.7%.

Service Enhancement

- With the launch of the "Ten Actions to Enhance Services", the Bank devoted itself to building a "bank to the satisfaction of customers". It solidified the foundation of service management, tried to root out the problems affecting customer experience, continued to build star outlets for good services, promoted the high-quality service experience and optimized the customer experience indicators. The Bank perfected an all-round service monitoring system featuring online and offline coordination, internal and external supplementation and combination of routine monitoring and special research. To enable customers to experience warm and valuable services, the five branches in Shanghai, Chengdu, Guangzhou, Beijing and Wuhan kicked off a "Warm Service throughout Hundreds of Cities" campaign at the same time with the theme of "bringing warm services to ICBC customers everywhere". In 2018, nearly 200 city branches and sub-branches were involved in the campaign to pass down warm services.

- By establishing a new post system at outlets with "compatible posts, universal use of personnel, diversification of services and safe operation", the Bank launched the duty integration of tellers and customer service managers, removed the barriers between tellers and non-teller staff, business handling and customer maintenance, raised the service marketing level and human resource utilization efficiency, and improved the service experience of customers. In further improving the online and offline operational processes, the Bank enabled medium and small enterprise customers to receive one-stop services including online application, offline account opening and basic payment and settlement products, which significantly reduced customers' bank visits, tellers' information entries and business handling time.

Consumer Protection

✧ The Bank implemented the laws, regulations and regulatory requirements on the consumer protection, and further standardized the charging of service fees so as to ensure efficient and high-quality financial products and services with reasonable price. With a focus on the deficiencies in key and specialized fields that were easily complained by customers, the Bank facilitated the root-out of such deficiencies. It paid close attention to improving products and services from the perspective of consumers, thereby achieving the harmony of economic benefits and social value. Taking initiatives to adapt itself to the diversification of consumer demands for financial literacy, the Bank launched targeted financial literacy publicity and education for consumers, kept enriching and perfecting the means and contents of publicity and education, and raised the anti-risk awareness and sense of responsibility of consumers.

Internationalized and Diversified Operation

Internationalized Operation

✧ The Bank continued to improve its global network. Zurich Branch, Manila Branch, Ho Chi Minh City Representative Office and ICBC Almaty Astana Representative Office officially opened, and ICBC (Austria) was granted a license.

✧ The Bank proactively advanced the cross-border RMB business. It worked harder to develop cross-border RMB trade financing, cut down financing costs of enterprises and increase the use of RMB in cross-border trade. The cross-border RMB financing for the Belt and Road projects and RMB pricing & settlement of oil trade were wrapped up. The Bank accelerated the innovation-driven development of FTZ business, established a separate accounting system in the Hainan FTZ, and launched massive campaigns at the issuance of "panda bonds" and foreign institutions' investment in China's inter-bank bond market in accordance with the financial opening policy. The Bank actively supported the steady development of RMB internationalization to promote the use of RMB in surrounding countries and Africa.

✧ In 2018, the Bank's cross-border RMB business volume reached RMB4.60 trillion. The Bank extended credit to 83 "Going Global" and Belt and Road projects additionally, totaling USD19.1 billion of loans extended.

✧ At the end of 2018, the Bank established 426 institutions in 47 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. The Bank also established correspondent banking relationships with 1,502 overseas banking institutions in 145 countries and regions, making its service network covering six continents and important international finance centers around the world. Among which, the Bank maintained 131 institutions in 21 countries and regions along the Belt and Road.

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

Item	Assets (in USD millions)		Profit before taxation (in USD millions)		Number of institutions	
	At the end of 2018	At the end of 2017	2018	2017	At the end of 2018	At the end of 2017
Hong Kong and Macau	182,777	178,045	2,017	1,850	104	106
Asia-Pacific Region (except Hong Kong and Macau)	98,766	84,346	1,025	783	91	89
Europe	76,127	69,933	134	273	81	81
America	56,948	66,745	553	586	149	142
Africa Representative Office	–	–	–	–	1	1
Eliminations	(34,100)	(44,757)				
Subtotal	**380,518**	**354,312**	**3,729**	**3,492**	**426**	**419**
Investment in Standard Bank(1)	3,786	4,285	386	426		
Total	**384,304**	**358,597**	**4,115**	**3,918**	**426**	**419**

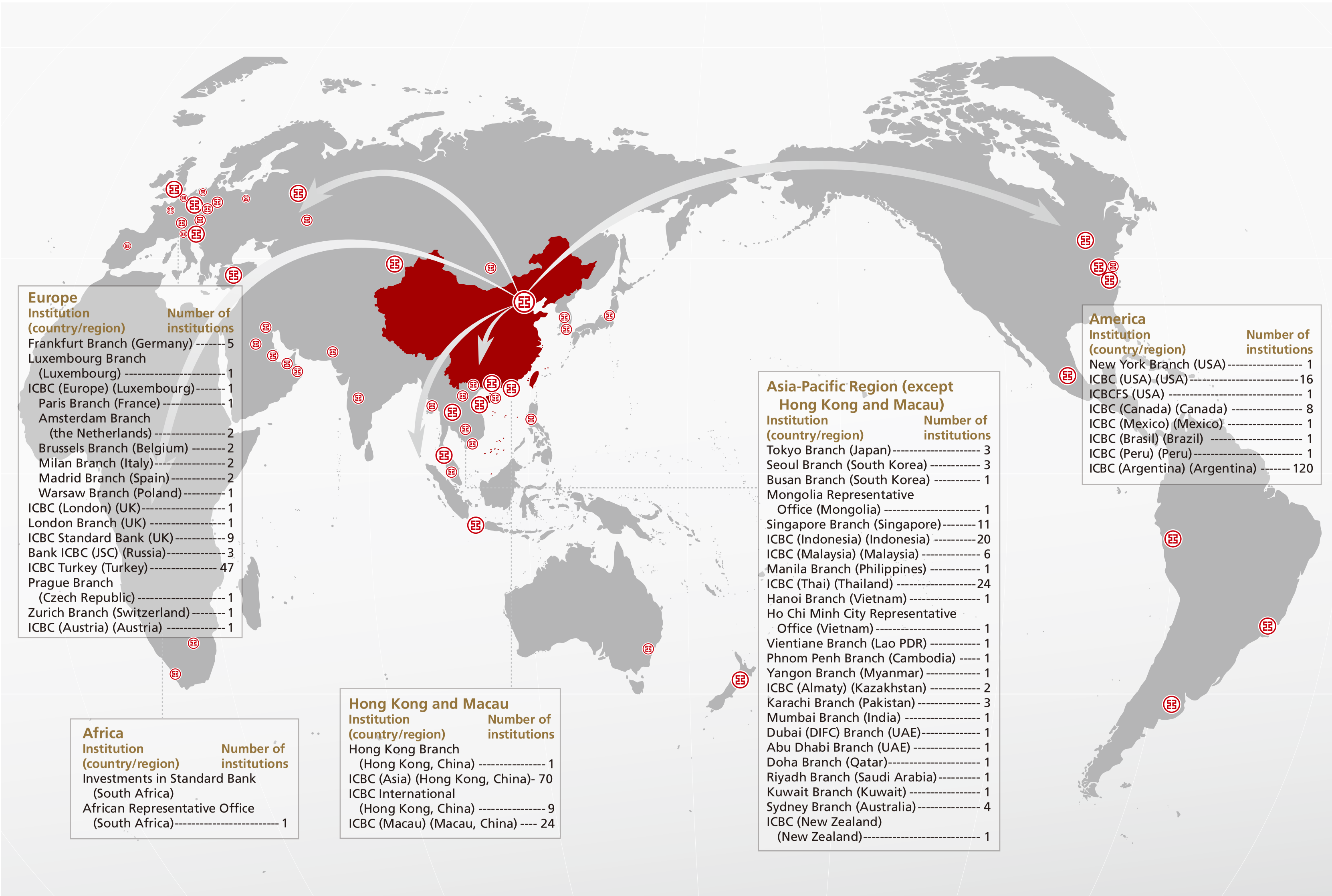
Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

- As at the end of 2018, total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank were USD384,304 million, an increase of USD25,707 million or 7.2% from the end of the previous year, and they accounted for 9.5% of the Group's total assets, increasing by 0.5 percentage points. Profit before tax during the reporting period came in at USD4,115 million, representing an increase of USD197 million or 5.0% as compared to last year and accounting for 7.6% of the Group's profit before tax, which was 0.6 percentage points higher. Total loans amounted to USD207,591 million, and total deposits were USD130,964 million, increasing by USD7,867 million or 6.4%.

Diversified Operation

- ICBC Credit Suisse Asset Management strictly enforced regulatory requirements, continuously strengthened investment research and risk control capabilities, aligned itself with policy guidance and customer needs, deepened coordination with the Group, seized new opportunities in pension business, and steadily promoted the development of mutual funds and other entrusted investment management businesses. In return, its operation remained stable on the whole.
- ICBC Leasing supported the real economy, promoting the steady development of aviation and shipping leasing business, and deepened coordination with the Group, stepping up the efforts to shift the equipment leasing business to high-end manufacturing, green energy, infrastructure construction, and other sectors. It laid a solid foundation for risk management and control, and meanwhile accelerated the conversion and disposal of risk assets. ICBC Leasing successfully increased its registered capital with the retained profit of RMB7.0 billion, and thus became a financial leasing company with the largest registered capital in China. On 28 March 2018, ICBC Aviation Leasing Company Limited, a wholly-owned subsidiary of ICBC Leasing, was officially established in Hong Kong, which brought the Bank's specialized operation in aviation leasing to a new stage.
- ICBC-AXA deepened its business structure transformation, and vigorously promoted the development of health insurance business; seized the opportunity of personal income tax-deferred endowment policy, and was successfully enlisted under the list of companies piloting the tax-deferred endowment products; and was permitted to establish ICBC-AXA Asset Management Co., Ltd., the first insurer-affiliated asset management joint venture approved to establish in China.
- ICBC International registered a stable performance and good growth momentum in operating efficiency, asset quality and risk management, and its four major businesses, i.e. investment banking, sales and transaction, investment management and asset management developed at a high quality. The IPO business underwriting amount was the third largest in the Hong Kong main board market; with steady progress in bond underwriting business, ICBC International ranked the first in underwriting of EUR bonds among Chinese peers; and it was an active player in the new economic equity investment project sector.
- ICBC Investment actively and steadily promoted the market-oriented debt-for-equity swap business, and led the industry in terms of the scale of annual new investment projects. To address the diversified demands of enterprises for deleveraging, ICBC Investment innovated business development models, and launched a suite of projects setting good examples in the aspects of industry, region and project model.
- The establishment of ICBC Wealth Management Co., Ltd. was approved by the CBIRC. Please refer to the section headed "Significant Events — Establishment of Wealth Management Subsidiary" for details.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Controlled Subsidiaries and Major Equity Participating Company

◆ *Overseas Subsidiaries*

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a wholly-owned Hong Kong registered bank by the Bank, and has an issued share capital of HKD36,379 million. It provides comprehensive commercial banking services and the major businesses, including commercial credit, trade finance, investment service, retail banking, e-banking, custody, credit card, receiving bank services for IPOs and dividend distribution etc. At the end of 2018, ICBC (Asia) recorded total assets of USD114,258 million and net assets of USD14,982 million. It generated a net profit of USD1,057 million during the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a licensed integrated platform for financial services in Hong Kong that is wholly owned by the Bank, has a paid-up capital of HKD4,882 million. It mainly renders a variety of financial services, including corporate finance, investment management, sales and trading, and asset management. At the end of 2018, ICBC International recorded total assets of USD8,175 million and net assets of USD1,112 million. It generated a net profit of USD196 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2018, ICBC (Macau) recorded total assets of USD38,517 million and net assets of USD2,837 million. It generated a net profit of USD315 million during the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary of the Bank registered in Indonesia, with a paid-up capital of IDR3.69 trillion, in which the Bank holds a 98.61% stake. ICBC (Indonesia) mainly specializes in financial services such as deposit, loan, trade finance, settlement, agency services, interbank borrowing and lending and foreign exchange. At the end of 2018, ICBC (Indonesia) recorded total assets of USD3,714 million and net assets of USD370 million. It generated a net profit of USD27.69 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. At the end of 2018, ICBC (Malaysia) recorded total assets of USD1,162 million and net assets of USD266 million. It generated a net profit of USD18.96 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

ICBC (Thai), a subsidiary of the Bank in Thailand, has a share capital of THB20,132 million, in which the Bank holds a 97.86% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of 2018, ICBC (Thai) recorded total assets of USD7,019 million and net assets of USD893 million. It generated a net profit of USD58.94 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a share capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, internet banking and bank card service. At the end of 2018, ICBC (Almaty) recorded total assets of USD429 million and net assets of USD61 million. It generated a net profit of USD11.39 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

ICBC (New Zealand), a wholly-owned subsidiary of the Bank in New Zealand, has a paid-up capital of NZD234 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. At the end of 2018, ICBC (New Zealand) recorded total assets of USD1,432 million and net assets of USD157 million. It generated a net profit of USD1.7 thousand during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary bank of the Bank, was incorporated in Luxembourg with a paid-up capital of EUR437 million. Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch, Madrid Branch and Warsaw Branch are structured under ICBC (Europe), which mainly offers financial services including loan, trade finance, settlement, treasury, investment banking, custody, franchise wealth management, etc. At the end of 2018, ICBC (Europe) recorded total assets of USD7,851 million and net assets of USD729 million. It generated a net profit of USD8.71 million during the year.

ICBC (LONDON) PLC

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a paid-up capital of USD200 million, It provides banking services such as deposit and exchange, loan, trade finance, international settlement, funds clearing, agency, foreign exchange trading and retail business. At the end of 2018, ICBC (London) recorded total assets of USD2,378 million and net assets of USD423 million. It generated a net profit of USD25.42 million during the year.

ICBC STANDARD BANK PLC

ICBC Standard Bank, a subsidiary of the Bank in the United Kingdom, has an issued share capital of USD1,083 million, in which the Bank holds a 60% stake directly. ICBC Standard Bank mainly provides global commodity trading businesses such as base metals, precious metals, commodities and energy as well as global financial markets businesses such as exchange rate, interest rate, credit and equity. At the end of 2018, ICBC Standard Bank recorded total assets of USD24,575 million and net assets of USD1,258 million. It suffered a net loss of USD14.78 million during the year.

BANK ICBC (JOINT STOCK COMPANY)

Bank ICBC (JSC), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a share capital of RUB10,810 million. It mainly provides a full spectrum of corporate banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consulting, as well as personal banking services. At the end of 2018, Bank ICBC (JSC) recorded total assets of USD929 million and net assets of USD175 million. It generated a net profit of USD11.00 million during the year.

ICBC TURKEY BANK ANONIM ŞIRKETI

ICBC (Turkey), a subsidiary of the Bank in Turkey, has a share capital of TRY860 million, in which the Bank holds a 92.84% stake. It holds commercial banking, investment banking and asset management licenses, and provides corporate customers with comprehensive financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory, securities brokerage and asset management, and renders personal customers with financial services such as deposit, consumption loan, residential mortgages, credit card and E-banking. At the end of 2018, ICBC (Turkey) recorded total assets of USD3,011 million and net assets of USD228 million. It generated a net profit of USD15.63 million during the year.

ICBC AUSTRIA BANK GmbH

ICBC (Austria), a wholly-controlled subsidiary of the Bank in Austria, has a share capital of EUR100 million. It was licensed by the European Central Bank in August 2018 and got through local registration in November. ICBC (Austria) provides financial services such as corporate deposits, loans, trade finance, international settlement, cash management, cross-border RMB business, foreign exchange transactions, and financial advisory for cross-border investment and financing. At the end of 2018, ICBC (Austria) recorded total assets of USD114 million and net assets of USD114 million.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA

ICBC (USA), a controlled subsidiary of the Bank in the United States, has a paid-up capital of USD369 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license registered in the UFIQAC, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, cross-border settlement, cash management, E-banking and bank card services. At the end of 2018, ICBC (USA) recorded total assets of USD2,893 million and net assets of USD418 million. It generated a net profit of USD25.15 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, a wholly-owned subsidiary of the Bank in the United States, has a paid-up capital of USD50.00 million. It mainly specializes in securities clearing business in Europe and America, and offers securities brokerage services including securities clearing and financing for institutional customers. At the end of 2018, ICBCFS recorded total assets of USD27,142 million and net assets of USD132 million. It suffered a net loss of USD21.68 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD158.00 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) provides corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing information consulting service. At the end of 2018, ICBC (Canada) recorded total assets of USD1,445 million and net assets of USD202 million. It generated a net profit of USD20.73 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A.

ICBC (Mexico), a wholly-owned subsidiary of the Bank in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking license, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. At the end of 2018, ICBC (Mexico) recorded total assets of USD286 million and net assets of USD71 million. It generated a net profit of USD30 thousand during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A.

ICBC (Brasil), a wholly-owned subsidiary of the Bank in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. At the end of 2018, ICBC (Brasil) recorded total assets of USD384 million and net assets of USD56 million. It generated a net profit of USD0.20 million during the year.

ICBC PERU BANK

ICBC (Peru), a wholly-owned subsidiary of the Bank in Peru, has a paid-up capital of USD100 million. Holding a full-functional commercial banking license, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading, E-banking and other services. At the end of 2018, ICBC (Peru) recorded total assets of USD291 million and net assets of USD75 million. It suffered a net loss of USD1.09 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A.

ICBC (Argentina), a controlled subsidiary of the Bank in Argentina, has a share capital of ARS1,345 million, in which the Bank holds an 80% stake. With the full-functional commercial banking license, ICBC (Argentina) provides a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card, asset management, etc. At the end of 2018, ICBC (Argentina) recorded total assets of USD4,785 million and net assets of USD424 million. It generated a net profit of USD138 million during the year.

◆ *Major Domestic Subsidiaries*

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a paid-up capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, non-listed asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry. ICBC Credit Suisse Asset Management (International) and ICBC Credit Suisse Investment Management Co., Ltd. are structured under ICBC Credit Suisse Asset Management Co., Ltd. As of the end of 2018, ICBC Credit Suisse Asset Management managed a total of 122 mutual funds and more than 520 enterprise annuity accounts and segregated management accounts as well as non-listed assets portfolios, with the assets under management amounting to RMB1.31 trillion, and recorded total assets of RMB9,103 million and net assets of RMB7,801 million. It generated a net profit of RMB1,496 million during the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB18.0 billion. It mainly operates the financial leasing of large-scale equipment in critical fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing. It also engages in various financial and industrial services including leased assets trading, securitization of investment assets, assets management and economic consulting. At the end of 2018, ICBC Leasing recorded total assets of RMB271,504 million and net assets of RMB32,572 million, and generated a net profit of RMB3,215 million during the year.

ICBC-AXA ASSURANCE CO., LTD.

ICBC-AXA, a subsidiary of the Bank, has a paid-up capital of RMB12,505 million, in which the Bank holds a 60% stake. ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by the CBIRC. At the end of 2018, ICBC-AXA recorded total assets of RMB119,041 million and net assets of RMB13,468 million. It generated a net profit of RMB94 million during the year.

ICBC FINANCIAL ASSET INVESTMENT CO., LIMITED

ICBC Investment, a wholly-owned subsidiary of the Bank, has a registered capital of RMB12.0 billion and is one of the first pilot banks in China to conduct debt-for-equity swap authorized by the State Council. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. In 2018, ICBC Investment became the first licensed private equity fund manager to carry out debt-for-equity swap, and it established a private equity fund management subsidiary — ICBC Capital Management Co., Ltd. At the end of 2018, ICBC Investment recorded total assets of RMB43,307 million and net assets of RMB13,065 million. It generated a net profit of RMB550 million during the year.

◆ *Majority Equity Participation Company*

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.08% ordinary shares of Standard Bank. Based on mutual benefit and win-win cooperation, the two sides furthered their cooperation in equity cooperation, customer expansion, project financing, product innovation, risk management, IT and people-to-people exchange. At the end of 2018, Standard Bank recorded total assets of ZAR2,126,962 million and net assets of ZAR199,063 million. It generated a net profit of ZAR27,453 million during the year.

Information Technology

- The Ecosystem development project kicked off. With the integration and development of major business architectures and the introduction of an open new account service system across all regions and all media, deposit products could be configured flexibly and quickly. In-depth IT architecture transformation was launched, completing the migration of e-Payment and other hot business functions from host to open platforms; service transformation of applications was carried out, with distributed transformation in applications such as Quick Payment. The Bank promoted the cloud platforms in an all-round way and effectively realized the rational layout of system resources. While optimizing the layout of applications at the Head Office and branches, the Bank completed centralized deployment of applications such as self-service terminals, centralized business processing and operation management of outlets. The Bank found wider applications of artificial intelligence technology in scenarios like transaction anti-fraud and product precision marketing and of face recognition technology in fields such as ATM money withdrawal, business payment and social security fund collection. It relied on the internet of things technology to create a smart vault management application model and on the blockchain technology to realize the transparent and efficient management of the "1000-year Afforestation" and relocation funds in Xiongan New Area.

- The Bank spurred innovative R&D in key business areas. It realized smart retail service functions of ICBC e-Loan including "Credit Granting in Seconds", "Loan Extension in Seconds" and "Payment in Seconds", and premiered online and flexible corporate banking services including "Quick Lending for Operation", "Online Revolving Loan" and "Online Supply Chain". The development of systems for internationalization and diversification was advanced. The Bank completed the roll-out of the core system of FOVA platform version at Manila Branch and ICBC Austria, launched the global version of personal mobile banking and other featured products, and improved the core personal insurance business system of ICBC-AXA and the investment banking project management system of ICBC International.

- Production and operation of the whole group were put under stronger management. The Bank put the new-generation dual-active architecture of the host into operation and completed its switch and verification, realizing zero loss of system-level data and providing more safeguards for the business continuity of the host system. Information systems of the whole bank ran smoothly. The Bank consolidated the information security system. It continued to improve the information security operation platform (SOC), built an IT big data platform, and provided data foundation for security monitoring. It promoted the new-generation document security protection system and was the first in the banking industry to achieve a dynamic defense mechanism based on multi-isomers, which improved the protection level of information security technology. The Bank continued to carry out information security inspections, perfected the anti-attack drill system, and strengthened the day-to-day management and guidance of domestic and overseas institutions in terms of information security. Authoritative third parties were engaged to conduct special inspections and safety assessments on relevant systems.

- In 2018, the Bank was granted 43 patents, and the total number of patents owned by the Bank increased to 549, including 270 patents for inventions granted by the state and 279 patents for utility model and product design patents granted by the state. 2018 marked the fifth consecutive year for the Bank to rank the first in the banking industry in the information technology supervisory rating of CBIRC. The Bank had six scientific and technological achievements that won the Banking Technological Development Award of PBC and four research findings that won the IT Risk Management Research Project Award of CBIRC. The "ICBC Smart and Future Bank" project received the highest honor — SAIL award from the 2018 Artificial Intelligence World Innovations Competition.

Human Resources Management

- The Bank enhanced the efficiency and effectiveness of human resources allocation and perfected the talent introduction & cultivation mechanism. The 2018–2020 Human Resources Plan of Industrial and Commercial Bank of China was developed to strengthen headcount control and staffing optimization. It worked on the building of serial brands, e.g. the "ICBC Star Sailor" summer internship program and the "ICBC Star" campus recruitment plan, and strengthened the social recruitment of locals for county-based institutions; it intensified the vertical and horizontal exchanges and training of management talent; it furthered the optimization of post setup and labor combination at outlets, and gained higher efficiency in human resources use of outlets; it constructed a cultivation & growth system with the characteristics of ICBC for new entrants; it reinforced the integrated management of foreign employees across the Group, and organized the selection and commendation of "Honorary Global Employees". The Bank perfected the compensation incentive and guarantee system, and made the use of human resources more effective.

- The organizational structure was constantly optimized. The Bank launched institutional reform of the IT line, merging IT Department and Product Innovation Management Department into FinTech Department and merging Data Center (Beijing) and Product R&D Center into Business R&D Center. It pushed ahead the human resources reform of profitability units, and accelerated the construction of inclusive financial departments at tier-two branches.

- The efficiency and effectiveness of training were improved in an innovative way. The 2018–2020 Education and Training Program of Industrial and Commercial Bank of China was developed. With a focus on building a bank in which people enjoy learning and centering around the Group's business transformation and growth and employees' needs, the Bank made an overall arrangement for and optimized the trainings of management personnel, professionals and frontline employees at the basic level, and brought the role of strategy transmission, discussion & exchange, problem-solving and learning & sharing platforms into better play. Mainly for the purpose of solving problems, the Bank explored the training for better performance and realized the deep integration of training and strategy. The Bank customized trainings for domestic and overseas branches, and deepened the reform of professional qualification certification. Throughout 2018, the Bank organized 45 thousand sessions of training for 5.24 million persons, with an average of 10.4 days per person.

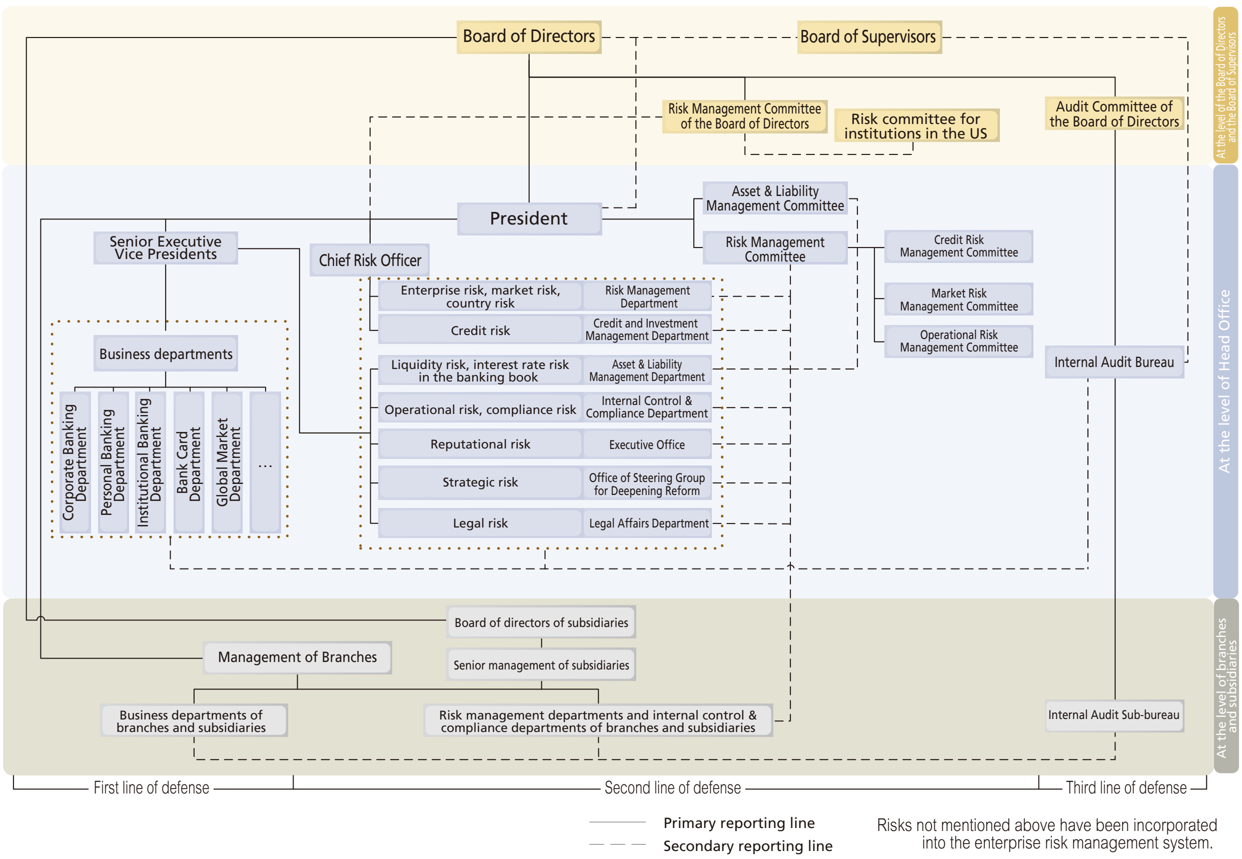
- The leading role of corporate culture was brought into play. The Bank compiled and issued the Corporate Culture White Paper, enriched the core value concept of "Integrity Leads to Prosperity", released the core concept of "focusing on the source, changing with the times, pursuing innovation with collaboration and retaining permanent vitality" for innovation culture, and advocated the "fighter + doer" culture. With a focus on the theme of "ONE ICBC, ONE FAMILY", the Bank held a special exhibition on corporate cultures of overseas institutions, and rolled out the Phase II of "That's China • That's ICBC" project in a bid to increase cultural integration of overseas institutions. The Bank staged an exhibition of grassroots culture — "That's ICBC • That's we" to inform outlets and customers of the excellent cultural concept and showcase the hard-working glamor of employees.

RISK MANAGEMENT

Enterprise Risk Management System

Enterprise risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the Group's operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies. The principles of enterprise risk management of the Bank include full coverage, matching, independence, perspectiveness and effectiveness, etc.

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Board of Supervisors, the Senior Management and its special committees, the risk management departments, the internal audit departments, etc. The risk management organizational structure is illustrated below:



In 2018, the Bank continued to push for development of the enterprise risk management system, upgraded risk management technologies and methods and enhanced the capacity of risk pre-judgment and dynamic adjustment capabilities, so as to make enterprise risk management more forward-looking and effective. It improved the enterprise risk management system, established a hierarchy risk appetite management system, intensified risk limit management, and enhanced effective risk data aggregation and risk reporting on all fronts according to the latest regulatory requirements. The Group's investment and financing risk monitoring platform was put in place to better manage cross risks, and the consolidated risk management of the Group was improved to boost the risk management capability of non-banking subsidiaries and strengthen regional risk management of overseas institutions. The Bank continued to upgrade its risk measurement system for better application, actively advanced FinTech application such as big data, improved internal rating and anti-fraud models, and enhanced risk measurement for higher accuracy and stability. It promoted the application of internal rating in the credit risk management. The Group's capabilities for market risk management and forward-looking analysis were improved to strengthen monitoring over transactions. Advances were also made in the system and mechanism for interest rate risk management of the banking book, with further improved strategies, policies and procedures. Following a steady and prudent liquidity management strategy, the Bank continued to consolidate the foundation of liquidity risk management system. It better employed operational risk management tools, strengthened data quality management, made continuous efforts to manage risks in key areas and links, and deepened risk management of the wealth management business in line with the New Rules on Asset Management.

Credit Risk

Credit Risk Management

Credit risk is the risk where loss is caused to the banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans, treasury operations (including due from banks, placements with banks, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables and off-balance sheet credit business (including guarantees, commitments and financial derivatives trading).

The Bank strictly adheres to regulatory requirements regarding credit risk management, diligently fulfills established strategies and objectives under the leadership of the Board of Directors and the Senior Management, and implements an independent, centralized and vertical credit risk management mode. The Board of Directors assumes the ultimate responsibility for the effectiveness of credit risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding credit risk management approved by the Board of Directors. The Credit Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of credit risk management, is responsible for reviewing material and important affairs of credit risk management, and performs its duty in accordance with the Working Regulations for the Credit Risk Management Committee. The credit and investment management departments at different levels undertake the responsibility of coordinating credit risk management at respective levels, and the business departments implement credit risk management policies and standards for their respective business areas in accordance with their functions.

The Bank's credit risk management has the following characteristics: (1) Unified risk appetite. Unified credit risk appetite is implemented for the Bank's credit risk exposures; (2) Entire-process management. The credit risk management covers the entire process including customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) System management. It continues to enhance the building of credit information system, and improve the tools to manage and control credit risk; (4) Strict management over credits. Strict qualification management is enforced on the business institutions and the credit practitioners; and (5) The special institution is set up to conduct unified risk monitoring over credit risk businesses.

According to the regulatory requirement on loan risk classification, the Bank implemented five-category classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, the Bank implemented the twelve-category internal classification system for corporate loans. The Bank applied five-category classification management to personal credit assets and ascertained the category of the loans based on the number of months in default, anticipated loss rate, credit rating, collateral and other quantitative and qualitative factors.

◆ *Credit Risk Management of Corporate Loans*

The Bank continued to strengthen the constitution of the credit policy system. It improved the customer-centered credit risk management system to push ahead with unified credit risk management of the Group. Further advances have also been made in regulating credit businesses pledged by high-quality financial assets, and those guaranteed by high-quality financial institutions and sovereign entities. The Bank improved credit risk management framework for financial institutions to strengthen credit risk management of financial institutions; intensified off-balance sheet business management to further regulate discounted commercial acceptances and better manage loan commitments of corporate customers; upgraded policies concerning the guarantee system, and fully implemented regulatory requirements on financing guarantee institutions to strengthen management of such institutions.

The Bank emphasized the leading role of credit policy. Focusing on the coordinated regional development strategy, the Bank gave priority to the Guangdong-Hong Kong-Macau Greater Bay Area, Xiongan New Area, and three supporting belts, provided investment and financing support for major projects, projects for people's wellbeing and projects under construction in such key areas as transportation, infrastructure and public service. In a stage of working faster to build China into a manufacturer of quality, the Bank supported advanced manufacturing in picking up pace and traditional industries in upgrading themselves to foster new drivers of growth. It also kept a firm hold on the projects in healthcare, education, elderly care, tourism, culture and other modern service industries to keep up with people's needs for a better life.

The Bank strengthened risk management in the real estate industry. It stepped up efforts to guarantee public wellbeing in real estate industry, continued to grant loans for selective shantytown renovation projects, and steadily carried out the business of loans for housing leasing. The Bank controlled the aggregate of loans for commercial real estate, and on this basis applied differentiated regional credit policies. Specifically, it mainly supported ordinary commercial housing projects in first-tier cities and second-tier cities with reasonable inventory digestion cycle and sufficient potential demand, prudently granted new loans for housing development in third and fourth-tier cities, and strictly controlled loans for commercial property development and shantytown renovation projects for commercial use.

The Bank strengthened credit risk management of small enterprises. It established an inclusive financial risk prevention and control system covering the whole process including customer access, middle-office approval and post-lending management. It strictly controlled the quality of new loans, strengthened research in market segmentation and target customer base management, and implemented differentiated due diligence mode based on the characteristics of loans to small and micro enterprises. The administrative measures for granting lifetime loans to small and micro enterprises was revised to regulate the management mode of small and micro loans. Leveraging the big data platform, the Bank improved its data monitoring model and continued to strengthen monitoring on small and micro loan risks from multiple dimensions. It also regularly inspected risks in existing loans, and carried out classified risk prevention and mitigation in an effort to strengthen asset quality in all areas.

- *Credit Risk Management of Personal Loans*

The Bank continued to upgrade policies on personal loans, tightened access to residential mortgages, and developed differentiated regulations on loan access and institutions cooperated with the Bank in residential mortgages business. It devoted more energy to increasing the granularity of risk monitoring, made better arrangements for risk monitoring models, and closely monitored the entire process of residential mortgages business to stave off risks. There is an improvement in the personal loan management system, with a government-bank collaboration platform in place to ensure transaction authenticity through interconnection with relevant information system of government departments. The Bank achieved better management of cooperative institutions in the business systems, and developed differentiated access approval level for all types of developers. Further advances have been made in major post-lending event reporting and default loan collection system to improve the Bank's risk management and control capabilities.

- *Credit Risk Management of Credit Card Business*

The Bank improved policies on credit card risk management and tightened credit financing limit to personal customers. It optimized the personal credit extension strategy and implemented dynamic credit limit adjustment. The big data decision-making engine was upgraded for faster and smarter approval and decision-making process, and to strengthen early monitoring and warning of high-risk customers in the lending process. The Bank strengthened fraud risk prevention, and developed a full-process fraud risk prevention and control system. It actively inspected risks with third-party internet platforms. Effective ongoing efforts were made on non-performing assets ("NPAs") recovery and disposal by applying more collection methods and mitigating NPAs through various channels.

- *Credit Risk Management of Treasury Operations*

Based on the strict implementation of bank-wide, unified credit risk management policy requirements, the Bank strengthened pre-investment analysis and post-lending management on credit risk exposed to investment business, and intensified the monitoring of existing business in key risk industries. It strictly implemented the regulatory requirements for currency market transactions, strengthened pre-access examination and dynamic risk monitor for counterparties, paid close attention to the change of counterparties' qualification and collateral value throughout the term of business, and took proactive measures to prevent risks. The Bank actively promoted the signing of ISDA, NAFMII and other legal agreements regarding derivatives, strictly controlled the counterparty credit line on derivatives through the financial market transaction platform, and strengthened dynamic management of margin in franchise transaction.

Credit Risk Analysis

At the end of 2018, the Bank's maximum exposure to credit risk, without taking into account any collateral and other credit enhancements, was RMB30,182,752 million, an increase of RMB1,304,232 million compared with the end of the previous year. Please refer to "Note 51.(a)(i) to the Financial Statements: Maximum Exposure to Credit Risk Without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to the section headed "Credit Risk" of the 2018 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

	At 31 December 2018		At 31 December 2017	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Pass	14,733,891	95.56	13,450,486	94.50
Special mention	450,930	2.92	561,974	3.95
NPLs	235,084	1.52	220,988	1.55
Substandard	108,821	0.70	81,209	0.57
Doubtful	90,383	0.59	108,854	0.76
Loss	35,880	0.23	30,925	0.22
Total	**15,419,905**	**100.00**	**14,233,448**	**100.00**

The key indicators of loan quality were stable. As at the end of 2018, according to the five-category classification, pass loans amounted to RMB14,733,891 million, representing an increase of RMB1,283,405 million when compared with the end of the previous year and accounting for 95.56% of total loans. Special mention loans stood at RMB450,930 million, representing a decrease of RMB111,044 million, and accounting for 2.92% of the total, with a drop of 1.03 percentage points. NPLs amounted to RMB235,084 million, showing an increase of RMB14,096 million, and NPL ratio was 1.52%, with a drop of 0.03 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

	At 31 December 2018				At 31 December 2017			
Item	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	9,418,894	61.0	194,696	2.07	8,936,864	62.8	175,903	1.97
Discounted bills	364,437	2.4	268	0.07	351,126	2.5	525	0.15
Personal loans	5,636,574	36.6	40,120	0.71	4,945,458	34.7	44,560	0.90
Total	**15,419,905**	**100.0**	**235,084**	**1.52**	**14,233,448**	**100.0**	**220,988**	**1.55**

Corporate NPLs were RMB194,696 million, showing an increase of RMB18,793 million when compared with the end of the previous year, and representing a NPL ratio of 2.07%. Personal NPLs amounted to RMB40,120 million, showing a decrease of RMB4,440 million, and represented a NPL ratio of 0.71%, with a drop of 0.19 percentage points.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions, except for percentages

	At 31 December 2018				At 31 December 2017			
Item	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	1,894,425	23.8	15,016	0.79	1,715,562	22.8	9,568	0.56
Manufacturing	1,385,463	17.4	79,790	5.76	1,409,206	18.6	67,604	4.80
Leasing and commercial services	1,048,548	13.2	6,279	0.60	910,672	12.1	6,250	0.69
Production and supply of electricity, heat, gas and water	919,768	11.5	2,113	0.23	900,484	12.0	1,407	0.16
Water, environment and public utility management	770,221	9.7	1,718	0.22	655,533	8.7	975	0.15
Real estate	592,031	7.4	9,823	1.66	501,769	6.7	13,631	2.72
Wholesale and retail	488,031	6.1	52,588	10.78	568,011	7.6	55,366	9.75
Construction	232,736	2.9	3,749	1.61	223,484	3.0	2,856	1.28
Mining	185,313	2.3	3,966	2.14	208,675	2.8	2,998	1.44
Science, education, culture and sanitation	170,315	2.1	1,461	0.86	126,906	1.7	850	0.67
Lodging and catering	95,530	1.2	4,951	5.18	111,047	1.5	3,256	2.93
Others	191,146	2.4	4,962	2.60	191,651	2.5	4,142	2.16
Total	**7,973,527**	**100.0**	**186,416**	**2.34**	**7,523,000**	**100.0**	**168,903**	**2.25**

In 2018, following the keynote of serving the supply-side structural reform, the Bank adhered to the concept of high-quality development, focused on major areas and key links in serving the real economy, and continued to improve the industry's credit structure. Loans to transportation, storage and postal services increased by RMB178,863 million, representing a growth rate of 10.4%, mainly due to efforts in supporting major national strategies and plans, serving the coordinated development of the four regions, three supporting belts and the Guangdong-Hong Kong-Macau Greater Bay Area, and providing financing support for developing high-speed railways, expressways, urban rail transit, ports, and airports. Loans to leasing and commercial services increased by RMB137,876 million, representing a growth rate of 15.1%, mainly for supporting the financing needs of projects for people's wellbeing, projects for strengthening areas of weakness in infrastructure, and for infrastructure in such strategic planned areas as national new areas, free trade zones, and industrial clusters. Loans to water, environment and public utility management increased by RMB114,688 million, representing a growth rate of 17.5%, mainly driven by steady efforts in supporting the investment and financing needs of key projects and projects for people's wellbeing in new urbanization, environmental protection and public services.

The increase of NPLs in manufacturing was principally due to the decline in operating profits and increase in defaults on loans of some enterprises not meeting the high-quality development standards, as well as enterprises with overcapacities. The increase of NPLs in transportation, storage and postal services was mainly caused by defaults on loans by some ports, shipping enterprises and private-owned highways.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2018 Loan	Percentage (%)	NPLs	NPL ratio (%)	At 31 December 2017 Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	723,302	4.7	20,036	2.77	629,733	4.4	14,702	2.33
Yangtze River Delta	2,823,603	18.4	24,195	0.86	2,599,171	18.2	27,955	1.08
Pearl River Delta	2,072,857	13.4	30,480	1.47	1,896,063	13.3	32,878	1.73
Bohai Rim	2,524,307	16.4	54,489	2.16	2,339,537	16.4	46,903	2.00
Central China	2,202,221	14.3	36,401	1.65	2,003,202	14.1	32,911	1.64
Western China	2,735,901	17.7	35,572	1.30	2,512,303	17.7	38,628	1.54
Northeastern China	759,140	4.9	25,186	3.32	734,343	5.2	19,596	2.67
Overseas and others	1,578,574	10.2	8,725	0.55	1,519,096	10.7	7,415	0.49
Total	**15,419,905**	**100.0**	**235,084**	**1.52**	**14,233,448**	**100.0**	**220,988**	**1.55**

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Item	Movements of allowance for impairment losses on loans and advances to customers measured at amortised cost				Movements of allowance for impairment losses on loans and advances to customers measured at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	**107,961**	**111,867**	**152,770**	**372,598**	**23**	**–**	**448**	**471**
Transfer:								
to stage 1	19,393	(17,976)	(1,417)	–	–	–	–	–
to stage 2	(4,901)	5,493	(592)	–	–	–	–	–
to stage 3	(2,869)	(40,413)	43,282	–	–	–	–	–
Charge/(reverse)	38,217	24,083	85,074	147,374	173	0	(200)	(27)
Write-offs and transfer out	(338)	(2,294)	(106,146)	(108,778)	–	–	–	–
Recoveries of loans and advances previously written off	–	–	2,141	2,141	–	–	–	–
Other movements	621	646	(1,871)	(604)	2	–	–	2
Balance at 31 December 2018	**158,084**	**81,406**	**173,241**	**412,731**	**198**	**0**	**248**	**446**

Note: Please see "Note 23. to the Financial Statements: Loans and Advances to Customers" for details.

As at the end of 2018, the allowance for impairment losses on loans stood at RMB413,177 million, of which RMB412,731 million at amortised cost, and RMB446 million at fair value through other comprehensive income. Allowance to NPLs was 175.76%, showing an increase of 21.69 percentage points; allowance to total loans ratio was 2.68%, showing an increase of 0.29 percentage points.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Loans secured by mortgages	7,056,026	45.8	6,480,800	45.5
Pledged loans	1,256,196	8.1	1,265,834	8.9
Guaranteed loans	2,157,264	14.0	2,059,779	14.5
Unsecured loans	4,950,419	32.1	4,427,035	31.1
Total	**15,419,905**	**100.0**	**14,233,448**	**100.0**

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2018 Amount	At 31 December 2018 % of total loans	At 31 December 2017 Amount	At 31 December 2017 % of total loans
Less than 3 months	91,153	0.59	107,218	0.75
3 months to 1 year	83,846	0.54	68,209	0.48
1 to 3 years	63,010	0.41	80,919	0.57
Over 3 years	31,923	0.21	29,729	0.21
Total	**269,932**	**1.75**	**286,075**	**2.01**

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB269,932 million, representing a decrease of RMB16,143 million from the end of the previous year. Among which, loans overdue for over 3 months amounted to RMB178,779 million, representing a decrease of RMB78 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB7,211 million, representing an increase of RMB2,053 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB1,143 million, representing a decrease of RMB231 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.8% and 12.9% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single customers was RMB340,765 million, accounting for 2.2% of the total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of 2018.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	101,785	0.7
Borrower B	Transportation, storage and postal services	40,207	0.3
Borrower C	Transportation, storage and postal services	34,922	0.2
Borrower D	Manufacturing	29,398	0.2
Borrower E	Finance	26,970	0.2
Borrower F	Transportation, storage and postal services	24,562	0.2
Borrower G	Production and supply of electricity, heat, gas and water	21,111	0.1
Borrower H	Transportation, storage and postal services	20,945	0.1
Borrower I	Transportation, storage and postal services	20,598	0.1
Borrower J	Transportation, storage and postal services	20,267	0.1
Total		**340,765**	**2.2**

Large Exposures Management

The Bank actively established and improved the management structure and system for large exposures, formulated relevant regulations, and clarified requirements on management structure, related customer management, internal limit management, calculation method and statistical report related to large exposures management. Efforts were also made to promote the information system to effectively manage the Bank's large exposures.

Risk Management for Asset Management

The Bank actively implemented the requirements of New Rules on Asset Management, regarded the building of asset management risk control system as an important cornerstone of business transformation and development, and endeavored to build an enterprise risk management system for asset management business to cover the whole-process all-risk line coverage and match the risk and return.

The Bank improved the differentiated management framework for agency investment, developed and revised fundamental administrative measures for non-standard agency investment and cooperative institutions, and strengthened management of such key businesses as debt-for-equity swap, underwriting and investment of asset-backed securities and public entrusted loans. It strengthened entire-process risk management for asset management business, implemented strict pre-investment review, and improved bond rating rules and regulations. Compliance review for transaction process was further strengthened, with stricter selecting standards and unified quota management for cooperative institutions. Focusing on risk resolution, the Bank intensified post-investment management, placed greater focus on inspecting and supervising risk projects, and actively applied investment banking disposal methods to speed up work on collecting risk projects.

For credit risk capital measurement, please refer to the section headed "Credit Risk" of the 2018 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

Market Risk

Market risk is defined as the risk of loss to the Bank's on- and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, stock prices and commodity prices). The Bank is primarily exposed to interest rate risk and currency risk (including gold).

Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardizing the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank's risk appetite.

The Bank strictly complies with regulatory requirements on market risk management, has implemented an independent, centralized and coordinated market risk management model, and formed a management organizational structure featuring the segregation of the front, the middle and the back offices in the financial market business. The Board of Directors assumes the ultimate responsibility for monitoring market risk management. The Senior Management is responsible for executing the strategies, overall policy and system concerning market risk management approved by the Board of Directors. The Market Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of market risk management, is responsible for reviewing material affairs of market risk management, and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The risk management departments at different levels undertake the responsibility of coordinating market risk management at respective levels, and the business departments implement market risk management policies and standards for their respective business areas in accordance with their functions.

In 2018, the Bank continued to improve rules and regulations on market risk at the Group's level, and regulated the entire market risk management process management of overseas institutions. The Bank improved the group-wide market risk appetite limit transmission mechanism, strengthened the forward-looking analysis on the Group's currency risk and interest rate risk, and reinforced the trading behavior monitoring. The Bank pushed forward the overseas expansion and promotion of the Global Market Risk Management (GMRM) system and strengthened application of the market risk management system and data.

Management of Market Risk in the Trading Book

The Bank continued to strengthen trading book market risk management and product control, adopted the value-at-risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. It continued to improve the portfolio-based market risk limit management system, refined the limit indicator system and dynamic management mechanism to meet the requirements of new products and businesses for timeliness, and realized quick and flexible limit monitoring and dynamic adjustments based on the Global Market Risk Management (GMRM) system. For VaR of the trading book, please refer to "Note 51.(c)(i) to the Financial Statements: VaR".

Currency Risk Management

Currency risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's mismatch between foreign currency assets and liabilities. The Bank's objective of currency risk management is to control the impact of exchange rate fluctuations on the Bank's financial position and shareholders' equity within a tolerable extent. The Bank mitigates such risk principally by limit management and hedging of risks. The Bank carries out sensitivity analysis and stress testing of currency risk on a quarterly basis, and submits currency risk reports to the Senior Management and the Market Risk Management Committee.

In 2018, the Bank closely watched the changes in external environment and market conditions, actively took a combination of measures such as limit management and hedging of risks to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and strengthened assets and liabilities currency structure management and capital fund preservation management of overseas institutions. The currency risk of the Bank was under control.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 31 December 2018		At 31 December 2017	
	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	327,917	47,729	371,875	57,111
Exposure of off-balance sheet foreign exchange items, net	(157,647)	(22,946)	(206,760)	(31,753)
Total foreign exchange exposure, net	**170,270**	**24,783**	**165,115**	**25,358**

Please refer to "Note 51.(c)(ii) to the Financial Statements: Currency Risk" for the exchange rate sensitivity analysis.

Please refer to the section headed "Market Risk" of the 2018 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on market risk capital measurement.

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is defined as the risk of loss in the economic value and overall profit of the banking book arising from adverse movements in interest rate and maturity structure, etc.

Management of Interest Rate Risk in the Banking Book

In 2018, upholding a steady and prudent risk appetite, the Bank heightened the management system and mechanism of interest rate risk in the banking book, made positive headway in interest rate risk management strategies, policies and procedures, and better applied a combination of quantity, pricing and derivative instruments regarding assets and liabilities. Based on interest rate and business trends, the Bank intensified efforts to regulate and control the duration of assets and liabilities and interest rate sensitivity gap, so as to effectively control the interest rate risk in the banking book.

- *Management System and Governance Structure for Interest Rate Risk in the Banking Book*

The Bank's management system for interest rate risk in the banking book conforms to the system importance, risk status and business complexity, and fits the Bank's overall development strategy and the enterprise risk management system. The system mainly consists of the following elements: an effective risk governance structure; sound risk management strategies, policies and procedures; effective risk identification, measurement, monitoring, control and mitigation that cover all areas; a complete internal control and review mechanism; a fully-built risk management system; and adequate information disclosure and reporting.

The Bank strictly complied with regulatory requirements for interest rate risk in the banking book, effectively managed interest rate risk in the banking book at the Bank and consolidated level, and developed a sound governance structure for interest rate risk in the banking book that is fully built and well-structured, with clearly defined rights and responsibilities. The Board of Directors and the Senior Management are vested with the ultimate and executive responsibilities, respectively, for managing interest rate risk in the banking book. The Asset & Liability Management Department of the Head Office takes the leading role in managing interest rate risk in the banking book, and other departments and institutions play their roles in implementing policies and standards concerning interest rate risk in the banking book. The Internal Audit Bureau and Internal Control & Compliance Department of the Head Office are responsible for reviewing and evaluating duties in respective of interest rate risk in the banking book.

◆ *Objective, Strategy and Important Policy of Management of Interest Rate Risk in the Banking Book*

The objective of management of interest rate risk in the banking book: the Bank aims at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk under its risk management and risk appetite.

The Bank formulated strategies and clarified objectives and modes for managing interest rate risk in the banking book based on risk appetite, risk status, macroeconomic and market changes. Based on the pre-judging of the interest rate trend and measurement results of the changes in overall profit and economic value, the Bank formulated and put into practice relevant management policies, and adopted a coordinated approach to using interest rate risk control tools to mitigate and manage risks, so as to ensure the Bank's actual interest rate risks conform to its bearing capability and willingness.

On the basis of management strategies and objectives, the Bank developed policies and made clear the modes and instruments for managing interest rate risk in the banking book. By developing and modifying such methods as on-balance sheet adjustment and off-balance sheet hedging to manage interest rate risk, adeptly using quantity, pricing and derivative instruments regarding assets and liabilities, and applying limit management system, business plan, performance assessment and capital evaluation in all areas for interest rate risk management and assessment, the Bank achieved effective control of interest rate risk at the business lines, the branches, the affiliates and the products and portfolios easily affected by interest rate risk.

◆ *Stress Testing*

In line with the principles of comprehensiveness, prudence and foresight, the Bank’s stress testing on interest rate risk in the banking book adopted the interest rate risk exposure measurement approach and standardized duration approach to measure the effect of interest rate changes under different stress scenarios on the overall profit and economic value. Based on the domestic and overseas regulatory requirements, the bankwide asset and liability business structure, operation and management as well as risk appetite, the Bank set stress testing scenarios for interest rate risk in the banking book by taking into account the current interest rate level, historical changes and trends, total assets and liabilities and their term characteristics, business development strategies, customer behaviors and other factors, and conducted stress testing quarterly.

Analysis on Interest Rate Risk in the Banking Book

◆ *Interest Rate Sensitivity Analysis*

Supposing that there is parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity of the Bank categorized by major currencies in 2018 is shown in the following table:

In RMB millions

Currency	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(3,281)	(30,513)	3,281	33,093
USD	(1,645)	(5,679)	1,645	5,683
HKD	936	–	(936)	–
Others	(59)	(690)	59	691
Total	**(4,049)**	**(36,882)**	**4,049**	**39,467**

Note: Please refer to “Note 51.(d) to the Financial Statements: Interest Rate Risk in the Banking Book”.

◆ *Interest Rate Exposure Analysis*

As at the end of 2018, the Bank had a negative cumulative interest rate sensitivity exposure within one year of RMB525,850 million, representing an increase of RMB319,236 million from the end of the previous year, mainly caused by the increase in repriced or matured due to customers within one year. It had a positive cumulative interest rate sensitivity exposure above one year of RMB2,743,107 million, representing an increase of RMB702,011 million, mainly due to the increase in repriced or matured bond investments above one year.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 31 December 2018	(133,897)	(391,953)	1,058,350	1,684,757
At 31 December 2017	(951,368)	744,754	447,734	1,593,362

Note: Please refer to "Note 51.(d) to the Financial Statements: Interest Rate Risk in the Banking Book".

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to raise funds on a timely basis or at a reasonable cost to settle liabilities as they fall due, or perform other payment obligations and satisfy other funding demands arising from the normal course of business. Liquidity risk may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch between assets and liabilities, difficulties in assets realization, operating losses, derivatives trading risk and risk associated with its affiliates.

Liquidity Risk Management

In 2018, the Bank continued to uphold a steady and prudent liquidity risk management strategy, and kept a close eye on factors affecting liquidity risk management. It constantly improved its liquidity risk management system, revised relevant management measures and strengthened monitoring over key businesses, customers and funds to ensure sound liquidity risk management during payment peak times and critical times. The liquidity risk management system was improved, with more automatic supporting system for monitoring, measuring and managing liquidity risks, so as to boost refined management of liquidity risk. The Bank made coordinated efforts to manage liquidity risks in both domestic and overseas institutions, in local and foreign currencies, and on- and off-balance sheet, and took measures to see that the Group's liquidity is stable and safe.

◆ *Liquidity Risk Management System and Governance Structure*

The Bank's liquidity risk management system conforms to the overall development strategy and the overall risk management system of the Bank, and is commensurate with the business scale, business nature, complexity and other aspects of the Bank. The system includes the following fundamental elements: effective governance structure for liquidity risk management; sound strategy, policy and procedures for liquidity risk management; effective identification, measurement, monitoring and control for liquidity risk and a complete management information system.

In respect of liquidity risk management, the Bank's governance structure embodies the decision-making system comprising the Board of Directors and its special committees as well as the Asset and Liability Management Committee and the Risk Management Committee of the Head Office; the supervision system comprising the Board of Supervisors, the Internal Audit Bureau and the Internal Control and Compliance Department; and the execution system comprising the Asset and Liability Management Department, leading management departments of on- and off-balance sheet businesses, the Information Technology Department, operation management departments of the Head Office and relevant departments of branches. Each of these systems performs the corresponding functions of decision making, supervision and execution functions according to division of responsibilities.

◆ *Objective, Strategy and Important Policy of Liquidity Risk Management*

Objective of liquidity risk management: by establishing and improving the liquidity risk management system, the Bank aims at realizing complete identification, accurate measurement, continuous monitoring and effective control of the liquidity risk at the Group level, the Bank, the affiliates, the branches and the business lines, and ensuring the liquidity demand is satisfied at a reasonable cost in time under the normal business scenario and the stress scenario.

The Bank's liquidity risk management strategy and policy are formulated in accordance with the liquidity risk appetite, and they cover all businesses on- and off-balance sheet, all domestic and overseas business departments and branches that are likely to have a material impact on the liquidity risk, and contain the liquidity risk management under normal and stressed scenarios. The liquidity risk management strategy specifies the overall objective and mode of liquidity risk management and lists major policies and procedures for liquidity risk management. Important policies for liquidity risk management are formulated in accordance with external and macro operating environments and business development of the Bank, with a view to striking an effective balance among security, liquidity and profitability.

◆ *Liquidity Risk Management Mode*

The mode of liquidity risk management of the Bank is consolidated liquidity risk management based on management of liquidity risk at the bank level. The Head Office manages the liquidity risk of the Bank in a unified and centralized manner and ensures liquidity security of the Bank through dynamic adjustment of the aggregate and structure of assets and liabilities, whereas the affiliates assume primary responsibilities concerning liquidity risk management of respective institution, and undertake corresponding responsibilities as required by the leading liquidity risk management departments of the Head Office.

◆ *Stress Testing*

Following the prudence principle, the Bank employs the scenario analysis and the sensitivity analysis to perform stress testing on liquidity risk. The Bank has taken full consideration of various macroscopic and microscopic factors that may influence the Bank's liquidity status to set stress scenarios against those products, businesses and institutions with concentrated liquidity risk in line with the characteristics and complexity of the Bank's businesses. The Bank performs stress testing on a quarterly basis. Where necessary, the Bank may carry out temporary and special stress testing at a particular time in light of changes in the external operating environment and regulatory requirements.

Liquidity Risk Analysis

As at the end of 2018, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 43.8% and 83.0% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 71.0%. Please refer to the section headed "Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements" for details.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. The available stable funding refers to the sum of the product of the book value of capital and liability items of commercial banks and the corresponding available stable fund coefficient. The required stable funding refers to the sum of the product of the book value of asset items of commercial banks and the off-balance sheet exposure and the corresponding required stable funding coefficient. As at the end of 2018, the net stable funding ratio was 126.62%, the available stable funding was RMB18,647,495 million, and the required stable funding was RMB14,726,640 million.

The daily average liquidity coverage ratio for the fourth quarter of 2018 was 126.66%, 6.30 percentage points higher than the previous quarter, mainly due to adequate available funding in the fourth quarter and the increase in cash inflow within 30 days. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio based on the Administrative Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks promulgated by the former CBRC, please refer to "Unaudited Supplementary Financial Information".

The Bank also assessed its liquidity risk profile by using liquidity exposure analysis. As at the end of 2018, the liquidity exposure for the less than 1 month category turned from negative to positive, which was mainly due to the decrease of repurchase agreements with corresponding term. The negative liquidity exposure for the 3 months to 1 year category increased, mainly caused by the increase of due to customers with corresponding term. The positive liquidity exposure for the 1 to 5 years category expanded, mainly due to the increase in investments in bonds and loans and advances to customers with corresponding term. The positive liquidity exposure for the category of over 5 years increased, which was mainly due to increase in loans and advances to customers with corresponding term. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
At 31 December 2018	(12,057,413)	432,760	(674,702)	(1,884,799)	4,412,116	8,793,935	3,322,986	2,344,883
At 31 December 2017	(10,793,525)	(200,327)	(595,509)	(829,587)	3,452,159	7,619,544	3,488,301	2,141,056

Note: Please refer to "Note 51.(b) to the Financial Statements: Liquidity Risk".

Operational Risk

Operational Risk Management

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management. Among these, external fraud, execution and delivery and process management constitute major sources of operational risk losses of the Bank.

The Bank strictly followed regulatory requirements on operational risk management and adopted the operational risk control mode of "integrated management, classified control". The Board of Directors assumes relevant responsibility for the effectiveness of the operational risk management according to the Articles of Association, and the Senior Management is responsible for implementing the strategy, overall policy and system for operational risk management approved by the Board of Directors. The Operational Risk Management Committee under the Senior Management, as the organizer and coordinator of operational risk management of the Bank, is responsible for reviewing and approving significant matters related to operational risk management according to the Working Regulations for the Operational Risk Management Committee. Marketing and product departments at all levels form the first line of defense of operational risk management, which assume direct responsibility for operational risk management in each business line. Internal control and compliance departments at various levels are comprehensive management departments for operational risk in institutions at various levels and assume the duty of operating the second line of defense of operational risk management, which are responsible for the arrangement and organization for the establishment and implementation of operational risk management system at each level; discipline enforcement, security, human resources, IT, finance and accounting, legal affairs, operation management, credit management and risk management departments at all levels are classification control departments for operational risk in institutions at various levels, which are responsible for management and control on specific types of operational risk. These departments, together with comprehensive management departments, form the second line of defense of operational risk management. The internal audit departments are responsible for auditing and evaluating the operation of the operational risk management system, and form the third line of defense.

In 2018, the Bank continued to push the Group's operational risk management to a higher level in line with the regulatory focus and operational risk trends. It conducted risk governance in key fields and links on an ongoing basis, and actively conducted in-depth crackdown campaign to improve or update policies, procedures, systems and mechanisms and the procedure-based hard control over key links. External fraud risk management was strengthened to effectively protect customer's funds. Operational risk limit management was reinforced to ensure adequate monitoring and reporting of limit indicators. The Bank also improved the operational risk measurement system, intensified large-value operational risk event control, and continuously strengthened the application of operational risk management tools and risk data quality. During the reporting period, the operational risk management system of the Bank operated smoothly and the operational risk was controllable on the whole.

Legal Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arises out of or in connection with the failure of the Bank to comply with relevant laws, regulations, administrative rules, regulatory provisions or requirements of other relevant rules during the Bank's operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Bank always attaches great importance to establishing a sound legal risk management system, forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and to prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the strategy and policy relating to legal risk management, examining and approving relevant important affairs. The Legal Affairs Department of the Head Office is in charge of legal risk management across the Group, with relevant business departments providing related support and assistance on legal risk prevention and control. The affiliates, domestic and overseas branches undertake the responsibility of legal risk management of their respective institutions.

In 2018, the Bank continued to strengthen legal risk management, by improving the risk prevention and control capacity in legal risk management, ensuring the legal and compliant operation, healthy business development and overall business stability of the Group. The Bank improved both the vertical linkage and horizontal coordination mechanism between the Head Office and branches. By embedding legal risk prevention and control into business negotiations, product design, contract signing and other links, the Bank prevented legal risk in advance and made the legal risk prevention and control more prospective, proactive and targeted. Legal risk prevention and control in key areas and links have made headway in line with new financial regulatory requirements. The Bank further improved the cross-border coordination and management for legal work and strengthened the legal risk management of overseas institutions, actively responding to cross-border legal issues emerging in the development of international operations. It applied multiple legal means to improve debt collection efficiency. Moreover, the Bank pragmatically strengthened the risk management and control of lawsuit-related risks, thereby preventing and mitigating lawsuit-related risks and losses. It assisted with the online judicial inquiry and enforcement, and improved the efficiency of providing enforcement assistance. The Bank made smooth progress in implementing the seal reform, put in place and improved a procedure-based mechanism for electronic signing system. It standardized contract management and reinforced authorization management, related party management, trademark management and intellectual property protection, and made continuous efforts to institutionalize risk management and control, and build a better-structured system.

Anti-Money Laundering

In strict compliance with anti-money laundering ("AML") laws and regulations of China and host countries (regions) of overseas institutions, the Bank sincerely implemented the "risk-based" regulatory requirements in respect of AML, steadily fulfilled the legal obligations and social responsibilities concerning AML, and kept enhancing the Group's management level regarding AML and counter-terrorist financing ("CTF").

Confronted with complex and severe AML environment both in and outside China, the Bank upheld a "risk-based, problem-based, and foundation-oriented approach with a focus on regulatory requirements", and coordinated efforts to promote the development of AML policies, systems and teams to shore up the Group's AML management foundation. The Bank continued to improve the AML management structure at the Head Office level, intensified AML assessment and accountability, and actively cooperated with PBC to carry out FATF mutual evaluations. AML publicity and training activities were launched in all areas to strengthen AML responsibility of all staff. Domestic institutions continued to deepen the centralized AML processing reform to increase the intelligentization of AML system, strengthened the analysis ability of suspicious activity report and cooperated with regulators and competent authorities in AML investigation. Key overseas institutions redoubled efforts to strengthen AML management capability, with more energy devoted to prevent and control money laundering risks in key areas and critical links, and developed a long-term AML compliance management mechanism.

Please refer to the section headed "Operational Risk" of the 2018 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on operational risk capital measurement.

Reputational Risk

Reputational risk is defined as the risk of negative assessment or comments on a commercial bank from stakeholders as a result of its operation, management and other behaviors or external events. Reputational risk may arise in any part of the Bank's operation and management, and usually co-exists and correlates with credit risk, market risk, operational risk and liquidity risk.

Reputational risk management of the Bank refers to the process and method for ensuring the achievement of the overall objective of reputational risk management based on the reputational risk management objective and planning, through the establishment and improvement of the reputational risk management system and through daily reputational risk management and proper handling of reputational events. Good reputation is central to the operation and management of a commercial bank. The Bank highly values its reputation and has incorporated reputational risk management in the corporate governance and enterprise risk management system to prevent reputational risk.

The Board of Directors is responsible for reviewing and finalizing bank-wide policies concerning reputational risk management that are in line with the strategic objective of the Bank, establishing a bank-wide system of reputational risk management, monitoring the overall status and effectiveness of reputational risk management across the Bank and assuming the ultimate responsibility for reputational risk management. The Senior Management is responsible for leading reputational risk management of the Bank, implementing the strategies and policies established by the Board of Directors, reviewing and finalizing the rules, measures and operating procedures for reputational risk management and the plans to handle extraordinarily major reputational events and ensuring the proper and effective operation of the reputational risk management system. The Bank has established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2018, the Bank constantly advanced the building of the reputational risk management policies and mechanism, and reinforced the prevention, control and management of the reputational risk sources. It stepped up efforts to apply information technology in reputational risk management to promote the IT-based reputational risk management. It performed reputational risk management and protection of consumer rights and interests by synchronized method, actively responded to the comments and suggestions of the public, and continued to increase the reputational risk awareness of all the employees. The Bank organized a series of featured reports with greater influence for publicity to enhance its brand image. During the reporting period, the Bank's reputational risk was controllable with no material reputational risk event occurred.

Country Risk

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by the Bank or its commercial presence in such country or region and other losses due to economic, political and social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government's refusal to pay external debt, foreign exchange control or currency depreciation in a country or a region.

The Bank strictly observes regulatory requirements on country risk management. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The Senior Management is responsible for executing the country risk management policies approved by the Board of Directors. The Risk Management Committee of the Head Office is responsible for reviewing matters regarding country risk management. The Bank manages and controls country risk with a series of tools, including country risk assessment and rating, country risk limit, country risk exposure calculation and monitoring and stress testing. The Bank reviews the country risk rating and limits at least once every year.

In 2018, facing the increasingly complicated international political and economic environment, the Bank strictly abode by regulatory requirements and, with consideration of its business development needs, continued to strengthen country risk management. The Bank closely observed changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. It continued to strengthen early warning mechanism for country risk, proactively conducted stress testing on country risk and reasonably and effectively controlled country risk while pushing ahead with the internationalization strategy.

CAPITAL MANAGEMENT

The Bank implements a group-based capital management mechanism, and takes capital as the object and an instrument for its management activities, including planning, measurement, allocation, application and operation. The Bank's capital management aims at maintaining appropriate capital adequacy ratio and continuously meeting capital supervisory regulations and policies; ceaselessly strengthening and enhancing the bank-wide capital base and supporting business growth and implementation of strategic planning; establishing a value management system focusing on economic capital, reinforcing capital constraint and incentive mechanism and improving capital allocation efficiency; innovating and expanding capital replenishment channels, raising capital quality and optimizing capital structure. The Bank's capital management covers various operating entities in the Group, and its contents include capital adequacy ratio management, economic capital management, capital investment and financing management.

In 2018, the Bank further deepened the capital management reform, strengthened capital saving and optimization, intensified the constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency and return on capital. It steadily enhanced the supplementation capacity of endogenous capital, and further consolidated the bank-wide capital base to reinforce its capacity in supporting the real economy. In 2018, all capital indicators performed well, of which capital adequacy ratio was kept at a sound and appropriate level.

Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios at all levels in accordance with the Capital Regulation. According to the scope of implementing the advanced capital management approaches as approved by the former CBRC, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA.

RESULTS OF CAPITAL ADEQUACY RATIO CALCULATION OF THE GROUP AND PARENT COMPANY

In RMB millions, except for percentages

	At 31 December 2018		At 31 December 2017	
Item	Group	Parent Company	Group	Parent Company
Calculated in accordance with the Capital Regulation:				
Net core tier 1 capital	2,232,033	2,040,396	2,030,108	1,856,054
Net tier 1 capital	2,312,143	2,102,348	2,110,060	1,935,429
Net capital base	2,644,885	2,419,120	2,406,920	2,216,707
Core tier 1 capital adequacy ratio	12.98%	13.23%	12.77%	12.88%
Tier 1 capital adequacy ratio	13.45%	13.63%	13.27%	13.44%
Capital adequacy ratio	15.39%	15.68%	15.14%	15.39%
Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:				
Core capital adequacy ratio	11.54%	11.89%	11.65%	11.96%
Capital adequacy ratio	14.11%	14.34%	14.56%	14.67%

As at the end of 2018, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Capital Regulation stood at 12.98%, 13.45% and 15.39%, respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2018	At 31 December 2017
Core tier 1 capital	**2,247,021**	**2,044,390**
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,968	151,952
Surplus reserve	261,636	232,660
General reserve	278,980	264,850
Retained profits	1,205,924	1,096,868
Valid portion of minority interests	3,752	2,716
Others	(11,646)	(61,063)
Core tier 1 capital deductions	**14,988**	**14,282**
Goodwill	8,820	8,478
Other intangible assets other than land use rights	1,927	1,532
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,739)	(3,708)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	**2,232,033**	**2,030,108**
Additional tier 1 capital	**80,110**	**79,952**
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	735	577
Net tier 1 capital	**2,312,143**	**2,110,060**
Tier 2 capital	**332,742**	**297,360**
Valid portion of tier 2 capital instruments and related premium	202,761	222,321
Surplus provision for loan impairment	127,990	71,736
Valid portion of minority interests	1,991	3,303
Tier 2 capital deductions	**–**	**500**
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	500
Net capital base	**2,644,885**	**2,406,920**
Risk-weighted assets(2)	**17,190,992**	**15,902,801**
Core tier 1 capital adequacy ratio	**12.98%**	**12.77%**
Tier 1 capital adequacy ratio	**13.45%**	**13.27%**
Capital adequacy ratio	**15.39%**	**15.14%**

Notes: (1) Please refer to "Note 51.(e) to the Financial Statements: Capital Management".

(2) Refers to risk-weighted assets after capital floor and adjustments.

Please refer to the 2018 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At 31 December 2018	At 30 September 2018	At 30 June 2018	At 31 March 2018	At 31 December 2017
Net tier 1 capital	2,312,143	2,249,959	2,161,384	2,154,625	2,110,060
Balance of adjusted on- and off-balance sheet assets	29,679,878	30,363,117	29,421,922	28,551,949	28,084,967
Leverage ratio	**7.79%**	**7.41%**	**7.35%**	**7.55%**	**7.51%**

Note: Please refer to "Unaudited Supplementary Financial Information" for details on disclosed leverage ratio information.

Capital Financing Management

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for external capital replenishment and continuously promoted the issuance of new types of capital instruments.

According to the capital planning and capital replenishment planning, the Bank publicly issued the tier 2 capital bonds of RMB55.0 billion in March 2019 in China's national inter-bank bond market. The funds raised will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws as approved by relevant regulators. Please refer to the announcements published by the Bank on the websites of SEHK and SSE.

On 28 March 2019, the Board of Directors of the Bank reviewed and approved the Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds. The Bank plans to issue write-down undated additional tier 1 capital bonds with the total amount up to RMB80.0 billion in China's national inter-bank bond market. All funds raised will be used to bolster the Bank's additional tier 1 capital. The undated additional tier 1 capital bonds issuance plan is still subject to the review and approval by the Shareholders' General Meeting of the Bank, after which it is further subject to the approval by the relevant regulatory authorities. Please refer to the announcements published by the Bank on the websites of SEHK and SSE.

For details on the issuance of preference shares of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares". For details on relevant fundraising activities, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing".

Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

The Bank further strengthened its economic capital management in terms of measurement, allocation and assessment, improved its economic capital measurement policy and optimized its economic capital measurement standards and system. The Bank strictly implemented the measures for quota management, continuously boosted the refined management of economic capital, and reinforced the capital constraint on domestic branches, profitability units, overseas institutions and subsidiaries. Moreover, the Bank upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of its credit structure. It strengthened trainings on economic capital management for institutions at all levels, and vigorously pushed forward the application of economic capital in operational management and business front-line.

OUTLOOK

It is generally expected that banks will face a more complex business environment with higher level of uncertainties and risks in 2019. The year is a period of both severe challenges and strategic opportunities.

The Bank mainly faces the following opportunities: First, the development of China continues to be in an important period filled with strategic opportunities in which economic fundamentals imbued with huge potential and strong resilience for long-term growth remain unchanged. It will create a stable macro environment for us, provide a good foundation and reinforce our confidence to do a good job. Second, the ongoing supply-side structural reform, the accelerated economic structure upgrading, the further reform and opening-up, and the in-depth implementation of coordinated regional development strategy will create ample opportunities for business development and financial innovation. Third, the rapid development and wide application of FinTech will give us new momentum and strengths in developing the Bank into a smart bank and building a new ecosphere of financial services.

The Bank mainly faces the following challenges: First, trade protectionism and other adverse factors add to the downside risks to the global economy, which will weigh on the internationalization of banks. Second, there are concerns over increasing difficulties that may arise from changes amid the stable economic performance of China, as some of such changes may bring challenges. Such a situation will put pressure on banking, especially on the stability of asset quality. Third, the worsening turbulences in the global financial market and the higher resonance risk of the domestic capital markets and bond market will challenge a bank's capability of comprehensive risk control. Fourth, the New Rules on Asset Management have made transformation an urgent priority for banks.

2019 marks the 70th anniversary of the founding of the People's Republic of China, and is a crucial year for building a moderately prosperous society on all fronts. The Bank will adhere to the overarching principle of seeking progress while ensuring stability. In the course of promoting high-quality economic development, the Bank will realize its healthy and sustainable development and further enhance its ability to create value, serve customers, control risks and compete in the market.

- **The Bank will continue to serve the real economy more effectively.** We will adhere to the integrated development strategy of investment and financing, coordinate stock and increment, credit and non-credit, on-balance sheet and off-balance sheet businesses as well as domestic and overseas operations, improve the efficiency of resource allocation, and utilize all key financial elements to activate energy and vitality. The Bank will properly manage its investment and financing, actively support the continuation of the supply-side structural reform under the principle of "Consolidation, Enhancement, Improvement and Smoothness" and facilitate the spread of monetary policy and the fulfillment of the "Six Stabilities". In particular, we will stay true to the principle of equal credit, continuously improve financial services for private enterprises and small and micro enterprises, and better utilize the financial resources to ensure that the real economy is nourished through "targeted irrigation".

- **The Bank will continue to deepen its transformation, reform and innovation.** We will continue to adopt a combined approach to consolidate our foundation and concurrently seek transformation and upgrading. We seek to serve the broadest customer base and enhance our competitiveness in terms of deposits through all channels, market-wide mapping, extension of value chain and coordination of all business segments. We will foster new growth drivers and "sustainability" in a number of strategic segments with large growth potential and strong driving forces, so that all segments will forge ahead together for an overall success. We will continue with in-depth and solid reform and innovation. While deepening existing reform projects, we will push forward a number of new reform measures in succession to improve development quality and innovation vitality. Leveraged on the nature of finance and our strengths in FinTech, we will press ahead with IT architecture transformation and smart banking development in every respect, create a new ecosphere of financial services and empower our development on all fronts.

- **The Bank will continue to enhance its ability to forestall and defuse risks.** We will strike a balance between stable growth and risk prevention, and fight against major risks in a proactive manner. We will improve our capability of credit risk lifecycle management, with a focus on controlling new "bleeding points", defusing existing risks and disposing of non-performing loans, in an effort to cement the momentum of asset quality improvement. Under the principle of "clear vision, thorough understanding and good management", we will establish a penetrative panoramic view of risks, a simple and transparent business development strategy and a unified risk control system that runs through the Group, strengthen comprehensive risk management and prevent interaction and contagion of risks to ensure all risks are under overall control.

OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

Major Regulatory Indicators

Item		Regulatory criteria	2018	2017	2016
Liquidity ratio (%)	RMB	>=25.0	43.8	41.7	35.7
	Foreign currency	>=25.0	83.0	86.2	82.3
Loan-to-deposit ratio (%)	RMB and foreign currency		71.0	71.1	70.9
Percentage of loans to single largest customer (%)		<=10.0	3.8	4.9	4.5
Percentage of loans to top 10 customers (%)			12.9	14.2	13.3
Loan migration ratio (%)	Pass		1.7	2.7	3.4
	Special mention		25.3	23.2	23.5
	Substandard		38.8	71.1	36.8
	Doubtful		25.2	10.6	7.4

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted or restated.

Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2018 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

Corporate Bonds

The Bank did not issue any corporate bonds that need to be disclosed as per the "No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report" (Revision 2017) or "No. 38 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report of Corporate Bonds".

Global Systemically Importance Assessment Indicators of Commercial Banks

In RMB millions

Indicator	2018	2017
Balance of adjusted on- and off-balance sheet assets	29,679,878	28,084,967
Intra-financial system assets	1,717,824	1,928,002
Intra-financial system liabilities	1,816,041	1,924,926
Securities and other financing instruments issued	3,947,251	3,948,878
Payments settled via payment systems or correspondent banks	413,391,380	361,485,854
Assets under custody	16,301,370	15,557,326
Underwritten transactions in debt and equity markets	1,266,787	1,198,482
Notional amount of over-the-counter (OTC) derivatives	7,130,990	5,600,701
Trading and available-for-sale securities	432,604	498,644
Level 3 assets	209,554	169,915
Cross-jurisdictional claims	1,885,349	1,631,867
Cross-jurisdictional liabilities	2,010,668	1,729,020

Social Responsibility

Taking the social responsibility objective of "Excellence for You — Excellent services to clients, Maximum returns to shareholders, Real success for our people, Great contribution to society", the Bank is committed to serving the common interests of all the stakeholders in economic and social development, promoting sustainable economic development and social progress, and maximizing the comprehensive economic, environmental, and social value.

Delivering Excellence

Leveraging a sound corporate governance framework, the Bank promoted the transformation of operation, offered innovative products and services, strove to enhance profitability and risk control level, promoted the reasonable distribution of social resources via optimal allocation of financial resources, further stepped up efforts to build a green financial system to improve economic, social and ecological benefits and created superior value for all the stakeholders including shareholders, customers and employees as well as the society.

Sticking to Our Founding Mission

Staying true to our founding mission, the Bank was determined to be rooted in the real economy. It focused on advanced manufacturing, cultivated happiness industries, supported connectivity of the internet of things, and served coordinated regional development. Moreover, it further built the inclusive financial system to serve the small and micro enterprises and private economy. It upheld the fundamental policy of targeted poverty relief and elimination, innovatively pushed ahead with poverty relief and kept enhancing its capability in this field, so as to improve the people's livelihood with financial services.

Customers' Favourite

The Bank upheld and fulfilled the "customer-oriented" operating philosophy and took persistent efforts to build an efficient, reputed bank that provides good customer experience. It was dedicated to structuring a service hierarchy that combines online and offline operations, manual work and artificial intelligence as well as notification and interaction. The Bank endeavoured to provide more efficient, safer and more convenient financial services of better quality and become a trusted, reliable, user friendly and first-choice bank.

Leading in Innovation

The Bank vigorously fostered innovation culture, adhered to indigenous innovation, and strengthened protection of intellectual property rights. It innovated products and services and continuously strengthened innovation in management in a bid to become a leader and driver of the smart finance ecosystem.

Security and Prudence

The Bank upheld the corporate culture that "Integrity Leads to Prosperity", responded actively to the latest changes in financial regulatory requirements and market conditions, defended the bottom line of risks, fortified the lines of defense for compliance, pursued safe operation and sound development based on well-established policies and risk control and prevention, effectively protected the rights and interests of consumers and safeguarded financial security and stability.

People-oriented

Adhering to the people-oriented philosophy, the Bank took "equal, open, respectful and integrated" attitudes to proactively optimize the employment environment, substantially protect the legitimate rights and interests of employees and care about their growth. At the same time, the Bank actively supported charity work, encouraged the employees to participate in volunteer activities, gave back to the society and fulfilled its corporate social responsibilities in multiple ways, such as helping the poor, the elderly and people with disabilities, and providing financial support for education.

Targeted Poverty Relief

The Bank took poverty relief as an important part of fulfilling its social responsibilities, insisted on the basic principle of targeted poverty relief and elimination, established the leading group for poverty relief, and improved the poverty relief mechanism. It took innovative measures to make progress in the fight against poverty, kept enhancing the financial support and poverty relief efforts well targeted at the needs of poverty-stricken areas and made endeavors to play its due role in anti-poverty.

Targeted Poverty Relief Planning

Poverty relief planning and objective. The Bank fully leveraged financial services to lift people in poor areas out of poverty, increased credit support to poor areas and provided good financial services for poor areas in an all-round way. It concentrated efforts on supporting areas of extreme poverty, helped targeted areas of poverty relief to integrate resources and pooled resources from all sides to assist impoverished people in improving production and living conditions, supported local people to meet poverty relief objectives to schedule and contributed financial wisdom to poverty relief.

Mechanism for poverty relief. The Head Office's Leading Group for Poverty Relief through Finance held a meeting to strengthen the leadership and coordination of poverty relief work. The ICBC Work Plan for Targeted Poverty Relief through Finance (Version 2018), the Opinions on Effective Work on Targeted Poverty Relief and the Work Plan for Supervision and Inspection of Targeted Poverty Relief were formulated, and the Measures for Assessment of Effectiveness of Targeted Poverty Relief through Finance was issued to provide a solid policy basis for poverty relief work.

Summary of Targeted Poverty Relief in 2018

Poverty relief through finance. The Bank sought breakthroughs mainly in credit granting, product innovation and service provision, etc., and deeply pushed forward anti-poverty work to cater for the financial demand of poverty stricken areas. The hard efforts paid off in the way of finance leveraging and promoting finance-supported targeted poverty relief in the new era.

Poverty relief through industries. The Bank took the lead to found the Alliance of Targeted Poverty Relief for a Beautiful Life, and put in place an ecological chain of reducing poverty through industrial development that integrates large banks, central media, logistical channels, operations and direct selling. The Bank leveraged on its E-commerce platform "ICBC Mall" to consolidate logistics, fund flows and information flows and help agricultural enterprises and farmers in poor areas to sell agricultural supplies and agricultural products online. In targeted areas of poverty relief, the Bank adhered to the industry-based poverty relief model combining ICBC, the government, the village's Party committee and autonomous committee, enterprises and the poor households together, and fostered a group of characteristic industrial projects with growing vitality and demonstration effects in strict accordance with the principle of targeted poverty relief. The Bank organized training sessions of "three teams" including Party committee secretaries, pioneers in making wealth through setting up businesses and practical scientific and technological professionals of poverty-stricken villages to broaden their horizons of work and enhance their ability to generate wealth for themselves and others.

Poverty relief through education. "Prioritizing education for poverty relief" and regarding people as the biggest asset, the Bank was well poised to extend support to teachers, students and graduates, supported job creation, sponsored poor students, provided training for village teachers, and raised funds for school buildings, thus raising the level of poverty relief through education across the board.

Poverty relief through healthcare. The Bank improved the local medical services and public hygiene and reduced the cases of local residents falling below the poverty line or returning to poverty due to illnesses, by offering free medical assistance and providing medical and health facilities, enabling more poor people to access basic medical services. For the first time, the "Lifeline Express" hospital pulled into Bazhong in Sichuan Province, and a cataract treatment center was also built in Bazhong.

Targeted Poverty Relief Achievements

In RMB10,000

Finance-backed targeted poverty relief	
Balance of loans	15,594,543.84
Including: Loan of industry targeted poverty relief	2,909,044.98
Loan of project targeted poverty relief	10,626,870.94
Including: Rural transport facilities	5,079,545.99
Upgrading of rural power network	190,432.19
Rural water conservancy facilities	707,104.44
Rural education loan	171,825.00
Amount of targeted poverty relief input	3,071.00
Poverty relief through industries	1,890.00
Poverty relief through education	681.00
Poverty relief through healthcare	470.00
Poverty relief through infrastructure	30.00
Consumption-based poverty relief	
Assistance in selling agricultural products in poor areas	10,800.00
Purchase of agricultural products in poor areas	2,584.67
The Group poverty relief donations apart from targeted poverty relief	
Amount of donations	2,794.43
Projects	Including infrastructure construction, industrial development, education, medical care and visit to poor households
Number of beneficiaries	317,932
Including: Number of registered poor people	58,202

Note: The "targeted poverty relief" refers to the poverty relief efforts in Tongjiang County, Nanjiang County, Jinyang County and Wanyuan City in Sichuan Province.

Subsequent Targeted Poverty Relief Plan

In view of the development plan of the poor regions, the Bank will coordinate targeted poverty relief through finance with rural revitalization and create new financial products and services for poverty relief according to local conditions. It will implement the poverty relief model that features the combination of finance, industry, education and healthcare, and push the poverty relief efforts from being driven by external forces to being driven by internal forces and from individual cases to collective relief. The Bank will refine the financial service channels for poor regions, make full use of ICBC Mall, effectively carry out poverty relief through e-commerce, and increase the supply of financial services in poor regions to make them more convenient and accessible. It will focus on poverty relief in the extremely poor regions, make overall arrangements of resources, and prioritize support to those areas with the greatest difficulties, poorest groups and the most urgent problems.

Green and Environment Protection

Regarding green finance strengthening as a key strategy for long-term pursuit, the Bank comprehensively carried forward green finance, promoted the "green adjustment" of credit structure, actively backed the development of green industries, reinforced the prevention and control of environmental and social risks, and strictly enforced the whole-process management of green credit in all aspects, e.g. policy, management process, business innovation and own performance. As at the end of the reporting period, the balance of domestic green credit reached RMB1,237,758 million, increasing by RMB138,559 million or 12.61% over the end of 2017, higher than the same-period growth of domestic corporate loans by about 6.6 percentage points.

The Bank advocated green office and continuously promoted low-carbon operation, by constantly enriching the functions of the office IT system, actively promoting the paperless office operation, and having meetings go paperless. In the meantime, it took a further step to tighten the car use system, and continued to develop the diversified official car use system focused on self-owned cars and complemented by the commercial car service such as online car hailing. The Bank promoted green travel, advocated water conservation, strengthened energy consumption control, and carried out the voluntary tree planting initiatives constantly. With these endeavors, it improved the ecological environment and raised the awareness of environmental protection among its employees.

For more details on the Bank's social responsibilities, please refer to the ICBC Corporate Social Responsibility Report 2018 (Environment, Society and Governance) published on its official website.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2017		Increase/decrease during the reporting period	At 31 December 2018	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	–	–	–	–	–
II. Shares not subject to restrictions on sales	356,406,257,089	100.00	–	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	–	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	–	86,794,044,550	24.35
III. Total number of shares	356,406,257,089	100.00	–	356,406,257,089	100.00

Note: "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of CSRC.

Details of Securities Issuance and Listing

The Bank did not conduct any share issue or issue any convertible bonds during the reporting period.

For details on the issuance of preference shares of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

For information on other securities issued by the Bank and its subsidiaries, please refer to "Note 35. to the Financial Statements: Debt Securities Issued; Note 38. to the Financial Statements: Other Equity Instruments" for details.

The Bank did not have any employee shares.

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 579,040 ordinary shareholders and no holders of preference shares with voting rights restored, including 123,028 holders of H shares and 456,012 holders of A shares. As at the end of the month immediately before the results announcement date (28 February 2019), the Bank had a total number of 562,820 ordinary shareholders and no holders of preference shares with voting rights restored.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	Increase/ decrease of shares during the reporting period
Huijin	State-owned	A Share	34.71	123,717,852,951	None	–
MOF	State-owned	A Share	34.60	123,316,451,864	None	–
HKSCC Nominees Limited/ Hong Kong Securities Clearing Company Limited[(4)]	Foreign legal person	H Share	24.17	86,151,664,334	Unknown	51,813,906
		A Share	0.24	873,150,238	None	403,299,770
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	-44,000,000
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.68	2,416,131,564	None	-1,559,948,322
Wutongshu Investment Co., Ltd.	State-owned legal person	A Share	0.40	1,420,781,042	None	–
Central Huijin Asset Management Co., Ltd.	State-owned legal person	A Share	0.28	1,013,921,700	None	–
China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu	Other entities	A Share	0.28	1,000,845,252	None	869,042,907
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.21	745,715,157	None	383,007,330
SSE 50 Exchange Traded Open-End Index Securities Investment Fund of ICBC Credit Suisse Asset Management Co., Ltd.	Other entities	A Share	0.10	366,214,700	None	366,214,700

Notes: (1) The above data are based on the Bank's register of shareholders as at 31 December 2018.

(2) The Bank had no shares subject to restrictions on sales.

(3) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Both "China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu" and "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" are managed by China Life Insurance Company Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

(4) HKSCC Nominees Limited held 86,151,664,334 H shares and Hong Kong Securities Clearing Company Limited held 873,150,238 A shares.

Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

◆ *Controlling Shareholders*

The largest single shareholder of the Bank is Huijin, whose full name is Central Huijin Investment Ltd. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza, 1 Chaoyangmen North Street, Dongcheng District, Beijing. Its unified social credit code is 911000007109329615, and its legal representative is Ding Xuedong[1]. Huijin is a wholly-owned subsidiary of CIC. It, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2018, Huijin held approximately 34.71% shares of the Bank. It held shares directly in the institutions listed below:

No.	Company name	Huijin's shareholding percentage (%)
1	China Development Bank Corporation	34.68
2	Industrial and Commercial Bank of China Limited (A; H)	34.71
3	Agricultural Bank of China Limited (A; H)	40.03
4	Bank of China Limited (A; H)	64.02
5	China Construction Bank Corporation (A; H)	57.11
6	China Everbright Group Ltd.	55.67
7	China Everbright Bank Company Limited (A; H)	19.53
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation (H)	71.56
10	New China Life Insurance Company Limited (A; H)	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holdings Company Limited	69.07
13	Shenwan Hongyuan Group Co., Ltd. (A)	22.28
14	China International Capital Corporation Limited (H)	55.68
15	China Securities Co., Ltd. (A; H)	31.21
16	Jiantou CITIC Asset Management Co., Ltd.	70.00
17	Guotai Junan Investment Management Co., Ltd.	14.54

Notes: (1) A represents A share listed company, while H represents H share listed company.

(2) On 6 June 2018, upon going through the public listing procedures of Beijing Financial Assets Exchange, Huijin and Haier Group (Qingdao) Financial Holdings Ltd. signed the equity transfer agreement, to transfer 398.5 million A shares of China International Capital Corporation Limited ("CICC") to Haier Group (Qingdao) Financial Holdings Ltd. As at the end of 2018, the relevant procedures were being handled. After the transfer completed, the percentage of CICC's shares directly held by Huijin will change to about 46.2%.

(3) Except the above-mentioned controlling or equity participating enterprises, Huijin also has a wholly-owned subsidiary — Central Huijin Asset Management Co., Ltd. Central Huijin Asset Management Co., Ltd. was incorporated in November 2015 in Beijing. With a registered capital of RMB5 billion, the company runs an asset management business.

1 Ding Xuedong was transferred to serve as Deputy Secretary General of the State Council (Minister Level). He authorized Tu Guangshao to function in the capacity of Legal Representative of CIC, Chairman and Legal Representative of Huijin. The authorization came into force on 2 March 2017, and shall cease to be effective upon new appointment by the State Council. Tu Guangshao currently serves as Vice Chairman and General Manager of CIC.

The second single largest shareholder of the Bank is MOF, which held approximately 34.60% shares of the Bank as at 31 December 2018. MOF is a department under the State Council, and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the fiscal and taxation policies, and supervising State finance at a macro level.

◆ *Particulars of Other Corporate Shareholders Holding 10% Shares or More (Excluding HKSCC Nominees Limited)*

None.

◆ *Particulars of the De Facto Controller*

None.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2018, the Bank received notices from the following persons about their interests or short positions held in the Bank's ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares(3) (%)	Percentage of total ordinary shares(3) (%)
MOF(1)	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Huijin(2)	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2018, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2018, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, held 1,013,921,700 shares in the Bank.

(3) Due to rounding, percentages presented herein are for reference only.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares (%)	Percentage of total ordinary shares (%)
Ping An Asset Management Co., Ltd.[1]	Investment manager	8,707,776,000	Long position	10.03	2.44
National Council for Social Security Fund	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
BlackRock, Inc.	Interest of controlled corporations	4,397,641,191	Long position	5.07	1.23
		1,679,000	Short position	0.00	0.00
Citigroup Inc.	Person holding guaranteed interests in shares	5,757,000	Long position	0.01	0.00
	Interest of controlled corporations	256,781,554	Long position	0.30	0.07
	Approved lending agent	4,109,856,188	Long position	4.73	1.15
	Total	4,372,394,742		5.03	1.22
	Interest of controlled corporations	85,975,521	Short position	0.09	0.02

Note: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 31 December 2018 (the date of relevant event being 7 September 2018). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

Preference Shares

Issuance and Listing of Preference Shares in Latest Three Years

The Bank did not issue any preference shares in the past three years.

Issuance of Preference Shares

On 30 August 2018 and 21 November 2018, the Board of Directors and the Shareholders' General Meeting of the Bank reviewed and approved the Proposal on the Domestic Preference Share Issuance Plan of Industrial and Commercial Bank of China Limited and the Proposal on the Offshore Preference Share Issuance Plan of Industrial and Commercial Bank of China Limited. The Bank plans to issue preference shares with a total amount up to an equivalent of RMB100.0 billion on the domestic and offshore markets. Among which, preference shares up to RMB100.0 billion will be issued in a single or multiple series in the domestic market and preference shares up to an equivalent of RMB44.0 billion will be issued in the offshore market. The specific issuance amount will be determined within the above-mentioned limits by the Board of Directors as authorized by the Shareholders' General Meeting (sub-authorization is available). All the funds raised from the domestic and offshore issuance of preference shares after deducting the issuance costs will be used to replenish additional tier 1 capital of the Bank. The preference share issuance plans are still subject to the approval by relevant regulatory authorities.

Changes in Preference Shares

As at the end of the reporting period, the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders. As at the end of the month immediately before the results announcement date (28 February 2019), the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Cede & Co.	Foreign legal person	USD offshore preference shares	–	147,000,000	47.9	–	Unknown
The Bank of New York Depository (Nominees) Limited	Foreign legal person	RMB offshore preference shares	–	120,000,000	39.1	–	Unknown
		EUR offshore preference shares	–	40,000,000	13.0	–	Unknown

Notes: (1) The above data are based on the Bank's register of offshore preference shareholders as at 31 December 2018.

(2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of placees.

(3) The Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
China Mobile Communications Group Co., Ltd.	Other entities	Domestic preference shares	–	200,000,000	44.4	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	11.1	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	35,000,000	7.8	–	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	30,000,000	6.7	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOC International (China) Limited	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	10,000,000	2.2	–	None

Notes: (1) The above data are based on the Bank's register of domestic preference shareholders as at 31 December 2018.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Both "China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu" and "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" are managed by China Life Insurance Company Limited. The "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) "Shareholding percentage" refers to the percentage of domestic preference shares held by preference shareholders in total number of domestic preference shares.

Dividend Distribution of Preference Shares

As per the resolution and authorization of the Shareholders' General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 30 October 2018, permitting the Bank to distribute the dividends on the Bank's domestic preference shares on 23 November 2018 and on the offshore preference shares on 10 December 2018.

Dividends on the Bank's domestic preference shares are paid annually in cash, and calculated based on the aggregate value of the issued domestic preference shares. Dividends on the Bank's domestic preference shares are non-cumulative. Holders of domestic preference shares are only entitled to dividends at the prescribed coupon rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the domestic preference share issuance proposal, the Bank distributed a dividend of RMB2,025 million on the domestic preference shares (pre-tax) at the coupon rate of 4.5%.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the Bank's offshore preference shares are non-cumulative. Holders of offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore preference share issuance proposal, the Bank distributed a dividend of USD196 million, EUR40 million and RMB800 million on the offshore preference shares (pre-tax), aggregating to RMB2,481 million at the rate prevailing on the date the dividend was declared. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank will pay the relevant taxes, in addition to the dividends for offshore preference shares.

Distribution of dividends on preference shares by the Bank in latest three years is shown as follows:

In RMB millions, except for percentages

Type of preference shares	2018		2017		2016	
	Dividend rate	Dividend distributed	Dividend rate	Dividend distributed	Dividend rate	Dividend distributed
Domestic preference share	4.50%	2,025	4.50%	2,025	4.50%	2,025
Offshore preference share	6.00%	2,481	6.00%	2,412	6.00%	2,425

Note: Dividend distributed is tax included.

The above-mentioned preference share dividend distribution plans have been fulfilled. For particulars of the Bank's distribution of dividends on preference shares, please refer to the announcements of the Bank on the websites of SSE, SEHK and the Bank.

Redemption or Conversion of Preference Shares

During the reporting period, the Bank did not redeem or convert any preference share.

Restoration of Voting Rights of Preference Shares

During the reporting period, the Bank did not restore any voting right of preference share.

Accounting Policy Adopted for Preference Shares and Rationale

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments and the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by MOF as well as the International Financial Reporting Standard 9 — Financial Instruments and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and the key terms of issuance of the Bank's preference shares, the issued and existing preference shares do not contain contractual obligations to deliver cash or other financial assets or contractual obligations to deliver variable equity instruments for settlement, and shall be accounted for as other equity instruments.

Basic Information on Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Tenure
Gu Shu	Vice Chairman, Executive Director, President	Male	51	December 2016–December 2019
Cheng Fengchao	Non-executive Director	Male	59	March 2015–June 2021
Zheng Fuqing	Non-executive Director	Male	55	February 2015–November 2021
Mei Yingchun	Non-executive Director	Female	47	August 2017–August 2020
Dong Shi	Non-executive Director	Male	53	August 2017–August 2020
Ye Donghai	Non-executive Director	Male	55	October 2017–October 2020
Hong Yongmiao	Independent Non-executive Director	Male	54	August 2012–December 2018
Anthony Francis Neoh	Independent Non-executive Director	Male	72	April 2015–April 2021
Yang Siu Shun	Independent Non-executive Director	Male	63	April 2016–April 2019
Sheila Colleen Bair	Independent Non-executive Director	Female	64	March 2017–March 2020
Shen Si	Independent Non-executive Director	Male	65	March 2017–March 2020
Nout Wellink	Independent Non-executive Director	Male	75	December 2018–December 2021
Zhang Wei	Shareholder Supervisor	Male	56	June 2016–June 2019
Hui Ping	Employee Supervisor	Male	58	September 2015–September 2021
Huang Li	Employee Supervisor	Male	54	June 2016–June 2019
Qu Qiang	External Supervisor	Male	52	December 2015–December 2021
Shen Bingxi	External Supervisor	Male	66	June 2016–June 2019
Hu Hao	Senior Executive Vice President	Male	56	November 2015–
Tan Jiong	Senior Executive Vice President	Male	52	January 2017–
Wang Bairong	Chief Risk Officer	Male	56	July 2016–
Guan Xueqing	Board Secretary	Male	55	July 2016–
Directors, Supervisors and Senior Management Leaving Office				
Yi Huiman	Chairman of the Board of Directors, Executive Director	Male	54	July 2013–January 2019
Qian Wenhui	Chairman of the Board of Supervisors	Male	56	June 2015–January 2018
Zhang Hongli	Executive Director, Senior Executive Vice President	Male	53	June 2015–July 2018
Wang Jingdong	Executive Director, Senior Executive Vice President	Male	56	December 2016–September 2018
Fei Zhoulin	Non-executive Director	Male	60	March 2015–October 2018
Or Ching Fai	Independent Non-executive Director	Male	69	May 2012–October 2018
Li Yunze	Senior Executive Vice President	Male	48	October 2016–September 2018

Notes: (1) Please refer to the section headed "Appointment and Removal".

(2) The terms of Mr. Yi Huiman, Mr. Gu Shu, Mr. Zhang Hongli and Mr. Wang Jingdong as Executive Directors of the Bank are set out in the above table. Mr. Gu's term as a Senior Management member of the Bank is specified in the section headed "Biographies of Directors, Supervisors and Senior Management". Mr. Yi has served as a member of Senior Management, Senior Executive Vice President, President and Vice Chairman of the Bank since October 2005. He has served as Chairman of the Board of Directors of the Bank from June 2016 to January 2019. Mr. Zhang and Mr. Wang have served as Senior Executive Vice Presidents of the Bank since May 2010 and December 2013, respectively.

(3) According to the Articles of Association, before the newly elected directors take office, the current directors shall continue to act as directors.

(4) According to the regulations of CSRC, the commencement date of a re-elected director or supervisor's tenure as indicated in the above table shall be the day of his/her first appointment.

(5) During the reporting period, the Bank did not implement any share incentives. None of the existing directors, supervisors and senior management members of the Bank or those who left office during the reporting period, except Mr. Zhang Hongli who held 2,000 H shares of the Bank, held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

(6) Mr. Hong Yongmiao (洪永淼) has a former Chinese name 洪永妙. The full name of Mr. Nout Wellink is Arnout Henricus Elisabeth Maria Wellink.

Biographies of Directors, Supervisors and Senior Management

Gu Shu, Vice Chairman, Executive Director, President

Mr. Gu has served as Vice Chairman and Executive Director of the Bank since December 2016, and President since October 2016. He joined ICBC in 1998, where he served as Deputy General Manager of Accounting and Settlement Department, Deputy General Manager of Planning and Finance Department, and General Manager of Finance and Accounting Department. Since July 2008, he had served as Board Secretary and General Manager of Corporate Strategy and Investor Relations Department of the Bank, Head of Shandong Branch and Senior Executive Vice President of the Bank. He served concurrently as Vice Chairman of Standard Bank Group Limited, Chairman of ICBC (London) PLC and Chairman of Industrial and Commercial Bank of China (Argentina) S.A. Mr. Gu obtained a Doctorate degree in Economics from Shanghai University of Finance and Economics, Master's degree in Economics from Dongbei University of Finance and Economics and Bachelor's degree in Engineering from Shanghai Jiao Tong University. He is a senior accountant.

Cheng Fengchao, Non-executive Director

Mr. Cheng has served as Non-executive Director of the Bank since March 2015. He joined Huijin in 2009. He served as Deputy Director of Finance Bureau of Pingquan County in Hebei Province, Deputy Director of Finance Office of Hebei Province, Head of Hebei Certified Public Accountants, Vice Chairman and Secretary of Hebei Institute of Certified Public Accountants, Deputy General Manager of Shijiazhuang Office, General Manager of Evaluation Management Department, General Manager of Tianjin Office and General Manager of Development Research Department of China Great Wall Asset Management Corporation, and Non-executive Director of Agricultural Bank of China Limited. He acts as tutor to PhD students of Hunan University, graduate supervisor for Graduate School of Chinese Academy of Social Sciences, member of the Expert Advisory Committee for Mergers, Acquisitions and Restructurings of CSRC and Supervisor of China Everbright Group Limited. He obtained a Doctorate degree in management from Hunan University. Currently, he is a researcher in financial science, senior accountant, PRC Certified Public Accountant and China's Certified Public Valuer.

Zheng Fuqing, Non-executive Director

Mr. Zheng has served as Non-executive Director of the Bank since February 2015. He joined MOF in 1989, and served as Deputy Head and Head of the Administrative Office of Shanxi Finance Ombudsman Office, and Assistant Ombudsman and Associate Counsel of Shanxi Finance Ombudsman Office. Mr. Zheng graduated from the Party School of the Central Committee of C.P.C. majoring in law theory. He is an economist.

Mei Yingchun, Non-executive Director

Ms. Mei has served as Non-executive Director of the Bank since August 2017. She joined MOF in 1992, and consecutively served in the World Bank Department, the Treasury Department and the Tariff Policy Department. Previously, she served as Assistant Consultant of the Budget Implementation Division of the Treasury Department of MOF, Assistant Consultant of the Audit & Supervision Division of the Treasury Payment Centre of MOF, Deputy Director of the Audit & Supervision Division of the Treasury Payment Center of MOF, Director of the Audit & Supervision Division of the Treasury Payment Center of MOF, Deputy Director-General of the Tariff Policy Department (Tariff Policy Research Centre) of MOF, and was seconded to World

Bank Group as Senior Advisor and worked in the Development Partner Relationship Department of the Development Finance Unit of the International Development Association and the Vice-President Front Office of East Asia and Pacific Region of the International Bank for Reconstruction and Development. Ms. Mei obtained a Master's degree in International Affairs from School of International and Public Affairs of Columbia University, and a PhD in Economics from Chinese Academy of Fiscal Science (formerly known as the Institute of Fiscal Science, MOF).

Dong Shi, Non-executive Director

Mr. Dong has served as Non-executive Director of the Bank since August 2017. He joined Huijin in 2008, and served as Deputy Division Chief of the Audit and Supervision Bureau of PBC, Assistant Special Inspector of the State Council, Division Chief of the Supervisory Committee of the Working Commission of Central Level State-Owned Enterprises, and Deputy Director-General of the Foreign Affairs Bureau of the State-Owned Assets Supervision and Administration Commission, Director of China Reinsurance (Group) Corporation and Director of China Reinsurance Asset Management Co., Ltd. and Non-executive Director of China Construction Bank Corporation. He currently serves as Vice Chairman and Non-executive Director of China Securities Co., Ltd. He made a study visit to the US Federal Reserve and Royal Melbourne Institute of Technology. Mr. Dong graduated from Renmin University of China and obtained a Master's degree in Economic Law. He is a senior economist and an accountant.

Ye Donghai, Non-executive Director

Mr. Ye has served as Non-executive Director of the Bank since October 2017. He joined Huijin in 2017. Previously, he served as Section Chief and Deputy Director General of the Finance Division of Beijing Normal University, Assistant General Manager (Deputy General Manager level) of the Planning and Finance Department of China Everbright Bank, Deputy General Manager of the Finance and Accounting Department of China Everbright Bank (in charge of the department's work), Vice President and member of the CPC Committee of China Everbright Bank Tianjin Branch, Deputy General Manager of the Audit Department of China Everbright Bank (in charge of the department's work) and General Manager of the Audit Department of China Everbright Bank. He served concurrently as Employee Supervisor of the Board of Supervisors of China Everbright Bank. Mr. Ye Donghai graduated from Renmin University of China, and obtained a Master's degree in Economics. He is a senior accountant.

Hong Yongmiao, Independent Non-executive Director

Mr. Hong has served as Independent Non-executive Director of the Bank since August 2012. Mr. Hong was previously in charge of the National Science Fund for Distinguished Overseas Young Scholars supported by the National Science Foundation of China, and acted as President of the Chinese Economists Society in North America. He is currently an academician of the Academy of Sciences for the Developing World and a professor of Economics and International Studies at Cornell University in the United States. He has been enrolled as one of the first participants of the "Thousand Talents Plan" and serves as Vice Chairman of the Steering Committee of Economics Teaching at Institutions of Higher Learning under the Ministry of Education and Director of the Wang Yanan Institute for Studies in Economics and the School of Economics at Xiamen University. He is a lecture professor of the "Changjiang Scholars" launched by the Ministry of Education, an honorary professor of the School of Economics and Management at University of Chinese Academy of Sciences and a senior editor in economics for the Journal of Management Science and Engineering, an English magazine published by the National Natural Science Foundation of China. He is also an editorial board member of Economic Research Journal of the Chinese Academy of Social Sciences and an academic board member of China Economic Quarterly published by Peking University. He acts as Independent Non-Executive Director of Xiamen Bank Co., Ltd. as well. Mr. Hong graduated from Xiamen University with a Bachelor of Science degree and a Master's degree in Economics, and obtained his Doctorate degree in Economics from the University of California San Diego.

Anthony Francis Neoh, Independent Non-executive Director

Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited and China Life Insurance Company Limited. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and New China Life Insurance Company Limited. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

Yang Siu Shun, Independent Non-executive Director

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers, Chairman of PricewaterhouseCoopers Asia-Pacific region and Director and Chairman of Audit Committee of Hang Seng Management College. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a member of the board of directors of the Hong Kong Jockey Club, Vice Chairman of the Council of the Open University of Hong Kong and an Independent Non-executive Director of the Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He is a Justice of the Peace in Hong Kong. Mr. Yang holds the qualification of Chartered Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Sheila Colleen Bair, Independent Non-executive Director

Ms. Bair has served as Independent Non-executive Director of the Bank since March 2017. Previously, she served as the Research Director, Deputy Counsel and Counsel to Robert Dole. She was a Commissioner of the Commodity Futures Trading Commission, later served as a senior vice president for government relations at the New York Stock Exchange, and then as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury. She was President of Washington College, the Dean's Professor of Financial Regulatory Policy at the University of Massachusetts-Amherst, Chair of the Federal Deposit Insurance Corporation and Senior Advisor to The Pew Charitable Trusts. She is the current Chair Emeritus of the Systemic Risk Council. She is a founding board member of The Volcker Alliance, a non-profit organization. She is Independent Non-executive Director of Thomson Reuters Corp., Host Hotels & Resort Inc., Paxos Trust Company, LLC and its holding company Kabompo Holdings, Ltd. She also serves on the International Advisory Council to CBIRC and the International Advisory Board for Santander. She received a Bachelor's Degree in philosophy from the University of Kansas, and a juris doctorate from the University of Kansas School of Law. She holds honorary doctorates from Amherst College, Drexel University, the University of Kansas, and the University of Massachusetts.

Shen Si, Independent Non-executive Director

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of Zhejiang Branch of PBC, Deputy General Director of the Investigation and Statistics Department of the Head Office of PBC, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He had participated in important events in Shanghai Pudong Development Bank such as its initial public offering, four issues of new shares, acquisition of credit cooperative and its formation of strategic partnership with Citibank. He obtained a Master’s degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

Nout Wellink, Independent Non-executive Director

Mr. Wellink has served as Independent Non-executive Director of the Bank since December 2018. Previously, he served as the Treasurer General in the Dutch Ministry of Finance, member of the Executive Board and the President of the Dutch Central Bank, member of the Governing Council of the European Central Bank, member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund, member and Chairman of the Board of Directors of the Bank for International Settlements, Chairman of the Basel Committee on Banking Supervision, Independent Non-executive Director of Bank of China Limited, Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V. and an Emeritus Professor at the Free University in Amsterdam. Mr. Wellink also served as member of the supervisory board of a bank, a re-insurance company and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is Commander of the Order of Orange-Nassau since 2011. He received a Master’s degree in Law from Leiden University, a Doctorate degree in Economics from Erasmus University Rotterdam and an Honorary Doctorate from Tilburg University.

Zhang Wei, Shareholder Supervisor

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors’ Office of the Bank since June 2016. He joined ICBC in 1994, and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of the Bank. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Hui Ping, Employee Supervisor

Mr. Hui has served as Employee Supervisor of the Bank since September 2015. He joined ICBC in 1984 and has served as Deputy Secretary of the Party Discipline Committee and concurrently as Director of the Discipline Enforcement Department of the Bank since 2015. He was Deputy Head and Head of Shaanxi Branch and General Manager of the Internal Control and Compliance Department of the Bank. Mr. Hui graduated from Xiamen University and received a Doctorate degree in Finance. He is a senior economist.

Huang Li, Employee Supervisor

Mr. Huang has served as Employee Supervisor of the Bank since June 2016. He joined ICBC in 1994 and is currently the chief responsible officer of Internal Audit Bureau of the Bank. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of ICBC from December 1998 to June 2015. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

Qu Qiang, External Supervisor

Mr. Qu has served as External Supervisor of the Bank since December 2015. Currently, he is a professor and tutor for PhD students of Renmin University of China, Director of China Fiscal and Financial Policy Research Center (a key research center of humanities and social sciences of the Ministry of Education), Deputy Director of Financial and Securities Institute of Renmin University of China, a council member of China Finance Society, a member of China Finance 40 Forum and External Expert of China Development Bank. He was Head of the Applied Finance Department of the School of Finance, Renmin University of China. Currently, he is also External Supervisor of Bank of Beijing. Mr. Qu graduated from Renmin University of China, and received a Doctorate degree in Economics.

Shen Bingxi, External Supervisor

Mr. Shen has served as External Supervisor of the Bank since June 2016. He previously served as the Deputy Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division and Monetary Policy Research Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBC, Chief Representative of the PBC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University, Zhejiang University and Nankai University. Mr. Shen graduated from Renmin University of China, and received a Doctorate degree in Economics. He is a research fellow.

Hu Hao, Senior Executive Vice President

Mr. Hu has served as Senior Executive Vice President of the Bank since November 2015. Mr. Hu joined ICBC in 1984, serving successively as Deputy General Manager of the Industrial and Commercial Credit Department, Deputy General Manager of the Credit Management Department, General Manager of the Institutional Banking Department, General Manager of the International Banking Department, President of Chinese Mercantile Bank and Chairman of Industrial and Commercial Bank of China Luxembourg S.A. Besides, he once served as Deputy Director-General of Construction and Administration Bureau of South-to-North Water Diversion Middle Route Project, a Director of Taiping General Insurance Company Limited, Taiping Life Insurance Co., Ltd. and Xiamen International Bank, General Manager of Corporate Strategy and Investor Relations Department and Board Secretary of the Bank. He concurrently serves as Vice Chairman of Standard Bank Group Limited and Chairman of ICBC (London) PLC. Mr. Hu graduated from Hunan University, and received a Doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences. He is a researcher.

Tan Jiong, Senior Executive Vice President

Mr. Tan has served as Senior Executive Vice President of the Bank since January 2017. He joined Bank of China (BOC) in June 1988. He previously served as Deputy General Manager (person in charge) and General Manager of Tibet Branch, and General Manager of Yunnan Branch of BOC, Chairman of Bank of China Investment Management Co., Ltd. and General Manager of Guangdong Branch of BOC. Mr. Tan graduated from Wuhan University and obtained a Doctorate degree in Economics. He is a senior economist.

Wang Bairong, Chief Risk Officer

Mr. Wang has served as Chief Risk Officer of the Bank since July 2016. He began his career in 1986. He joined ICBC in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, and Deputy Head (person in charge) and Head of Chongqing Branch. Mr. Wang graduated from the Party School of the Central Committee of C.P.C. and obtained a Master's degree in Economics. He is a senior economist.

Guan Xueqing, Board Secretary

Mr. Guan has served as Board Secretary of the Bank since July 2016. He joined ICBC in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch. Previously Mr. Guan was also General Manager of Corporate Strategy and Investor Relations Department of the Bank. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

Mr. Cheng Fengchao, Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai were recommended by Huijin to serve as Non-executive Directors of the Bank. Huijin holds interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons" for further details.

None of the Directors, Supervisors and Senior Management members of the Bank, whether they are incumbent or have left office during the reporting period, have been punished by the securities regulator in the past three years.

Appointment and Removal

◆ *Directors*

At the Annual General Meeting for the Year 2017 held on 26 June 2018, Mr. Cheng Fengchao was elected as Non-executive Director of the Bank, and his new term of office as Non-executive Director started from the day of approval by the Annual General Meeting. At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Zheng Fuqing was appointed as Non-executive Director of the Bank, and Mr. Nout Wellink and Mr. Fred Zuliu Hu were appointed as Independent Non-executive Directors of the Bank. The term of office of Mr. Zheng Fuqing started from the day of approval at the Extraordinary General Meeting, the term of office of Mr. Nout Wellink started from 3 December 2018, while the qualification of Mr. Fred Zuliu Hu is to be approved by CBIRC.

In July 2018, Mr. Zhang Hongli ceased to act as Executive Director of the Bank due to expiration of the term of office. In September 2018, Mr. Wang Jingdong ceased to act as Executive Director of the Bank due to change of job assignments. In October 2018, Mr. Fei Zhoulin ceased to act as Non-executive Director of the Bank citing his age. In October 2018, Mr. Or Ching Fai ceased to act as Independent Non-executive Director of the Bank due to expiration of the term of office. In January 2019, Mr. Yi Huiman ceased to act as Chairman and Executive Director of the Bank due to change of job assignments.

◆ *Supervisors*

At the First Employees' Congress of the Bank held on 21 September 2018, Mr. Hui Ping was appointed as Employee Supervisor of the Bank, and his new term of office started from the day of approval by the Employees' Congress. At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Qu Qiang was appointed as External Supervisor of the Bank, and his new term of office started from 20 December 2018.

On 5 January 2018, Mr. Qian Wenhui resigned from the positions of Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

◆ *Senior Management Members*

On 2 July 2018, Mr. Zhang Hongli resigned from the position of Senior Executive Vice President of the Bank due to family reasons. On 5 September 2018, Mr. Wang Jingdong resigned from the position of Senior Executive Vice President of the Bank due to change of job assignments. On 6 September 2018, Mr. Li Yunze resigned from the position of Senior Executive Vice President of the Bank due to change of job assignments.

Annual Remuneration

Unit: RMB10,000

Name	Remuneration from the Bank					Obtain remuneration from shareholder entities or other related parties or not
	Remuneration paid (before tax) (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Fees (3)	Other monetary income (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)	
Gu Shu	54.60	12.69	–	–	67.29	No
Cheng Fengchao	–	–	–	–	–	Yes
Zheng Fuqing	–	–	–	–	–	Yes
Mei Yingchun	–	–	–	–	–	Yes
Dong Shi	–	–	–	–	–	Yes
Ye Donghai	–	–	–	–	–	Yes
Hong Yongmiao	–	–	47.00	–	47.00	Yes
Anthony Francis Neoh	–	–	44.00	–	44.00	Yes
Yang Siu Shun	–	–	44.00	–	44.00	Yes
Sheila Colleen Bair	–	–	36.50	–	36.50	Yes
Shen Si	–	–	41.33	–	41.33	Yes
Nout Wellink	–	–	2.50	–	2.50	No
Zhang Wei	87.99	20.35	–	–	108.34	No
Hui Ping	–	–	5.00	–	5.00	No
Huang Li	–	–	5.00	–	5.00	No
Qu Qiang	–	–	25.00	–	25.00	No
Shen Bingxi	–	–	–	–	–	No
Hu Hao	49.14	12.69	–	–	61.83	No
Tan Jiong	49.14	12.69	–	–	61.83	No
Wang Bairong	92.19	21.37	–	–	113.56	No
Guan Xueqing	92.19	22.65	–	–	114.84	No
Directors, Supervisors and Senior Management Leaving Office						
Yi Huiman	54.60	12.69	–	–	67.29	No
Qian Wenhui	4.55	1.22	–	–	5.77	No
Zhang Hongli	24.57	6.16	–	–	30.73	No
Wang Jingdong	32.76	8.34	–	–	41.10	No
Fei Zhoulin	–	–	–	–	–	Yes
Or Ching Fai	–	–	39.17	–	39.17	Yes
Li Yunze	36.86	9.42	–	–	46.28	No

Notes: (1) Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

(2) According to the requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Shareholder Supervisors and other Senior Management members is still subject to final confirmation by relevant government authorities. Additional details of remuneration will be disclosed when they have been determined.

(3) Mr. Cheng Fengchao, Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Dong Shi, Mr. Ye Donghai and Mr. Fei Zhoulin were recommended by Huijin to serve as Non-executive Directors of the Bank and were paid by Huijin during the reporting period.

(4) Fees of Mr. Hui Ping and Mr. Huang Li are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

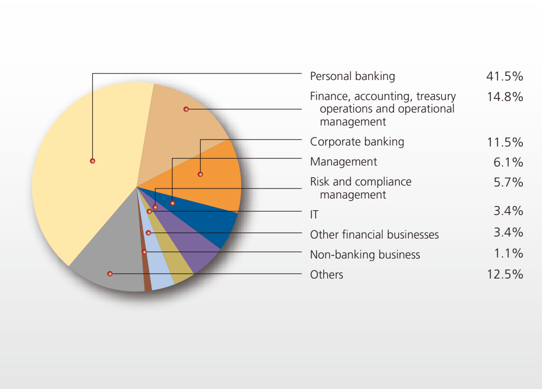
(5) As the Bank's Independent Non-executive Directors served as directors or senior management of other legal persons or organizations other than the Bank or the controlled subsidiaries of the Bank, such legal persons or organizations became related parties of the Bank. During the reporting period, the Bank's Independent Non-executive Directors obtained remuneration from such related parties. Except to the extent of the afore-mentioned circumstances, none of the Bank's Directors, Supervisors and Senior Management was paid by the Bank's related parties during the reporting period.

(6) For the change of the Bank's Directors, Supervisors and Senior Management, please refer to the section headed "Appointment and Removal".

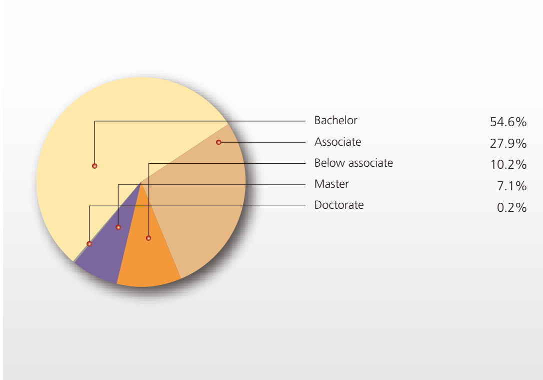
Basic Information on Employees and Institutions

As at the end of 2018, the Bank had a total of 449,296 employees, representing a decrease of 3,752 as compared with the end of the previous year. Among them, 6,660 were employees in domestic subsidiaries and 15,687 were employees in overseas institutions.

Employee Specialization



Educational Background of Employees



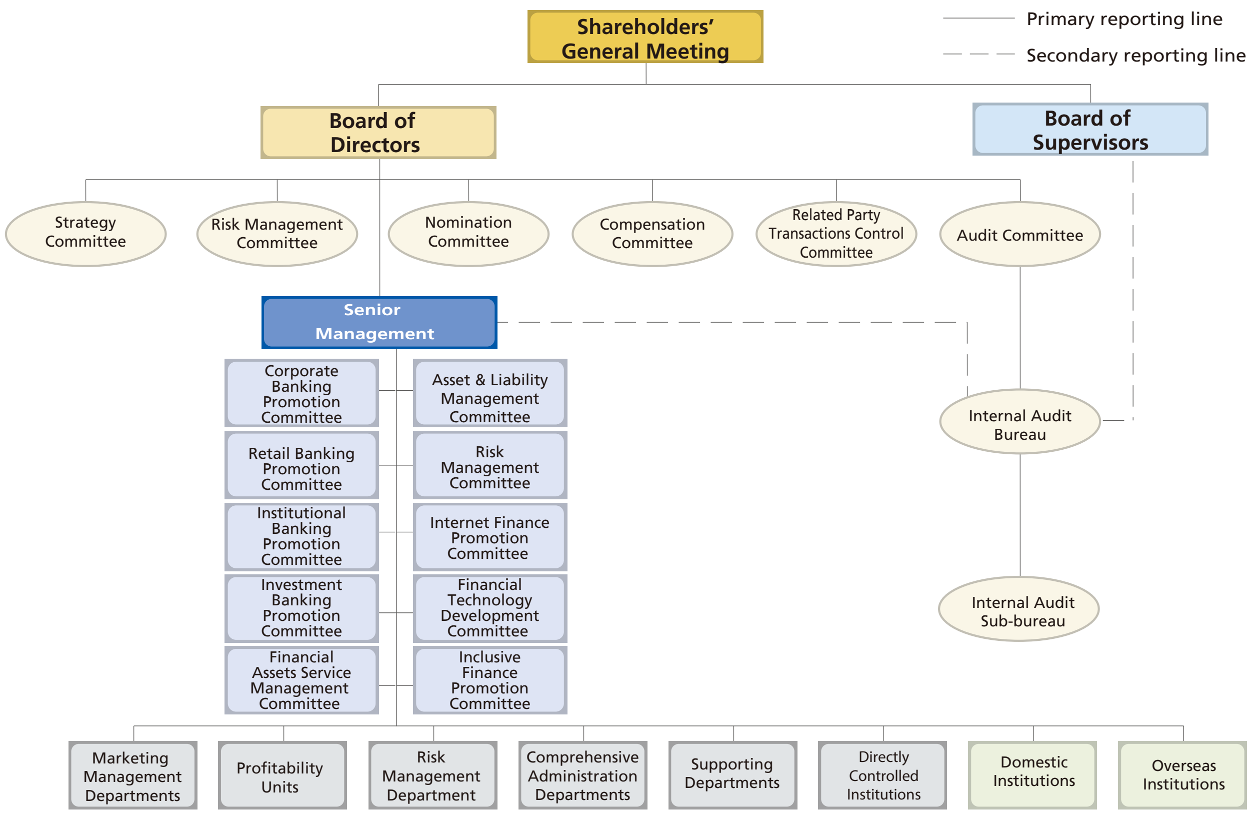
As at the end of 2018, the Bank had a total of 16,820 institutions, representing a decrease of 68 as compared with the end of the previous year. Among them, there were 16,394 domestic institutions and 426 overseas institutions. Domestic institutions included the Head Office, 36 tier-one branches and branches directly managed by the Head Office, 446 branches in capital cities and tier-two branches, 15,752 outlets, 29 Head Office-level profitability units along with their directly managed institutions and branches, and 130 subsidiaries and their branches.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

Item	Assets (in RMB millions)	Percentage (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	9,803,222	35.4	30	0.2	17,047	3.8
Yangtze River Delta	5,860,977	21.2	2,519	15.0	61,834	13.8
Pearl River Delta	3,700,969	13.4	2,037	12.1	49,548	11.0
Bohai Rim	4,085,516	14.8	2,727	16.2	70,780	15.7
Central China	2,758,294	10.0	3,530	21.0	89,233	19.9
Western China	3,530,531	12.7	3,758	22.3	91,609	20.4
Northeastern China	1,120,364	4.0	1,663	9.9	46,898	10.4
Overseas and others	3,695,699	13.3	556	3.3	22,347	5.0
Eliminated and undistributed assets	(6,856,032)	(24.8)				
Total	**27,699,540**	**100.0**	**16,820**	**100.0**	**449,296**	**100.0**

Note: Overseas and other assets include investments in associates and joint ventures.

Corporate Governance Framework



Note: The above is the corporate governance framework chart as of the end of 2018.

The Bank has made constant efforts to improve the corporate governance and checks and balances mechanism comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the corporate governance operation mechanism with scientific decision-making process, effective supervision and steady operation has been in place.

Responsibilities of the Shareholders' General Meeting

As the organ of power of the Bank, the Shareholders' General Meeting involves all shareholders. The Shareholders' General Meeting is responsible for, among others, deciding on business policies and significant investment plans of the Bank; examining and approving the Bank's annual financial budget, final account proposals, plans for profit distribution and loss make-up; electing and replacing directors, supervisors appointed from the shareholder representatives and external supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of the Bank's registered capital, issuance of corporate bonds or other securities and public listing, repurchase of the shares and issuance of preference shares; and amending the Articles of Association of the Bank.

Responsibilities of the Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders' General Meeting; implementing the resolutions of the Shareholders' General Meeting; deciding on the business plans, investment proposals and development strategies of the Bank; formulating annual financial budget and final accounts of the Bank; formulating plans for profit distribution and loss recovery of the Bank; formulating plans for the increase or decrease of the Bank's registered capital, capital replenishment and financial restructuring of the Bank; formulating basic management systems of the Bank such as risk management system and internal control system, and supervising the implementation of such systems; appointing or removing President and the Board Secretary, and appointing or removing Senior Executive Vice Presidents and other senior management members (except the Board Secretary) who shall be appointed or removed by the Board of Directors under relevant laws according to the nomination of the President and deciding on their compensation, bonus and penalty matters; deciding on or authorizing the President to decide on the establishment of relevant offices of the Bank; regularly evaluating and improving corporate governance of the Bank; managing information disclosure of the Bank; and supervising and ensuring the President and other Senior Management members to perform their management duties effectively.

Responsibilities of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Supervisors is responsible for, among others, supervising the performance and due diligence of Directors and Senior Management members; supervising the performance of duties by the Board of Directors and the Senior Management; conducting exit audits on Directors and Senior Management members when necessary; inspecting and supervising financial activities of the Bank; examining financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders' General Meeting by the Board of Directors; inspecting and supervising the business decision-making, risk management and internal control of the Bank and guiding the internal audit department of the Bank; supervising the engagement, dismissal, reengagement and audit of the external auditor as well as the audit work progress of the Bank; formulating the remuneration plans and performance evaluation measures of supervisors, conducting the performance evaluation on supervisors, and reporting to the Shareholders' General Meeting for approval; presenting proposals to the Shareholders' General Meeting; proposing to convene an extraordinary general meeting, and convening and presiding over the extraordinary general meeting in case the Board of Directors fails to perform its duty of convening Shareholders' General Meeting; proposing to convene an interim meeting of the Board of Directors.

Responsibilities of the Senior Management

As the executive organ of the Bank, the Senior Management is accountable to the Board of Directors. The Senior Management is responsible for, among others, the operation and management of the Bank; organizing the implementation of operation and investment plans approved by the Board of Directors; formulating specific rules and regulations of the Bank; determining plans for compensation distribution and performances evaluation of persons in charge of internal departments and branches of the Bank (except the internal audit department); truthfully reporting to the Board of Directors or the Board of Supervisors on the business performance; drafting the annual financial budget plan, final account plan, profit distribution plan and loss make-up plan, plans for increase or reduction of the registered capital, the issuance of bonds or other securities and listing, and making suggestions in that respect to the Board of Directors.

Overview of Corporate Governance

During the reporting period, the Bank took improving corporate governance as a primary measure to enhance its core competitiveness, continued to optimize its modern corporate governance framework, mechanism and culture, and brought the corporate governance and risk management capacities of the Group to a higher level. There is neither any material divergence between actual corporate governance of the Bank and applicable regulatory documents regarding corporate governance issued by CSRC, nor any problem identified by regulatory authorities but remain unresolved in respect of corporate governance. During the reporting period, the Bank actively took part in the corporate governance award selection activities at home and abroad, and received a series of corporate governance awards from many Chinese and foreign authoritative institutions and news media, including the "2018 CCTV China's Top 10 Listed Companies Award" from the 2018 CCTV Financial Forum & Chinese Listed Companies Summit, the "Golden Round Table Awards — Enterprise Excellent in Corporate Governance" from the magazine *Directors & Boards* and the "Corporate Award — Platinum Award" from the Hong Kong magazine *The Asset*.

Construction of the Organizational Framework of Corporate Governance

During the reporting period, the Bank appointed and re-appointed some directors and changed the chairman and members of some special committees of the Board of Directors to ensure the Bank operated in compliance with laws and regulations. The Bank continued to improve the structure of the Board of Directors and further promoted the role of the special committees of the Board of Directors in supporting decision-making. Besides, the Bank stepped up efforts in the Group's corporate governance, and kept refining the management and control and collaboration mechanism of the Group as well as the corporate governance framework, institutional system and working mechanism of its subsidiaries.

Construction of the Corporate Governance Mechanism

The Bank put into good use the key role of the Board of Directors in strategic decision-making and corporate governance. Centering on the objectives of driving sustainable growth in corporate value and creating value for customers and shareholders, the Board of Directors forged ahead as guided by strategies, sought progress without compromising stability and inherited and innovated in development philosophy, strengthened the enterprise risk management and internal control, actively promoted the operational transformation and structural adjustment, kept track of how the strategies, plans and decisions were implemented continuously, and made sure the robust operation and healthy development of the Group. Supporting rules and regulations for performance standards of the Board of Directors were established and improved to ensure the Board of Directors fulfill its duties in accordance with relevant laws and regulations.

The Bank put the supervisory function of the Board of Supervisors into good use. The Board of Supervisors continuously improved its working mechanism in accordance with the priorities of the Bank, deepened the contents and methods of its supervision over performance of the Board of Directors and the Senior Management and earnestly conducted the annual performance assessment. Financial supervision and supervision over risk management and internal control of the Bank were enhanced. The Board of Supervisors effectively fulfilled its important role to corporate governance and promoted the legal and compliant operation and sustainable and stable development of the Bank.

The Bank strengthened enterprise risk management and capital management, and intensified internal control, audit and supervision. It continued to improve the enterprise risk management policies, and took multiple measures to enhance the Group's risk management capacity; stepped up the capital management, liquidity management and interest rate management, with the capital adequacy ratio (CAR) remained stabilized overall; and reinforced the group-wide compliance management, kept optimizing the internal control environment, and continued enhancing the auditing service capacity and the related supervision and inspection standards.

The Bank continuously increased the level of transparency across the Group. It disclosed information in a legal and compliant manner, and conducted voluntary information disclosure in an orderly manner. Besides, it earnestly protected the right to information of investors and other stakeholders. It also actively improved the group-wide significant information transmission mechanism, and strengthened the building of teams of professional talents constantly. All of these efforts led to increasingly better management of the Group over information disclosure.

Development of Corporate Governance Regulations

During the reporting period, the Bank revised the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of ICBC and the Plan on Authorization of the Board of Directors to the President of ICBC, providing an institutional guarantee for strengthening asset quality, gaining efficiency in asset write-off and disposal, and increasing donations for fighting against poverty.

Compliance with the Corporate Governance Code

During the reporting period, the Bank fully complied with the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules).

Shareholders' Rights

Proposing the convening of an extraordinary general meeting

An extraordinary general meeting should be convened within two (2) months from the date when shareholders holding more than ten percent (10%) of the voting shares of the Bank, either individually or jointly, request to convene in writing. Proposing shareholders shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall make a written response as to whether or not it agrees to convene such a meeting within ten (10) days upon receipt of the request in accordance with laws, administrative regulations, rules and the Articles of Association of the Bank. Reasonable expenses incurred from the case where shareholders convene the meeting by themselves due to the failure of the Board of Directors to convene the meeting shall be borne by the Bank, and deducted from the payment to those negligent directors.

Submitting interim proposals for the Shareholders' General Meeting

Shareholders who hold more than three percent (3%) of shares of the Bank, either individually or jointly, may prepare an interim proposal and submit it in writing to the Board of Directors ten (10) days before the Shareholders' General Meetings convened. The Board of Directors shall issue a supplementary notice for the Shareholders' General Meeting within two (2) days upon receipt of the proposal and submit such proposal to the Shareholders' General Meeting for approval.

Putting forward suggestions and reviewing documents

Shareholders are entitled to supervise business operation of the Bank and put forward suggestions or inquiries accordingly. Shareholders are entitled to review the information of the Bank such as the Articles of Association, the register of shareholders, documents on status of share capital and minutes of Shareholders' General Meetings, etc.

Special provisions on rights of preference shareholders

In the following circumstances, preference shareholders of the Bank have the right to attend the Shareholders' General Meeting and exercise voting rights: (1) amendments to the Articles of Association which relate to preference shares; (2) the reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate); (3) merger, division and dissolution or change of corporate form of the Bank; (4) issuance of preference shares; and (5) other events specified in the Articles of Association that will change or abrogate the rights of preference shareholders. If any of the above circumstances occurs, the notice of a Shareholders' General Meeting shall be given to preference shareholders in accordance with the notification procedures applicable to ordinary shareholders as specified in the Articles of Association.

In the event that the Bank failed to pay the agreed dividend to preference shareholders for three years in aggregate or for two consecutive years, from the next day following the date of approval of the proposal not paying the agreed dividend for the current year by the Shareholders' General Meeting, preference shareholders shall be entitled to attend and vote (together with ordinary shareholders) at the Shareholders' General Meeting. For preference shares the dividend of which is non-cumulative, the voting rights shall be temporarily restored until the full payment of the agreed dividend for the current year by the Bank.

Other rights

Ordinary shareholders of the Bank have the right to collect dividends and other forms of benefits distributed on the basis of the number of shares held by them; preference shareholders shall be entitled to rights to dividends in priority to payment of dividends to ordinary shareholders. Shareholders have other rights conferred by laws, administrative regulations, rules and the Articles of Association of the Bank.

Effective Communication with Shareholders

The Bank has strictly complied with laws, regulations, regulatory requirements and fundamental regulations of corporate governance, and has taken various measures such as improving information disclosure management, strengthening investor relations management and optimizing the operations mechanism of the Shareholders' General Meeting, with a view to safeguarding the rights of all shareholders, especially minority investors, and increasing communication and exchange among shareholders.

The Bank actively strengthened the information disclosure management, continued to improve the group-wide information transmission mechanism, and fulfilled the information disclosure obligations in compliance with the applicable laws and regulations. On the basis, in order to meet the information needs of investors and other stakeholders, the Bank steadily promoted the voluntary information disclosure, continued to expand the width and depth of information disclosure, improved the Bank's level of transparency, thereby effectively safeguarding the right to information of the stakeholders.

The Bank improved various communication channels for investors through organizing press conferences in relation to periodic results, domestic and overseas road shows and reverse road shows, and attending famous investment forums at home and abroad during the reporting period. The Bank took full advantage of the communication platforms including the investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email of the Bank, to understand investors' needs and provide sufficient information feedback in a timely manner.

During the reporting period, convening, holding, notices, announcements, proposals, voting and other procedures of the Shareholders' General Meetings of the Bank strictly complied with the relevant provisions of the Company Law and the Articles of Association of the Bank, ensuring that shareholders could exercise their right of participation in the Shareholders' General Meetings smoothly. Since it was listed, in order to treat A and H minority shareholders fairly, the Bank has held the Annual General Meeting in Beijing and Hong Kong concurrently by satellite and set up registration offices of A and H shareholders both in Beijing and Hong Kong to facilitate the voting of shareholders. The number of shareholders who participated in voting at the Annual General Meeting for the Year 2017 amounted to 3,462.

Contacts

Pursuant to relevant laws and regulations as well as the Articles of Association of the Bank, shareholders can put forward suggestions and inquiries through participating in activities including the Shareholders' General Meetings, press conferences in relation to periodic results and road shows of the Bank or by means of platforms including investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email and hotline, fax and email of the Shareholders' General Meetings of the Bank as well. For contact details, please refer to the section headed "Corporate Governance Report — Investor Relations".

If an ordinary shareholder wishes to enquire about share transfer, changes in name or address, reporting loss of share certificates and dividend notes or any other information relating to his/her shares, please contact the Share Registrars of the Bank. For contact details, please refer to the section headed "Corporate Information".

Shareholders' General Meeting

During the reporting period, the Bank convened the 2017 Annual General Meeting on 26 June 2018 and the First Extraordinary General Meeting of 2018 on 21 November 2018. The afore-mentioned Shareholders' General Meetings were convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank made announcements on the resolutions and disclosed legal opinions in a timely manner in accordance with regulatory requirements. For details of the above meetings, please refer to the announcements of the Bank dated 26 June 2018 and 21 November 2018 respectively on the websites of SSE and SEHK, or the website of the Bank.

Implementation of Resolutions of the Shareholders' General Meeting by the Board of Directors

The Board of Directors of the Bank earnestly and fully implemented the resolutions adopted by the Shareholders' General Meeting during the reporting period.

Board of Directors and Special Committees

Composition of the Board of Directors

The Bank formulated relatively complete procedures for nominating and electing Directors. With diversified backgrounds, the Directors complemented each other on one hand with regard to their expertise, professional competence and experience and expressed professional and diversified perspectives and views, which ensured scientific decision-making of the Board of Directors. As at the disclosure date of the results, the Board of Directors of the Bank consisted of 12 directors, including one Executive Director: Mr. Gu Shu; five Non-executive Directors: Mr. Cheng Fengchao, Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai; and six Independent Non-executive Directors: Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair, Mr. Shen Si and Mr. Nout Wellink. Mr. Gu Shu was Vice Chairman of the Board of Directors. The Executive Director has worked in the areas of banking and management for a long time, possesses extensive professional expertise and experience in those areas and is familiar with operation and management of the Bank. Non-executive Directors have worked in the fiscal, economic and financial sectors for many years, and they have rich practical experience and relatively high level of understanding of policies and theories. All of the Independent Non-executive Directors are prestigious Chinese or foreign experts in their respective areas, e.g. economy, finance, audit and law, and they are familiar with Chinese and foreign regulatory rules and have a good knowledge of corporate governance, finance and bank management. The number of Independent Non-executive Directors of the Bank accounted for more than one third of the total members of the Board of Directors, complying with relevant regulatory requirements.

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held ten meetings, considered 79 proposals including the proposals on the 2017 Work Report of the Board of Directors, amendment of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors and the Plan on Authorization of the Board of Directors to the President, nomination of candidates for Directors, and issuance of domestic and offshore preference shares, and heard 34 reports including the reports on the 2018 Work Plan of the Board of Directors, the Directors' performance assessment by the Board of Directors for 2017, the details on internal audits, and the summary of external audits. For major proposals reviewed by the Board of Directors, please refer to the announcements of the Bank on the websites of SSE and SEHK or the website of the Bank. In addition, the Board of Directors held an Analytical Meeting on Implementing the Strategic Development Plan for 2018–2020. At the meeting, Directors studied and discussed the implementation of the Plan in 2018 and deliberated on the next-step measures for optimization.

The attendance of each of the Directors in Shareholders' General Meetings and meetings of the Board of Directors and the special committees of the Board of Directors during the reporting period is set out below:

Attendances in person/Number of meetings that should be attended

Directors	Shareholders' General Meeting	Board of Directors	Special Committees of the Board of Directors: Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee
Executive Directors								
Gu Shu	2/2	10/10	7/7	—	—	6/6	3/3	—
Non-executive Directors								
Cheng Fengchao	2/2	9/10	—	6/6	8/8	—	—	—
Zheng Fuqing	2/2	10/10	7/7	—	8/8	—	—	—
Mei Yingchun	2/2	9/10	7/7	—	—	—	2/3	—
Dong Shi	2/2	10/10	7/7	—	7/8	—	3/3	—
Ye Donghai	2/2	9/10	—	5/6	—	5/6	—	—
Independent Non-executive Directors								
Hong Yongmiao	2/2	10/10	7/7	6/6	8/8	6/6	—	3/3
Anthony Francis Neoh	2/2	10/10	—	5/6	8/8	5/6	2/3	—
Yang Siu Shun	2/2	10/10	—	5/6	—	5/6	2/3	2/3
Sheila Colleen Bair	2/2	9/10	7/7	—	7/8	—	—	—
Shen Si	2/2	10/10	—	6/6	8/8	—	3/3	—
Nout Wellink	—	0/1	—	—	—	—	—	—
Directors Leaving Office								
Yi Huiman	2/2	10/10	5/7	—	—	—	—	—
Zhang Hongli	1/1	4/5	—	—	3/5	—	—	—
Wang Jingdong	1/1	6/7	—	—	—	—	—	2/2
Fei Zhoulin	1/1	7/7	—	5/5	7/7	5/5	—	—
Or Ching Fai	1/1	8/8	7/7	6/6	—	5/5	3/3	3/3

Notes: (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.

(2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.

(3) For the change of directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

(4) Mr. Nout Wellink was appointed as Independent Non-executive Director of the Bank in December 2018.

Special Committees of the Board of Directors

The Board of Directors of the Bank has established six special committees, namely, the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee. Except the Strategy Committee, chairmen of all the other committees were assumed by Independent Non-executive Directors. More than half of the members of the Audit Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee were Independent Non-executive Directors. During the reporting period, the performance of duties by the special committees of the Board of Directors is set out below:

◆ *Strategy Committee*

The Strategy Committee is mainly responsible for considering the Bank's strategic development plan, risk events that bear material influence on the overall situation, business and institutional development plan, major investment and financing plan, green credit strategy, consumer protection strategy, fulfillment of social responsibilities in terms of environment, community and governance and other aspects, and other major matters critical to the Bank's development, making recommendations to the Board of Directors, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are compliant with corporate governance criteria of the Bank. As at the disclosure date of the results, the Strategy Committee consisted of nine directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Ms. Sheila Colleen Bair, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh and Mr. Nout Wellink; Non-executive Directors Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai. Independent Non-executive Director Ms. Sheila Colleen Bair was Vice Chairman of the Committee.

Performance of the Strategy Committee During the reporting period, the Strategy Committee of the Board of Directors held seven meetings, considered 19 proposals including the proposals on the 2018–2020 Strategic Development Plan and the 2018–2020 Capital Plan, and heard reports on topics including the capital replenishment of the domestic and overseas institutions in 2018, merger and acquisition and equity investment and capital injection plan for institutions to be established. The Strategy Committee put forward comments or suggestions on matters including Strategic Development Plan, capital management, annual final accounts, assessment plan of the Inclusive Finance Department and consumer protection policy.

◆ *Audit Committee*

The Audit Committee is mainly responsible for constantly overseeing the Bank's internal control system, and supervising, inspecting and evaluating financial information and internal audit of the Bank and assessing mechanisms for the Bank's staff to report misconducts in financial statements, internal control, etc., and assessing the mechanism for the Bank to conduct independent and fair investigations and take appropriate actions in relation to the reported matters. As at the disclosure date of the results, the Audit Committee consisted of seven directors, including Independent Non-executive Directors Mr. Shen Si, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Mr. Nout Wellink; Non-executive Directors Mr. Cheng Fengchao and Mr. Ye Donghai. Independent Non-executive Director Mr. Shen Si was Chairman of the Committee.

Performance of the Audit Committee During the reporting period, the Audit Committee held six meetings, considered 11 proposals including the proposals on the Bank's periodic reports and the Plan for Internal Audit Projects in 2018, and heard 14 reports including the 2017 Internal Audit Report and the report on internal control audit results. The Audit Committee put forward comments or suggestions on matters including the arrangement of internal and external audits and development plan, impact of the implementation of new accounting standards, and construction of internal audit system and mechanism.

- Reviewing periodic reports

The Audit Committee periodically reviewed the financial reports of the Bank. It had reviewed and submitted to the Board of Directors to approve the annual report, interim report and quarterly reports of the Bank. It also organized and conducted an internal control assessment of the Group for 2017 and engaged external auditors to audit the assessment report and procedures of the Bank in accordance with the relevant regulatory requirements. Additionally, it enhanced communication with external auditors, attached importance to the supervision of external auditors and heard several reports of external auditors concerning audit plan, audit results, and management proposals. The Audit Committee also concerned with the compliant development of overseas institutions and heard related branches' reports on internal audit work. It strengthened field surveys by investigating credit asset quality, credit mechanism and cultural development at branches.

During the preparation and audit of the 2018 financial statements, the Audit Committee discussed and agreed with the external auditors matters such as audit schedule and progress arrangement, followed the status of external audit and conducted supervision over relevant work at appropriate time by means of hearing reports and holding informal discussions, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 27 March 2019, and considered that the annual financial statements truly, accurately and completely reflected the financial position of the Bank. The Audit Committee reviewed the summary of audit work performed by external auditors during the year and made an overall and objective assessment on its performance and quality of practice. It also approved the renewal of the engagement of KPMG Huazhen LLP and KPMG as the external auditors of the Bank for 2019 and the engagement of KPMG Huazhen LLP as the internal control auditors of the Bank for 2019, and presented the proposals to the Board of Directors for consideration.

- Examining internal control system

The Audit Committee is responsible for constantly monitoring and examining the internal control system of the Bank, and examining the effectiveness of the system at least on an annual basis. The Audit Committee performed its function of examining the Bank's internal control system through reviewing the administrative rules and regulations and their implementation, and examined and assessed the compliance and effectiveness of major operating activities of the Bank.

The Board of Directors of the Bank is responsible for establishing, improving and effectively implementing internal control and truthfully disclosing internal control assessment reports according to the standard system for enterprise internal control. The objective of the internal control of the Bank is to reasonably assure the compliance of its operation and management with relevant laws, safety of its assets, as well as the authenticity and completeness of its financial reports and relevant information, in order to enhance operation efficiency and results, and to facilitate the realization of its development strategy. Due to inherent limitation of internal control, only reasonable assurance can be provided for the afore-mentioned objectives. The Board of Directors and the Audit Committee have reviewed and approved the 2018 Internal Control Assessment Report of the Bank. For details of the Bank's internal control, please refer to the section headed "Corporate Governance Report — Internal Control".

- Effectiveness of the internal audit function

The Bank has established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The Board of Directors regularly reviews the internal audit plan and hears internal audit reports on internal audit activities, audit supporting measures, internal audit team building, etc., thus effectively performing the function of risk management. The Audit Committee examines, monitors and assesses the internal audit work of the Bank, supervises the internal audit rules and their implementation, and makes assessment of audit procedures and results of the internal audit department. It is also responsible for urging the Bank to ensure adequate resources for the internal audit department and coordinating the communication between the internal audit department and external auditors. The internal audit department is accountable to and reports to the Board of Directors, is guided by the Board of Supervisors and is under the examination, supervision and assessment of the Audit Committee. For details of the internal audit, please refer to the section headed "Corporate Governance Report — Internal Audit".

◆ *Risk Management Committee*

The Risk Management Committee is primarily responsible for constantly overseeing the Bank's risk management system, reviewing and revising the strategy, policy and procedures of risk management and internal control process of the Bank, and supervising and evaluating the performance of Senior Management members and risk management departments in respect of risk management. It concurrently serves as the US risk committee in accordance with the relevant requirements in the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations ("EPS") established by the Federal Reserve Board. As at the disclosure date of the results, the Risk Management Committee consisted of eight directors, including Independent Non-executive Directors Mr. Anthony Francis Neoh, Mr. Hong Yongmiao, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair and Mr. Shen Si; Non-executive Directors Mr. Cheng Fengchao, Mr. Zheng Fuqing and Mr. Dong Shi. Independent Non-executive Director Mr. Anthony Francis Neoh was Chairman of the Committee.

Performance of the Risk Management Committee During the reporting period, the Risk Management Committee held eight meetings, considered 17 proposals including the proposals on the liquidity risk management strategy for 2018, the country risk concentration limit for 2018–2019, the risk appetite management measures, and the liquidity risk appetite of US-based institutions, and heard 17 reports on the topics including the Group's AML work for 2017 and the IT risk management for 2017. The Risk Management Committee put forward comments or suggestions on matters including institutionalizing of the risk management policy mechanism, the Group's AML work and the risk management of US-based institutions.

The Risk Management Committee held a seminar in May and December 2018, respectively. At the seminars, the committee heard the implementation of EPS by the Bank's US-based institutions and their compliance with EPS and launched a relevant discussion; learned about the development of the Bank's anti-money laundering systems-BRAINS and COMPASS and the operation of the anti-money laundering monitoring system at domestic institutions and launched a relevant discussion; heard the report on the Bank's information security rules and regulations, information security challenges and countermeasures and discussed the design of the Bank's information security system architecture and policy; heard the influence of the EU General Data Protection Regulation (GDPR) on the Bank and countermeasures and discussed how to link GDPR compliance with anti-money laundering compliance.

- Examining the risk management system

The Risk Management Committee is responsible for constantly monitoring and examining the risk management system of the Bank, and examining the effectiveness of the system at least on an annual basis. Under the enterprise risk management system structure of the Bank, the Risk Management Committee performed its function of examining the Bank's risk management system through reviewing and revising the risk strategy, risk management policy, risk appetite and the enterprise risk management structure, monitoring and evaluating the setup, mode of organization, work procedures and results of risk management departments, regularly assessing the risk policy, risk appetite and enterprise risk management status, supervising and assessing risk control activities conducted by the Senior Management members in terms of credit risk, market risk, operational risk, liquidity risk, compliance risk, reputational risk and other risks. In accordance with the relevant requirements in the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organisation established by the Federal Reserve Board, the Risk Management Committee supervised the implementation of the US business-related risk management framework and relevant policies. The Board of Directors and the Risk Management Committee heard the report made by the Management on the Group's risk management every half year and examined the Bank's risk management and internal control system. For details of the risk management, please refer to the section headed "Discussion and Analysis — Risk Management".

◆ *Nomination Committee*

The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on candidates for Directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, and formulating the standards and procedures for selection and appointment of Directors and Senior Management members as well as the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board of Directors on a yearly basis and making recommendations to the Board of Directors based on the Bank's development strategy. As at the disclosure date of the results, the Nomination Committee consisted of six directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Ms. Sheila Colleen Bair; Non-executive Director Mr. Ye Donghai. Independent Non-executive Director Mr. Hong Yongmiao was Chairman of the Committee.

The Articles of Association of the Bank specifies methods and procedures to nominate Directors. Please refer to Article 118 of the Articles of Association. During the reporting period, the Bank appointed and renewed the appointments of Directors of the Bank in strict accordance with the Articles of Association of the Bank. The Nomination Committee reviews the qualifications of candidates for Directors based on whether the candidate complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank. According to the requirement on diversified composition of the Board of Directors in the Rules for Recommendation and Nomination of Board Candidates of the Bank, the Nomination Committee shall pay attention to the complementarity of the candidates in terms of expertise, professional competence and experience, cultural and educational background, gender, etc., to ensure the members of the Board of Directors are well equipped, experienced and have diversified perspectives and views. In order to implement the diversity policy, the

Nomination Committee assesses the improvement of diversified composition of the Board of Directors during the course of its yearly assessment on the framework, number of Directors and composition of the Board of the Directors, and discusses and designs measurable goals according to actual conditions. As at the disclosure date of the results, there were six Independent Non-executive Directors, accounting for more than one third of the total members of the Board of Directors; and there were two female Directors. The Bank attached importance to diversified sources and backgrounds of Directors and continued the efforts to enhance the professionalism of the Board of Directors, thus laying the foundation for the effective operation and scientific decision-making of the Board of the Directors.

Performance of the Nomination Committee During the reporting period, the Nomination Committee held six meetings, considered eight proposals including the proposals on the nomination of Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Nout Wellink, Mr. Fred Zuliu Hu, Mr. Hu Hao and Mr. Tan Jiong as candidates for Directors of the Bank, and heard the report on the framework of the Board of Directors in 2017. The Nomination Committee put forward comments or suggestions on matters including the recommendation and nomination of candidates for Directors, the assessment of the framework of the Board of Directors and the candidates for chairmen and members of special committees under the Board of Directors.

- *Compensation Committee*

The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties and compensation plans for Directors, organizing the assessment on the performance of duties of Directors, putting forth proposal on remuneration distribution for Directors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members. As at the disclosure date of the results, the Compensation Committee consisted of seven directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Mr. Nout Wellink, Mr. Anthony Francis Neoh, Ms. Sheila Colleen Bair and Mr. Shen Si; Non-executive Directors Ms. Mei Yingchun and Mr. Dong Shi. Independent Non-executive Director Mr. Nout Wellink was Chairman of the Committee.

Performance of the Compensation Committee During the reporting period, the Compensation Committee held three meetings, considered three proposals including the proposals on the payment of remuneration to Directors and Senior Management members for 2017 and the Senior Management performance evaluation plan for 2018, and heard the 2017 assessment report on the performance of duties of Directors by the Board of Directors. The Compensation Committee put forward comments or suggestions on matters including improvement of the compensation incentive mechanism.

The Compensation Committee organized the performance assessment of directors, and put forth proposal on remuneration distribution for directors and submitted the same to the Shareholders' General Meeting after the approval of the Board of Directors. It also formulated and reviewed the assessment measures and compensation plans for Senior Management members of the Bank and evaluated the performance and behaviors of Senior Management members, results of which were submitted to the Board of Directors or the Shareholders' General Meeting, if falling into the responsibilities of the Shareholders' General Meeting, for approval. According to applicable regulations including the Measures on the Assessment of Performance of Duties of Directors in Commercial Banks (Trial), the Articles of Association and the Rules on the Assessment of Performance of Duties of Directors by the Board of Directors (Revision in 2016) of the Bank, the Compensation Committee organized the performance assessment of Directors by the Board of Directors for 2017.

- *Related Party Transactions Control Committee*

The Related Party Transactions Control Committee is mainly responsible for developing the basic policies governing the management of related party transactions, identifying the Bank's related parties, approving related party transactions and other related matters within the authority granted by the Board, receiving related party transaction statistics for filing purpose, reviewing the related party transactions that are subject to the approval of the Board of Directors or the Shareholders' General Meeting, and reporting to the Board of Directors on the implementation of the related party transaction management policies as well as the conditions on these transactions. As at the disclosure date of the results, the Related Party Transactions Control Committee consisted of four directors, including Independent Non-executive Directors Mr. Yang Siu Shun, Mr. Hong Yongmiao, Mr. Shen Si and Mr. Nout Wellink. Independent Non-executive Director Mr. Yang Siu Shun was Chairman of the Committee.

Performance of the Related Party Transactions Control Committee During the reporting period, the Related Party Transactions Control Committee held three meetings, considered two proposals in respect of, among others, the identification of related parties of the Bank, and heard two reports including the report on related party transactions in 2017 and the identification of related parties of the Bank in 2017. The Related Party Transaction Control Committee put forward comments or suggestions on matters including the improvement of management of related party transactions and inside transactions of the Bank.

Responsibilities of Directors in Respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. During the reporting period, in strict compliance with relevant provisions, the Bank published the 2017 Annual Report, the First Quarterly Report, the Interim Report and the Third Quarterly Report of 2018 as scheduled.

Term of Directors

The Bank has strictly complied with the requirements of the exchanges on which the Bank is listed and the Articles of Association of the Bank that Directors are elected by the Shareholders' General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBIRC or upon completion of relevant procedures according to the requirements of CBIRC. Directors may be re-appointed through re-election at the Shareholders' General Meeting after expiry of their term.

Investigation and Training of Directors

During the reporting period, the Bank developed the training plan for the Board of Directors, increased training resources, and encouraged and actively organized the Directors to attend trainings, with the aim of assisting the Directors in continuing to improve their ability to perform their duties. During the reporting period, Directors of the Bank attended relevant trainings according to work needs. Besides, the Directors of the Bank enhanced their duty performance capabilities by attending seminars as well as conducting on-site investigations in some domestic and overseas peers and affiliates of the Bank.

Subject matters of the trainings attended by the Directors of the Bank during the reporting period were mainly as follows:

Trainings held by the regulatory authorities:

- Beijing Office of CSRC Regulated Operation, Investment and Financing, Information Disclosure, Newly-appointed Directors and Supervisors

Special business trainings of the Bank:

- Corporate Governance
- Influence of the US Tax Cuts & Jobs Act on Banks
- FinTech and Network Security
- New Banking Regulations and Their Influence
- Improvement of the Board of Directors and Duty Performance of Directors
- Anti-money Laundering and Regulatory Compliance
- Information Security and Compliance Management
- Compliance of Overseas Institutions
- Effective Risk Data Aggregation

Introduction trainings for newly-appointed directors of the Bank:

- Introduction to Corporate Governance and Operation of the Board of Directors

Training of Board Secretary

During the reporting period, the Board Secretary of the Bank attended the relevant specialized trainings, with the training hours over 15 hours, which meets relevant regulatory requirements.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank's Independent Non-executive Directors comply with regulatory requirements. The Bank's Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial position in the Bank. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, the Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, gave independent opinions during consideration of issues, and provided recommendations on areas such as strategic management, business transformation, innovative development, corporate governance, risk management, compliance management, FinTech and inclusive financial business of the Bank. During the adjournment, Independent Non-executive Directors of the Bank conducted on-site investigations in terms of the Bank's support for private economy, the provision of financial services to fight against poverty, the credit asset quality and credit cultural improvement and the impacts of changes in international conditions on the operation of overseas institutions; they also proactively exchanged opinions with the Management during special-topic discussions. During the reporting period, the Bank's Independent Non-executive Directors put forward comments and suggestions in respect of business management and strategy implementation. Their suggestions were about providing appropriate services for private economy, accelerating FinTech innovation, strengthening information security management, advancing channel transformation and intelligent bank construction and reinforcing risk control and compliant development. The Bank paid close attention to the relevant comments and suggestions, and organized the implementation thereof according to the actual conditions.

During the reporting period, the Bank's Independent Non-executive Directors did not raise any objection on proposals of the Board of Directors and special committees of the Board of Directors.

For information of performance of duties of Independent Non-executive Directors of the Bank during the reporting period, please refer to the Work Report of Independent Non-executive Directors for 2018 issued by the Bank on 28 March 2019.

Board of Supervisors

Composition of the Board of Supervisors

As at the disclosure date of the results, the Board of Supervisors of the Bank consisted of five members, including one Shareholder Supervisor, namely Mr. Zhang Wei; two Employee Supervisors, namely Mr. Hui Ping and Mr. Huang Li; and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held seven meetings, reviewed 19 proposals including the proposals on the 2017 Work Report of the Board of Supervisors and the Report on Development Strategy Assessment Opinions, heard 13 reports on the business operation, internal control and risk management, and reviewed 26 documents including the documents on the supervision in each quarter of 2018 and the rectification progress of issues indicated in the survey reports of the Board of Supervisors.

Attendance of supervisors of the Bank in meetings during the reporting period is as follows:

Attendances in person/Number of meetings that should be attended

Supervisor	Shareholders' General Meeting	Board of Supervisors
Current supervisors:		
Zhang Wei	2/2	7/7
Hui Ping	2/2	7/7
Huang Li	2/2	7/7
Qu Qiang	2/2	7/7
Shen Bingxi	2/2	7/7
Supervisor leaving office:		
Qian Wenhui	0/0	0/0

Note: For the change of supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the year ended 31 December 2018.

Chairman and President

Pursuant to Code Provision A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be separated, and the Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

The Chairman of the Bank is the legal representative of the Bank, and is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

Mr. Gu Shu is the President of the Bank, who is responsible for the daily management of the business operations of the Bank. The President is appointed by and accountable to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are separated in strict compliance with the Articles of Association and other corporate governance documents of the Bank. During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was found to be beyond the approval authority of the President.

Inside Information Management

The Bank manages inside information and insiders in strict accordance with regulatory requirements of the exchanges on which the Bank is listed and the Bank's rules, and ensures collection, delivery, sorting, preparation and disclosure of relevant information in compliance with applicable laws and regulations. During the reporting period, the Bank continued to strengthen inside information confidentiality management, timely organized the completion of insider lists and regularly conducted insider transaction self-inspections. After self-inspections, none of the insiders of the Bank were found to be involved in dealings in shares of the Bank who have taken advantage of inside information during the reporting period.

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee and the Related Party Transactions Control Committee of the Board of Directors perform the responsibilities of internal control management and review the effectiveness of internal control. The Bank has set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The Head Office and branches have internal control and compliance departments which are responsible for the bank-wide organization, promotion and coordination of internal control.

The internal control environment has been optimized continuously. The Bank put the Planning for Internal Control System Building for 2018–2020 into implementation and set the objective of the Group's internal control system building in the new era. While launching the "Year of Internal Control and Compliance" campaign, the Bank promoted the core philosophy of compliance culture that "compliance is the fundamental of responsibility of the entire staff to keep risks under control and ensure efficient operation". Based on the operation transformation needs, the Bank completed the structural adjustment of the Head Office, branches and sub-branches as well as staffing, and refined the performance assessment and business evaluation system.

The technological level of risk management has risen evidently. The Bank completed the hierarchical risk appetite indicators system with capital constraint at the core, and built a risk limit management system by the Group, the Bank, geographical location, industry, customer, product and mitigant. The Bank encouraged the initiation of the cross-financial risk statistics & monitoring platform system project and the phased development of the system in a bid to become more capable of identifying, assessing, monitoring, counting, warning and reporting cross-financial risks.

Control activities have become more effective. The Bank developed the Internal Control Manual to perfect the all-staff and whole-process internal control system building. The review and approval function of financing for general legal person customers and small and micro enterprises and residential mortgages were caused to delegate to tier-2 branches, while the business scope, targets and authorities of credit sub-authorization business were determined on a reasonable and prudential basis. The Bank installed a uniform management platform of internal account accounting and pushed forward the collation and amelioration of relevant business processes to step up the whole-process e-management of internal accounts.

Information communication has been further streamlined. The Bank issued a new version of data quality assessment measures, updated domestic and overseas data quality management system and established a comprehensive and accurate data quality evaluation system. It strengthened the intelligent monitoring, analysis and mining of customers and treasury transactions, performed mining labeling of behavior classification and relationship network and put the analytical results into wider applications in business scenarios. The Bank advanced the construction of Information Security Operation Center, perfected the rapid emergency response mechanism in face of attacks and realized the automatic ban on high-risk alarms.

The internal monitoring and evaluation has remained effective. The Bank hardened the whole-process control over supervision and inspection, standardized the processes of supervision and inspection, and built a three-dimensional, well-linked and multi-channel supervision and inspection mechanism. Consistent with the regulatory requirements, the Bank adopted a "four-driver" system (assessment — governance — inspection — rectification) to improve the quality of correction. It carried forward inspection and audit projects in a focused manner. It raised more stringent requirements, adhered to "dual-line remediation", supervised and assessed the effects of remediation, and strengthened the implementation of remediation accountability measures and the improvement of remediation effects. The Bank constantly improved the internal control assessment work, and facilitated the evolution of internal control assessment to one featuring "big data monitoring and regular assessment".

Internal Control Evaluation Report and Internal Control Audit

While disclosing the annual report, the Bank also disclosed the 2018 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited in accordance with the requirements of MOF, CSRC and SSE. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at 31 December 2018 (benchmark date). KPMG Huazhen (Special General Partnership) has audited the effectiveness of the Bank's internal control over financial reporting as at 31 December 2018 and issued the standardized audit report on internal control. For details, please refer to the websites of SSE and SEHK.

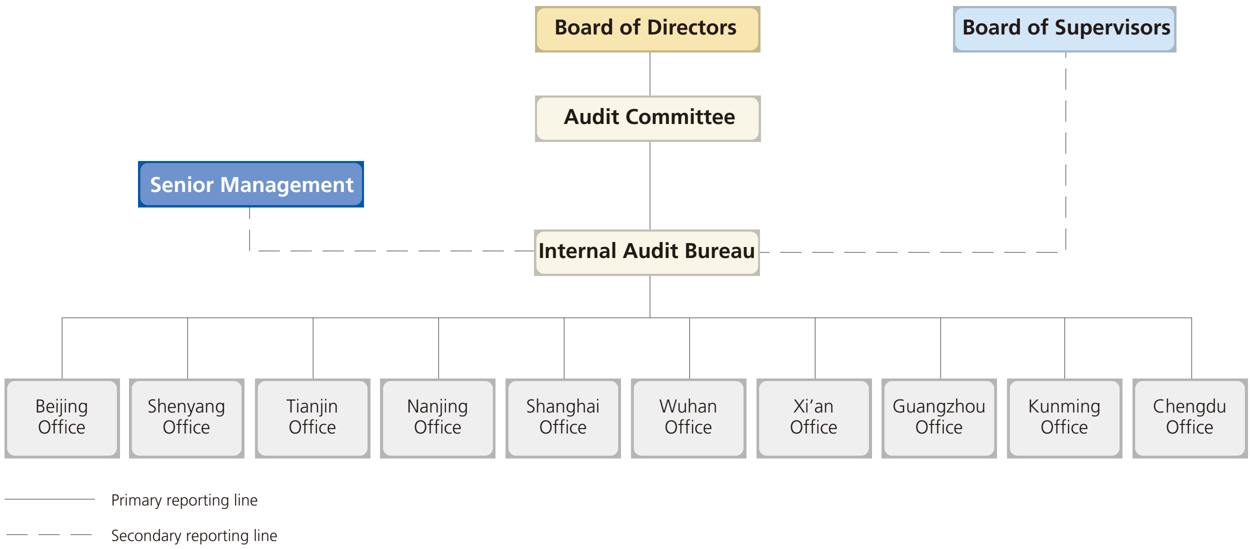
Internal Control Evaluation and Defects

The Board of Directors of the Bank conducted a self-assessment on the effectiveness of the Group's internal control during the reporting period in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines issued by five ministries and commissions including MOF, the Guidelines for Internal Control of Listed Companies issued by SSE and relevant regulatory requirements of CBIRC. No material or significant deficiencies were detected in the Bank's internal control system during the assessment. Risks that may arise from ordinary deficiencies are controllable and corrective actions have been or are being taken, which have no material impact on the fulfillment of internal control objectives of the Bank. The Bank had maintained effective internal control in all material aspects in accordance with the standard system for enterprise internal control and relevant rules.

There was no factor that affected the assessment conclusion of internal control effectiveness from the benchmark date to the issuance date of the internal control assessment report.

Internal Audit

The Bank established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The chart below illustrates the internal audit management and reporting framework of the Bank:



During the reporting period, the Bank acted on the regulatory requirements of the industry, implemented risk-oriented audit activities and fully accomplished the annual audit plan according to the development strategy and central tasks of the Bank. The audit activities covered main aspects of operation and management, such as credit business, financial benefit, internal control, capital management, overseas institutions, asset management, internet-based finance, customer services and duty performance of Senior Management members in their tenure of office. The audit activities paid close attention to credit risk, market risk, liquidity risk and operational risk under the complicated operating circumstances, and underscored the coverage of cross-business, cross-market and cross-regulator complicated risks and their control effects. The audit activities supervised and assessed the quality and effect of the compliance with regulatory requirements, implementation of major strategies, management of major risks and intensified internal control by some institutions and in main business areas of the Group. The Bank also paid close heed to audit findings and made full use of relevant audit recommendations, with the aim of enhancing risk management, internal control and corporate governance level.

During the reporting period, internal audit of the Bank actively adapted to the changes in the risk management conditions, refined the audit management mechanism, improved the audit quality and efficiency, continuously advanced the digital transformation of internal audit, intensified efforts in organizing professional qualification programs and project-specific trainings, expanded the professional development space of teams, and constantly enhanced the audit service capacity and professionalism.

Engagement of Auditors

KPMG Huazhen LLP was the domestic auditors of the Bank for the financial statements audit in 2018, and KPMG was the international auditors of the Bank for the financial statements audit in 2018. KPMG Huazhen LLP was also the auditors of internal control of the Bank in 2018.

KPMG Huazhen LLP and KPMG have been providers of audit services for the Bank for six consecutive years (2013–2018).

During the reporting period, the Group paid KPMG and its member institutions a total fee of RMB210 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches). Of which, RMB136 million (including fee for internal control audit of RMB11.50 million) was paid by the Bank.

During the reporting period, KPMG and its member institutions provided the Group with non-audit services such as tax advisory services and the professional services for the bonds issuance, and received RMB6 million for such professional non-audit services.

Investor Relations

Overview of Investor Relations Activities in 2018

In 2018, the Bank strove to improve the quality of investor relations services and generate stable return to shareholders following the principle of serving investors in a proactive, precise, coordinated and efficient manner.

The Bank made constant and extensive communication with institutional investors and minority investors through press conferences in relation to periodic results announcements, non-deal road shows, reverse road shows, conferences with large institutions, investor hotline, investor relations mailbox, investor relations website and the online platform of sseinfo.com, which enhanced investors' confidence in economic development of China and the operational transformation of the Bank and helped bring the market value in line with the long-term intrinsic value of the Bank. The Bank improved investor relations information collection and market information feedback mechanism, strengthened dynamic monitoring of share price valuation, analyst reports and media and public opinions, followed and analyzed spotlight issues of the capital market, and effectively enhanced the quality of communication with the investors. The Bank actively understood and solicited the comments and suggestions of the capital market on the Bank, and made timely reaction with the help of many operation and communication strategies, so as to continuously strengthen the level of corporate governance and core values of the Bank.

In 2019, the Bank will further and proactively deepen the communication and exchange with investors to enhance investors' understanding and recognition of the Bank and continue to protect legitimate interests of the investors, and at the same time hope to receive more support from, and attention of the investors.

Investor Enquiries

If an investor wishes to enquire any questions related to operation performance of the Bank, please contact:

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited, 55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140

Principal Business The principal business of the Bank and its subsidiaries is the provision of banking and related financial services. Please refer to the section headed "Discussion and Analysis" for the business review of the Bank.

Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Auditor's Report and Financial Statements of the Annual Report.

As approved at the Annual General Meeting for the Year 2017 held on 26 June 2018, the Bank has distributed cash dividends of about RMB85,823 million, or RMB2.408 per ten shares (pre-tax) for the period from 1 January 2017 to 31 December 2017 to the ordinary shareholders whose names appeared on the share register after the close of market on 12 July 2018.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.506 (pre-tax) for each ten shares of 356,406,257,089 ordinary shares for 2018, totaling about RMB89,315 million. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2018. Once approved, the above-mentioned dividends will be paid to the holders of A shares and H shares whose names appeared on the share register of the Bank after the close of market on 2 July 2019. The Bank will suspend the registration procedures of H share ownership transfer on 27 June 2019 (inclusive) through 2 July 2019 (inclusive). The holders of H shares of the Bank that desire to receive the proposed cash dividends but have not registered the ownership transfer documents are requested to hand over their ownership transfer documents together with the H shares to the Bank's H share registrar — Computershare Hong Kong Investor Services Limited that is located at Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. of 26 June 2019. Pursuant to relevant regulatory requirements and operational rules, dividends on A shares and H shares will be paid on 3 July 2019 and 23 July 2019, respectively.

For dividend-related tax and tax reduction, please refer to the announcements on dividend distribution of the Bank.

The Bank had no plan for converting capital reserve to share capital in the last three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the last three years:

Item	2018	2017	2016
Dividend per ten shares (pre-tax, in RMB yuan)	2.506	2.408	2.343
Cash dividends (pre-tax, in RMB millions)	89,315	85,823	83,506
Percentage of cash dividends[1] (%)	30.5	30.5	30.5

Note: (1) Calculated by dividing cash dividends on ordinary shares (pre-tax) by net profit attributable to ordinary shareholders of the parent company for the period.

For details on the distribution of dividends on preference shares of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

Formulation and Implementation of Cash Dividend Policy

The Articles of Association of the Bank explicitly stipulates that the Bank's profit distribution policy shall maintain its continuity and stability and meanwhile have regard to the long-term interest of the Bank, the overall interests of all shareholders and the sustainable development of the Bank. It emphasizes the priority to adopt cash dividend as the profit distribution method and provides that the Bank's adjustment to the profit distribution policy shall be discussed by the Board of Directors as a special proposal and the grounds for adjustment shall be substantiated and proved in detail and presented in a written substantiating report for Independent Non-executive Directors to issue their opinions, and then the report will be submitted to the Shareholders' General Meeting for approval as a special resolution.

The formulation and implementation of the Bank's cash dividend policy, which has been reviewed and approved by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

Distributable Reserves Details of the distributable reserves of the Bank as at 31 December 2018 are set out in "Note 39. to the Financial Statements: Reserves" of this annual report.

Financial Summary The summary of results, assets and liabilities for the five years ended 31 December 2018 is set out in the section headed "Financial Highlights" of this annual report.

Donations During the reporting period, the Group made external donations of RMB104,251.8 thousand equivalent.

Subsidiaries Particulars of the Bank's major subsidiaries as at 31 December 2018 are set out in the sections headed "Discussion and Analysis — Business Overview" and "Note 25. to the Financial Statements: Investments in Subsidiaries" in this annual report.

Share Capital and Public Float

Changes in the share capital of the Bank for the year ended 31 December 2018 are set out in "Note 37. to the Financial Statements: Share Capital".

As at the latest practicable date before the publication of this annual report, the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

Purchase, Sale or Redemption of Securities During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

Pre-emptive Rights The Articles of Association of the Bank does not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association, the Bank may increase its registered capital after obtaining approval of the Shareholders' General Meeting and of relevant authorities, by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Major Customers In 2018, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank for the year.

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing business growth of the Bank.

For future planning disclosed in the public disclosure documents such as previous offering prospectuses and fund raising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.

Equity-linked Agreement There is neither any agreement to which the Bank is a party, any options to subscribe shares, nor any securities convertible to shares of the Bank that requires the Bank to issue shares. In addition, there is no securities offering holders the right to subscribe shares of the Bank, the employee participation plan or share option plan, etc. as required by the disclosure requirements of the Hong Kong Listing Rules.

Management Contracts During the reporting period, the Bank did not enter into or have any contract regarding the management and administration of the whole or any important business.

Directors' and Supervisors' Interests in Transactions, Agreements or Contracts of Significance During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance regarding the Bank's business to which the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders was a party. None of the Directors or Supervisors of the Bank have entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business None of the Bank's Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures None of the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders entered into any agreement or arrangement enabling the Directors and Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

Mr. Zhang Hongli ceased to act as Director of the Bank from 2 July 2018. As at 1 July 2018, Mr. Zhang Hongli held 2,000 H shares of the Bank. Mr. Or Ching Fai ceased to act as Director of the Bank from 31 October 2018. As at 30 October 2018, the spouse of Mr. Or Ching Fai held 1,316,040 H shares of the Bank.

Save as above, as at 31 December 2018, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Connected Transactions

In 2018, the Bank carried out standardized management of the Group's connected transactions in strict accordance with the regulations of CBIRC and CSRC as well as listing rules in Shanghai and Hong Kong.

During the reporting period, the Bank had no connected transaction to be submitted to the Board of Directors or the Shareholders' General Meeting for review, and all connected transactions occurred complied with the disclosure exemptions under the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules on disclosure exemptions.

Please refer to "Note 49. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws, regulations and accounting standards of China.

Liability Insurance of Directors, Supervisors and Senior Management Pursuant to the Articles of Association of the Bank, where conditions permit, the Bank may establish the professional liability insurance system of Directors, Supervisors and Senior Management members upon approval of the Shareholders' General Meeting. The Bank will use its own assets to compensate each Director, Supervisor and Senior Management member for any liability arising during their performance period to the maximum extent permitted by laws and administrative regulations or within the scope not prohibited by laws and administrative regulations, unless the Directors, Supervisors and Senior Management members are otherwise proved to have failed to act honestly or in good faith during their duty performance. During the reporting period, the Bank renewed liability insurance for Directors, Supervisors and Senior Management members.

Relations among Directors, Supervisors and Senior Management Directors, Supervisors and Senior Management members of the Bank are not related to one another with respect to finance, business, family, or other material relationships which are required to be disclosed.

Remuneration Policy for Directors, Supervisors and Senior Management The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved its performance assessment system and incentive and restriction mechanism. From the perspectives of economic benefit, risk cost control and social responsibilities, the Bank adopted a system composed of balanced scorecard-based indicators for management and duties allocation based indicators for individuals. The remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises, which consists of basic annual remuneration, performance-based remuneration and incentive income linked to term appraisal. The remuneration to other Senior Management members and Shareholder Supervisors consists of basic annual remuneration and performance-based remuneration, and part of performance-based remuneration is paid in a deferred manner. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for Directors, Supervisors and Senior Management members concurrently as the employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2018, the Bank had not granted any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Members of the Board of Directors

As at the disclosure date of the results, the composition of the Board of Directors of the Bank is as follows:

Executive Director: Mr. Gu Shu;

Non-executive Directors: Mr. Cheng Fengchao, Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai;

Independent Non-executive Directors: Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair, Mr. Shen Si and Mr. Nout Wellink.

Industrial and Commercial Bank of China Limited
Board of Directors

Report of the Board of Supervisors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors, pursuant to relevant laws and regulations, regulatory requirements and the Articles of Association, performed supervision duties earnestly, carried out supervision of duty performance and due diligence, financial activities, risk management and internal control, etc. in a down-to-earth way, and promoted the improvement in corporate governance and the legal, compliant and prudent development.

Supervision on the performance of duties. The Board of Supervisors supervised the Board of Directors, Senior Management and their members on their compliance with the laws and regulations, the Articles of Association of the Bank, and the implementation of the resolutions of the Shareholders' General Meeting and the Board of Directors and the regulatory opinions. It paid close attention to the duty performance and due diligence of the Board of Directors and the Senior Management in corporate governance, development strategy and operation and management. It carried out duty performance assessment, talked with members of the Board of Directors and the Senior Management, general managers of the related Head Office departments and some branches for comments and suggestions, and then formulated its assessment opinions on the duty performance of the Board of Directors, the Senior Management and their members in combination with their day-to-day duty performance supervision to promote the legitimate and compliant duty performance. It performed strategic assessment, assessed how scientific, reasonable and effective the Bank's development strategies were and the implementation of those development strategies, and put forward comments and suggestions to strengthen strategy management. It launched a special survey on strengthening the capital base of institutions, analyzed and researched into the mechanism of managing the capital increase of institutions, the implementation of capital increase plans and the post-increase management, and put forth related recommendations to help improve the management level of institutions' capital increase.

Financial supervision. The Board of Supervisors supervised the Bank's financial activities and implementation of decisions on material financial issues. It paid close attention to the changes in key financial figures, material financial approval matters and accounting, changes in accounting standards and financial policies and their impacts. It carefully reviewed periodic reports, final accounts and profit distribution plan, regularly heard reports on business conditions and review results, conducted spot checks on major accounting issues, verified the authenticity of financial information, and issued independent opinions in an objective and fair manner. It launched special surveys on the management of deposit interest rate pricing and the running of the business operation system, analyzed and researched into the soundness of deposit interest rate pricing management mechanism, policy transmission and implementation, improvement of business operation system and operating risk management, and gave related recommendations to promote the management of deposit interest rate pricing and the perfection of business operation system. It oversaw the independence and effectiveness of audit work, reminded auditors of the areas of focus in audit and evaluated the duty performance of external auditors.

Supervision on risk management. The Board of Supervisors supervised the effectiveness and soundness of the Group's risk management system and mechanism. It paid close attention to the enterprise risk management, consolidated management, capital management, compliance of major regulatory indicators and adjustments of regulatory policies. It strengthened the supervision on main material risks, and highlighted credit system and mechanism reform, asset quality management, non-performing asset disposal, credit management of overseas institutions, exchange rate risk management, liquidity risk management, operational risk management, reputational risk management, country risk management and management of cross and transmissional risks, as well as the management of risk exposures of major geographical locations, institutions and products. It launched special surveys on the management of supply chain financing business and retail banking development of branches in key cities, analyzed and researched into the management mechanism of supply chain financing business, risk control system, competitiveness of retail banking of branches in key cities and scenario development, and put forth related recommendations to promote the healthy development of supply chain financing business and retail banking of branches in key cities.

Supervision on internal control. The Board of Supervisors supervised the effectiveness of the internal control system, the performance of internal control duties and the business compliance with laws and regulations. It paid close attention to the internal control system construction, handling of cases and risk events, compliance of important internal control indicators, operation of IT systems and production safety, supervision and inspection, and implementation of remediation, and reinforced the supervision of key areas such as anti-money laundering and information disclosure. It earnestly reviewed the internal control assessment report, paid attention to the implementation and quality control of the internal control assessment, as well as the identification, reporting, correction and accountability of internal control deficiencies, and issued review opinions. It launched special surveys on IT risk management and credit card installment business management, analyzed and researched into IT risk management mechanism, security control of main application systems, credit approval of installment business, partner management and system development, and put forth related recommendations for the purpose of further improving the IT risk management system and mechanism and promoting the healthy development of credit card installment business.

Strengthening of self-building. To align with the new changes in the Bank's corporate governance, the Board of Supervisors amended the former two supervision measures and merged them into the Measures of the Board of Supervisors for Supervision Work, making clear the principles of supervision, highlighting the priorities of supervision and offering an institutional framework for doing well in the supervision work. On the basis of summarizing the duty performance assessment work experience in the past few years, the Board of Supervisors revised the Rules on Assessment of Duty Performance of the Board of Directors and the Senior Management and Their Members by the Board of Supervisors and the Rules on Assessment of Duty Performance of Supervisors by the Board of Supervisors for the purpose of further ameliorating the ways and methods of work and improving the quality and effectiveness of duty performance assessment.

Performance of duties by members of the Board of Supervisors. The Board of Supervisors organized the annual assessment on the supervisors for their performance of duties in accordance with the regulatory requirements and corporate governance rules. The members of the Board of Supervisors diligently and faithfully fulfilled their duties, attended the meetings of the Board of Supervisors on schedule, earnestly studied and reviewed the proposals and special reports, issued opinions in an objective and fair manner, appropriately exercised voting rights, attended meetings of the Board of Directors and meetings of special committees as non-voting attendees, attended relevant meetings of Senior Management, and devoted sufficient time and energy to relevant supervision, inspection and research activities. It attached great importance to strengthening theoretical learning and summary of experience from practice. It held discussions and exchanges with the boards of supervisors of several financial institutions, learned from the relevant experiences of its peers, and participated in the training organized by securities regulatory authority, and further improved its performance capability. External supervisors of the Bank worked for more than 15 working days in the Bank, complying with the relevant requirement.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation During the reporting period, the Board of Directors and the Senior Management of the Bank continued to operate in compliance with applicable laws and regulations, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management diligently and faithfully performed their duties, and the Board of Supervisors did not find any violation of laws and regulations, or any circumstance that contravened the interests of the Bank in their performance of duties during the reporting period.

Preparation of Annual Report Preparation and review procedures of the Bank's Annual Report were in compliance with laws, regulations and regulatory rules. Contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Proceeds from Fundraising Activities During the reporting period, the use of proceeds from the Bank's fundraising activities was consistent with the purpose stated in the prospectuses.

Purchase and Sale of Assets During the reporting period, the Board of Supervisors did not find any insider trading or any circumstance that contravened the shareholders' interests or caused the loss of the Bank's assets in the process of the Bank's purchase or sale of assets.

Connected Transactions During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any circumstance that infringed upon the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association of the Bank.

Implementation of Resolutions Passed at the Shareholders' General Meeting During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meetings.

Review of the Internal Control Assessment Report The Board of Supervisors reviewed the 2018 Internal Control Assessment Report of the Bank and had no objection to the report.

Implementation of Information Disclosure Rules During the reporting period, the Bank performed its duty of information disclosure in compliance with the regulatory requirements, implemented the information disclosure management rules in earnest, and disclosed information in a timely and fair manner. Information disclosed was authentic, accurate and complete.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the reporting period.

Material Legal Proceedings and Arbitration The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank to recover non-performing loans. The rest are mainly related to disputes with clients. As at 31 December 2018, the amount of pending proceedings in which the Bank and/or its subsidiaries acted as defendants totaled RMB4,154 million. The Bank does not expect any material adverse effect from the above-mentioned pending legal proceedings on the Bank's business, financial position or operating results.

Material Assets Acquisition, Sale and Merger During the reporting period, the Bank had no material assets acquisition, sale and merger.

Credit Standing During the reporting period, there had not been any significant court judgment with which the Bank and its controlling shareholders have not complied, nor were there any outstanding debt of significant amount.

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period During the reporting period, the Bank did not implement any share incentive plan or any employee stock ownership plan.

Performance of the Poverty Relief Social Responsibility Please refer to the section headed "Social Responsibility" for details of the Bank's poverty relief social responsibility performance during the reporting period.

Environmental Information Please refer to the section headed "Social Responsibility" for the details of the Bank's environmental information during the reporting period.

Key Audit Matters The Audit Committee has reviewed the key audit matters in the audit report and concluded that it is unnecessary to provide a supplementary explanation.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 49. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws and regulations of China and the relevant accounting standards.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets, which were subject to disclosure.

Material Guarantees The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and the CBIRC.

Independent Non-executive Directors' Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with the Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies issued by CSRC and the State-owned Assets Supervision and Administration Commission of the State Council and relevant provisions of SSE, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principles of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by relevant regulatory authorities. As at 31 December 2018, the balance of letters of guarantee issued by the Bank totaled RMB509,301 million.

The Bank has attached great importance to the management of risks arising from such business, formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services, and carried out relevant business on such basis.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Hong Yongmiao, Anthony Francis Neoh, Yang Siu Shun, Sheila Colleen Bair, Shen Si and Nout Wellink

Occupation of Fund by Controlling Shareholders and Other Related Parties During the reporting period, none of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank. The auditors have issued the Special Explanation on the Occupation of Fund by Controlling Shareholders and Other Related Parties of Industrial and Commercial Bank of China Limited in 2018.

Commitments

As at 31 December 2018, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

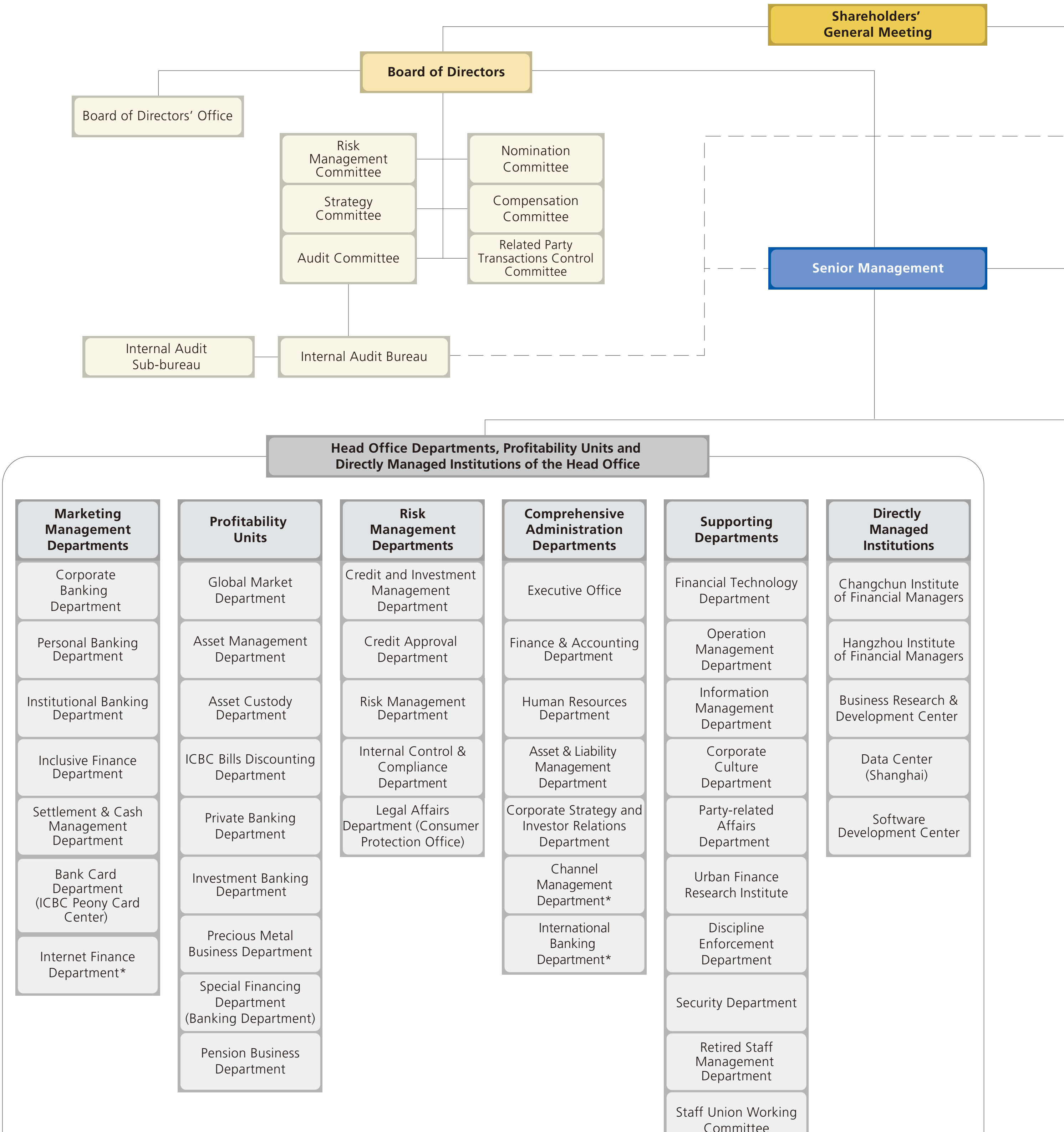
Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will: (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	As at 31 December 2018, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.
		November 2010/ No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		

Save as disclosed above, neither the Bank nor any of its other related parties made any commitments in performing.

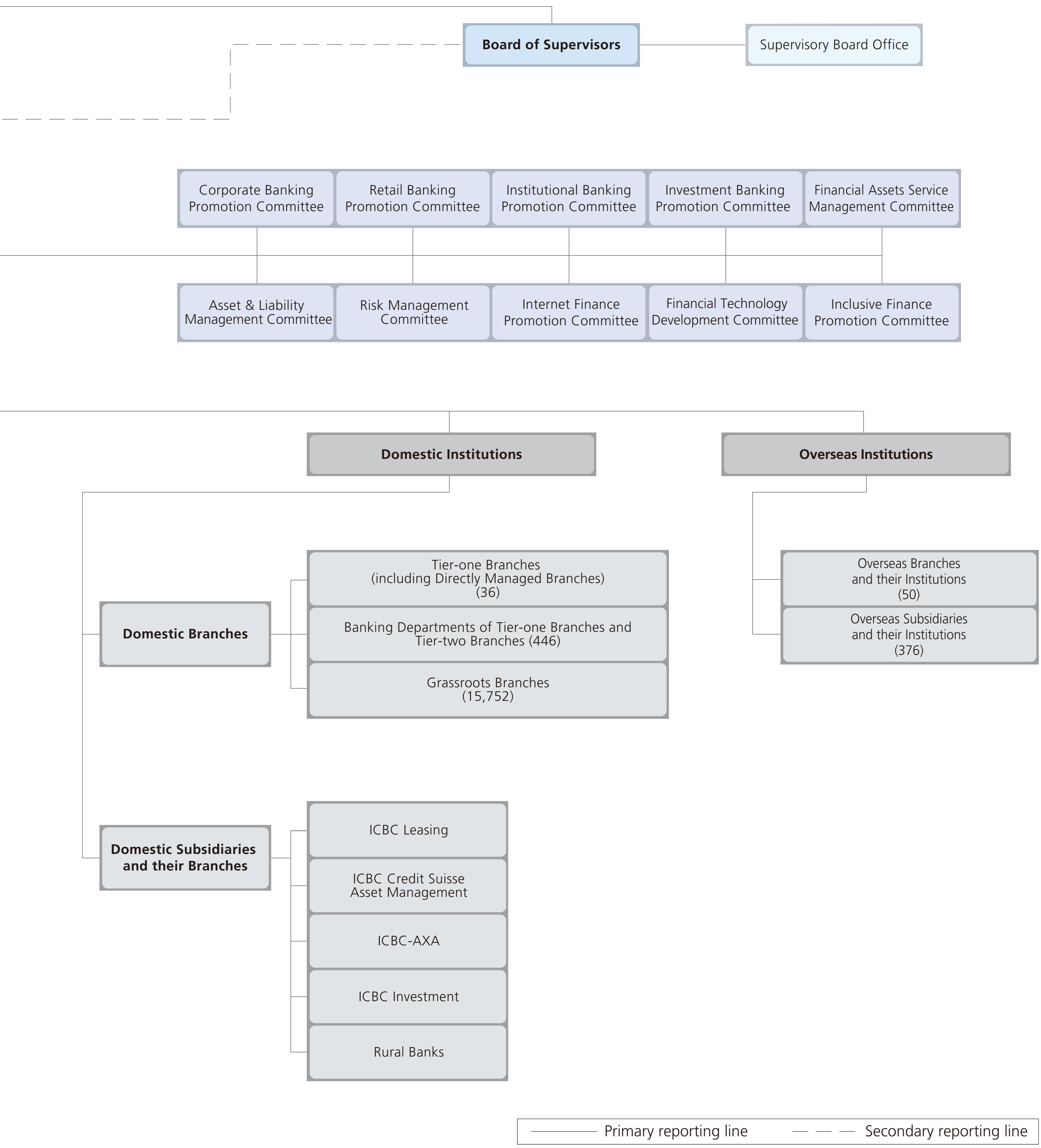
Disciplinary Actions During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and controlling shareholders was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transferred to judicial authorities or charged for criminal responsibility, case filing investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, major penalty by other administrative authorities of environmental protection, safety supervision, taxation, etc. or public reprimand by the stock exchanges.

Establishment of Wealth Management Subsidiary The Board of Directors of the Bank reviewed and approved the Proposal on the Establishment of ICBC Wealth Management Co., Ltd. at the meeting of the Board of Directors convened on 26 November 2018. The proposal is to establish a wholly-owned subsidiary ICBC Wealth Management Co., Ltd. by contributing no more than RMB16.0 billion of the Bank's proprietary funds. On 15 February 2019, CBIRC officially approved the Bank's establishment of ICBC Wealth Management Co., Ltd.

Organizational Chart



Notes: 1. Internet Finance Department includes Innovation Research & Development Center, User Development Center and Operation Support Center.
2. Channel Management Department includes Remote Banking Center.
3. International Banking Department includes International Settlement Documentation Center.



Board of Supervisors
Supervisory Board Office
Corporate Banking Promotion Committee
Retail Banking Promotion Committee
Institutional Banking Promotion Committee
Investment Banking Promotion Committee
Financial Assets Service Management Committee
Asset & Liability Management Committee
Risk Management Committee
Internet Finance Promotion Committee
Financial Technology Development Committee
Inclusive Finance Promotion Committee
Domestic Institutions
Overseas Institutions
Domestic Branches
Tier-one Branches (including Directly Managed Branches) (36)
Banking Departments of Tier-one Branches and Tier-two Branches (446)
Grassroots Branches (15,752)
Overseas Branches and their Institutions (50)
Overseas Subsidiaries and their Institutions (376)
Domestic Subsidiaries and their Branches
ICBC Leasing
ICBC Credit Suisse Asset Management
ICBC-AXA
ICBC Investment
Rural Banks
Primary reporting line
Secondary reporting line

Auditor's Report and Financial Statements

CONTENTS

Independent Auditor's Report

To the shareholders of Industrial and Commercial Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 133 to 298, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2018 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters (continued)

<table>
<tr><td colspan="2">Impairment of loans and advances to customers</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3.(6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has adopted International Financial Reporting Standard 9 Financial instruments ("IFRS 9") since 1 January 2018. IFRS 9 uses the expected credit loss ("ECL") model to calculate the loss allowance.

Impairment of loans and advances to customers is a subjective area due to the degree of judgment applied by management in determining impairment allowances. From the Group's perspective, the determination of the loss allowances for loans and advances to customers is heavily dependent on the external macro environment and the Group's internal credit risk management strategy, and the judgments in determining the loss given default or the assessment of recoverable cash flows relating to individual loans and advances to customers, where loans and advances to customers were unsecured or were subject to potential collateral shortfalls.</td><td>Our audit procedures to assess loss allowance for expected credit losses included the following:

• evaluating the effectiveness of internal control operations related to provision for expected credit losses:

— assessing the key design and operational effectiveness of internal controls of the financial reporting process, including credit approval, recording, monitoring, re-evaluation of periodic credit grading, and the accrual of loss allowance; In particular, we assessed the design, implementation and operating effectiveness of the key internal controls over the classification of loans by credit quality across all stages;

— assessing the information system controls, including general information technology control, completeness of key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and system calculation of loss allowance for expected credit loss.

• assessing the reliability of expected credit loss models and parameters used, including evaluating probability of default, loss given default, exposure at default, discount rate, forward-looking adjustment and other adjustment factors, and evaluating the reasonableness of key management judgments involved.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Impairment of loans and advances to customers (continued)</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group classifies financial instruments into three stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether an asset is considered to be credit-impaired respectively.

The loss allowance for loans and advances to customers, other than those corporate loans and advances which are credit-impaired, is measured using the risk parameters method. The key parameters include probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are derived from considerations including the historical overdue data, historical loss ratio, internal credit grading and other adjustment factors.</td><td>• assessing key parameters involving judgments by seeking evidence from external sources and comparing it with internal records including historical loss experience and type of collaterals. As part of these procedures, we inquired management for the reasons of modifications of estimates and model parameters, considered the consistency of management judgments, and assessed key internal controls over the input of underlying data into the models.

• comparing the economic factors used in the models with market information to assess whether they were aligned with market and economic development.

• performing back-testing, which included the assessment of the model's predictions using quantitative methods to measure the outputs against the actual realised observations, including how they change over time.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Impairment of loans and advances to customers (continued)</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Loss allowances for the credit-impaired corporate loans and advances are measured using the discounted cash flow method. Management exercises judgment in determining recoverable cash flow based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints an external appraiser for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of expected credit loss allowances at the end of the reporting period.

We identified the loss allowance for expected credit losses as a key audit matter because of the inherent uncertainty and management judgments involved, and because the loss allowance is significant to the financial results and capital of the Group.</td><td>• selecting samples to assess the reasonableness of management judgments on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio by industry sector to select samples in industries vulnerable to the current economic situation and regulation measures. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage.

• performing credit assessments for the selected credit impaired corporate loans and advances by assessing the forecast of recoverable cash flows through inquiry, applying judgment and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management's application of key assumptions and compared them with our own data sources.

• evaluating the experience, independence, competence and integrity of the external appraiser engaged by the Group to value certain property and illiquid collateral, including comparing the valuations with externally derived data such as commodity prices and real estate valuations; and

• evaluating whether the disclosures relating to loss allowance for expected credit losses met the disclosure requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Recognition of interests in and consolidation of structured entities</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (1) to the Financial Statements: Subsidiaries", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 41. to the Financial Statements: Involvement with Unconsolidated Structured Entities".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group's assets and liabilities.

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. The Group may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</td><td>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:

• making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard.

• selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected:

— inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgment over whether the Group has the ability to exercise power over the structured entity;</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Recognition of interests in and consolidation of structured entities (continued)</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (1) to the Financial Statements: Subsidiaries", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 41. to the Financial Statements: Involvement with Unconsolidated Structured Entities".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and the nature of each entity.</td><td>— inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgment as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

— evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgment over the Group's ability to influence its own returns from the structured entity;

— assessing management's judgment over whether the structured entity should be consolidated or not; and

• evaluating the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Fair value of financial instruments</td></tr>
<tr><td colspan="2">Refer to the accounting policies on "Note 3. (5) to the Financial Statements: Financial Instruments", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 52. to the Financial Statements: Fair Value of Financial Instruments".</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment.

The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgment.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments.

• assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data.

• involving our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs.

• engaging our internal valuation specialists to conduct model validation, on a sample basis, for the valuation of complex financial instruments.

• assessing the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and

• assessing whether the disclosures in the consolidated financial statements, including fair value hierarchy information and sensitivity to key inputs, appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

IT systems and controls over financial reporting	
The key audit matter	**How the matter was addressed in our audit**
As one of the largest banking groups in the world, the Group's IT systems are necessarily large and complex. Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Of particular importance are system calculations and data logic regarding significant accounts, including interest calculations, as well as interfaces between business management systems and accounting systems. The volume of on-line transactions of the Group increased rapidly over the past year. With the continuous development of new technologies, the Group is facing new challenges on cyber security and data protection. We identified IT systems and controls over financial reporting as a key audit matter because the Group's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base both in the corporate and the retail banking businesses in China and globally.	We involved our internal IT specialists in our assessment of the IT systems and controls over financial reporting, which included carrying out the following audit procedures: • assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting. • evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission, covering business in corporate loans, financial asset service, interbank business, bills, retail business and others, as well as key accounting procedures; and • evaluating the design, implementation and operating effectiveness of the cybersecurity management mechanism, the operational security of key information infrastructure, data and client information management, and monitoring and emergency management.

Key audit matters (continued)

<table>
<tr><td colspan="2">Adjustments and disclosures in relation to transition to the International Financial Reporting Standard 9 Financial instruments</td></tr>
<tr><td colspan="2">Refer to "Note 2. (3) to the Financial Statements: Change in accounting policies".</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has applied International Financial Reporting Standard 9 Financial Instruments ("IFRS 9") since 1 January 2018.

IFRS 9 revised the requirements for the classification and measurement of financial instruments previously adopted, and requires the loss allowance of expected credit losses to be recognised for relevant financial assets and credit commitments. In addition, it also provides greater flexibility of transaction types in applying hedging accounting. The Group is required to make retrospective adjustments on the classification and measurement, the loss allowance, and hedge accounting of financial instruments in accordance with the requirements of the IFRS 9.

We identified the adjustments and disclosures in relation to the transition to IFRS 9 as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatments, and application of new system data; also, management judgment was applied.</td><td>Our audit procedures relating to the transition to IFRS 9 included the following:

• assessing the key internal controls of the financial reporting process related to the transition to IFRS 9, including internal control processes related to the selection and approval of accounting policy and expected credit loss model methodology, and information system related controls.

• assessing the accuracy of the classification of financial instruments, including obtaining a list of financial instruments classified by management as at 1 January 2018, selecting samples to check the contractual cash flow terms, and understanding and evaluating the business model of the relevant financial instrument portfolio.

• involving our internal valuation specialists in evaluating the valuation method of financial assets and the key parameters used for financial assets that are measured at fair value due to changes in classification and measurement, and selecting samples to independently verify their fair value.

• with the assistance of our internal valuation specialists, assessing the design and methodology of the expected credit loss model, and evaluating the key parameters including probability of default, loss given default, exposure at default, discount rate, forward-looking adjustment and other adjustment factors, and evaluating the reasonableness of key management judgments involved.

• obtaining a list of hedge accounting items as at 1 January 2018 and selecting samples and checking relevant hedging documents to determine whether they meet the requirements of the IFRS 9.

• obtaining journal entries relating to adjustments made on transition to the IFRS 9 and comparing it with the list of classification, valuation, expected credit loss of financial instruments as at 1 January 2018, to assess the completeness and accuracy of adjustment journals, and compliance with the prevailing accounting standards; and

• assessing whether the relevant disclosures in relation to transition to IFRS 9 at 1 January 2018 were in compliance with the prevailing accounting standards.</td></tr>
</table>

Other information

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018
(In RMB millions, unless otherwise stated)

	Notes	2018	2017
Interest income	6	948,094	861,594
Interest expense	6	(375,576)	(339,516)
NET INTEREST INCOME	6	572,518	522,078
Fee and commission income	7	162,347	158,666
Fee and commission expense	7	(17,046)	(19,041)
NET FEE AND COMMISSION INCOME	7	145,301	139,625
Net trading income	8	2,846	5,753
Net gain on financial investments	9	1,345	2,165
Other operating income, net	10	3,111	6,033
OPERATING INCOME		725,121	675,654
Operating expenses	11	(194,203)	(186,194)
Impairment losses on assets	14	(161,594)	(127,769)
OPERATING PROFIT		369,324	361,691
Share of profits of associates and joint ventures		3,089	2,950
PROFIT BEFORE TAXATION		372,413	364,641
Income tax expense	15	(73,690)	(77,190)
PROFIT FOR THE YEAR		298,723	287,451
Attributable to:			
Equity holders of the parent company		297,676	286,049
Non-controlling interests		1,047	1,402
PROFIT FOR THE YEAR		298,723	287,451
EARNINGS PER SHARE			
— Basic (RMB yuan)	18	0.82	0.79
— Diluted (RMB yuan)	18	0.82	0.79

Details of the dividends declared and paid or proposed are disclosed in Note 17 to the financial statements.

The notes on pages 142 to 298 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018
(In RMB millions, unless otherwise stated)

	Notes	2018	2017
Profit for the year		298,723	287,451
Other comprehensive income (after tax, net):	40		
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income		1,605	
Other comprehensive income recognised under equity method		(9)	(29)
Others		(5)	3
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income		24,599	
Credit losses of debt instruments measured at fair value through other comprehensive income		(1,238)	
Net loss from change in fair value of available-for-sale financial assets			(33,494)
Reserve from cash flow hedging instruments		(53)	939
Other comprehensive income recognised under equity method		488	(757)
Foreign currency translation differences		3,325	(8,752)
Others		(903)	712
Subtotal of other comprehensive income for the year		27,809	(41,378)
Total comprehensive income for the year		326,532	246,073
Total comprehensive income attributable to:			
Equity holders of the parent company		324,981	245,729
Non-controlling interests		1,551	344
		326,532	246,073

The notes on pages 142 to 298 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2018
(In RMB millions, unless otherwise stated)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and balances with central banks	19	3,372,576	3,613,872
Due from banks and other financial institutions	20	962,449	847,611
Derivative financial assets	21	71,335	89,013
Reverse repurchase agreements	22	734,049	986,631
Loans and advances to customers	23	15,046,132	13,892,966
Financial investments	24	6,754,692	5,756,704
— Financial investments measured at fair value through profit or loss		805,347	440,938
— Financial investments measured at fair value through other comprehensive income		1,430,163	
— Financial investments measured at amortised cost		4,519,182	
— Available-for-sale financial assets			1,496,453
— Held-to-maturity investments			3,542,184
— Receivables			277,129
Investments in associates and joint ventures	26	29,124	32,441
Property and equipment	27	290,404	247,744
Deferred income tax assets	28	58,375	48,392
Other assets	29	380,404	571,669
TOTAL ASSETS		**27,699,540**	**26,087,043**

The notes on pages 142 to 298 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Notes	31 December 2018	31 December 2017
LIABILITIES			
Due to central banks		481	456
Financial liabilities designated as at fair value through profit or loss	30	87,400	89,361
Derivative financial liabilities	21	73,573	78,556
Due to banks and other financial institutions	31	1,814,495	1,706,549
Repurchase agreements	32	514,801	1,046,338
Certificates of deposit	33	341,354	260,274
Due to customers	34	21,408,934	19,562,936
Income tax payable		84,741	70,644
Deferred income tax liabilities	28	1,217	433
Debt securities issued	35	617,842	526,940
Other liabilities	36	409,819	603,500
TOTAL LIABILITIES		**25,354,657**	**23,945,987**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	37	356,407	356,407
Other equity instruments	38	86,051	86,051
Reserves	39	680,877	587,489
Retained profits		1,206,666	1,097,544
		2,330,001	2,127,491
Non-controlling interests		14,882	13,565
TOTAL EQUITY		**2,344,883**	**2,141,056**
TOTAL EQUITY AND LIABILITIES		**27,699,540**	**26,087,043**

Gu Shu
Vice Chairman and President

Zhang Wenwu
General Manager of Finance
and Accounting Department

The notes on pages 142 to 298 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2018
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 31 December 2017	356,407	86,051	152,043	232,703	264,892	(31,752)	(26,302)	(3,761)	(334)	587,489	1,097,544	2,127,491	13,565	2,141,056
Impact of adopting IFRS 9	–	–	–	–	–	22,877	–	–	–	22,877	(55,035)	(32,158)	(32)	(32,190)
Balance as at 1 January 2018	356,407	86,051	152,043	232,703	264,892	(8,875)	(26,302)	(3,761)	(334)	610,366	1,042,509	2,095,333	13,533	2,108,866
Profit for the year	–	–	–	–	–	–	–	–	–	–	297,676	297,676	1,047	298,723
Other comprehensive income (note 40)	–	–	–	–	–	24,369	3,408	(43)	(429)	27,305	–	27,305	504	27,809
Total comprehensive income	–	–	–	–	–	24,369	3,408	(43)	(429)	27,305	297,676	324,981	1,551	326,532
Dividends — ordinary shares 2017 final (note 17)	–	–	–	–	–	–	–	–	–	–	(85,823)	(85,823)	–	(85,823)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,506)	(4,506)	–	(4,506)
Appropriation to surplus reserve (i)	–	–	–	29,017	–	–	–	–	–	29,017	(29,017)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	14,172	–	–	–	–	14,172	(14,172)	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	76	76
Change in share holding in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	49	49
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(327)	(327)
Other comprehensive income transferred to retained earnings	–	–	–	–	–	1	–	–	–	1	(1)	–	–	–
Others	–	–	–	–	–	–	–	–	16	16	–	16	–	16
Balance as at 31 December 2018	**356,407**	**86,051**	**152,043**	**261,720**	**279,064**	**15,495**	**(22,894)**	**(3,804)**	**(747)**	**680,877**	**1,206,666**	**2,330,001**	**14,882**	**2,344,883**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB103 million and RMB596 million, respectively.

(ii) Includes the reversal made by overseas branches in the amounts of RMB9 million and appropriation made by subsidiaries in the amounts of RMB2,345 million, respectively.

The notes on pages 142 to 298 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												Non-controlling interests	Total equity
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 1 January 2017	356,407	86,051	152,043	205,021	251,349	1,133	(18,050)	(4,645)	(221)	586,630	940,663	1,969,751	11,412	1,981,163
Profit for the year	–	–	–	–	–	–	–	–	–	–	286,049	286,049	1,402	287,451
Other comprehensive income (note 40)	–	–	–	–	–	(32,885)	(8,252)	884	(67)	(40,320)	–	(40,320)	(1,058)	(41,378)
Total comprehensive income	–	–	–	–	–	(32,885)	(8,252)	884	(67)	(40,320)	286,049	245,729	344	246,073
Dividends — ordinary shares 2016 final (note 17)	–	–	–	–	–	–	–	–	–	–	(83,506)	(83,506)	–	(83,506)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,437)	(4,437)	–	(4,437)
Appropriation to surplus reserve (i)	–	–	–	27,682	–	–	–	–	–	27,682	(27,682)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	13,543	–	–	–	–	13,543	(13,543)	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	2,312	2,312
Change in share holding in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(194)	(194)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(309)	(309)
Others	–	–	–	–	–	–	–	–	(46)	(46)	–	(46)	–	(46)
Balance as at 31 December 2017	**356,407**	**86,051**	**152,043**	**232,703**	**264,892**	**(31,752)**	**(26,302)**	**(3,761)**	**(334)**	**587,489**	**1,097,544**	**2,127,491**	**13,565**	**2,141,056**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB107 million and RMB516 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB20 million and RMB477 million, respectively.

The notes on pages 142 to 298 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2018
(In RMB millions, unless otherwise stated)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		372,413	364,641
Adjustments for:			
Share of profits of associates and joint ventures		(3,089)	(2,950)
Depreciation		20,315	17,958
Amortisation	11	2,339	2,114
Amortisation of financial investments		283	5,194
Impairment losses on assets	14	161,594	127,769
Unrealised loss on foreign exchange		20,009	10,288
Interest expense on debt securities issued		23,175	16,219
Accreted interest on impaired loans		(2,659)	(3,189)
Net gain on disposal of financial investments		(1,116)	(2,313)
Net trading loss/(gain) on equity investments	8	151	(757)
Net loss on changes at fair value		6,920	476
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)		(1,787)	(1,377)
Dividend income	9	(229)	(328)
		598,319	533,745
Net decrease/(increase) in operating assets:			
Due from central banks		297,030	(208,191)
Due from banks and other financial institutions		(88,016)	102,201
Financial investments measured at fair value through profit or loss		(201,848)	39,668
Reverse repurchase agreements		158,257	(106,555)
Loans and advances to customers		(1,258,665)	(1,333,103)
Other assets		150,444	4,150
		(942,798)	(1,501,830)
Net (decrease)/increase in operating liabilities:			
Financial liabilities designated as at fair value through profit or loss		(12,329)	10,923
Due to central banks		32	(89)
Due to banks and other financial institutions		70,966	(268,057)
Repurchase agreements		(531,619)	457,032
Certificates of deposit		66,036	55,903
Due to customers		1,780,568	1,525,280
Other liabilities		(237,261)	26,456
		1,136,393	1,807,448
Net cash flows from operating activities before tax		791,914	839,363
Income tax paid		(67,781)	(68,499)
Net cash flows from operating activities		724,133	770,864

The notes on pages 142 to 298 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(60,496)	(13,096)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		2,855	3,195
Purchases of financial investments		(2,171,838)	(2,633,240)
Proceeds from sale and redemption of financial investments		1,495,633	2,153,124
Investments in associates and joint ventures		(799)	(1,605)
Proceeds from disposal of associates and joint ventures		1,168	633
Dividends received		1,732	1,731
Net cash flows from investing activities		(731,745)	(489,258)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		125	792
Proceeds from issuance of debt securities		1,045,746	943,954
Interest paid on debt securities		(22,917)	(15,370)
Repayment of debt securities		(968,222)	(759,095)
Acquisition of non-controlling interests		–	(194)
Dividends paid on ordinary shares		(85,823)	(83,506)
Dividends paid on preference shares		(4,506)	(4,437)
Dividends paid to non-controlling shareholders		(327)	(309)
Net cash flows from financing activities		(35,924)	81,835
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(43,536)	363,441
Cash and cash equivalents at beginning of the year		1,520,330	1,189,368
Effect of exchange rate changes on cash and cash equivalents		32,729	(32,479)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	1,509,523	1,520,330
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		973,512	891,366
Interest paid		(351,828)	(324,813)

The notes on pages 142 to 298 form part of these financial statements.

Statement of Financial Position

31 December 2018
(In RMB millions, unless otherwise stated)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and balances with central banks	19	3,313,748	3,548,996
Due from banks and other financial institutions	20	1,031,402	930,593
Derivative financial assets	21	38,295	53,856
Reverse repurchase agreements	22	521,393	750,763
Loans and advances to customers	23	14,211,777	13,125,401
Financial investments	24	6,348,656	5,428,233
— Financial investments measured at fair value through profit or loss		740,645	398,329
— Financial investments measured at fair value through other comprehensive income		1,245,837	
— Financial investments measured at amortised cost		4,362,174	
— Available-for-sale financial assets			1,358,802
— Held-to-maturity investments			3,439,471
— Receivables			231,631
Investments in subsidiaries	25	122,110	120,301
Investments in associates	26	34,242	34,242
Property and equipment	27	124,548	122,387
Deferred income tax assets	28	56,220	47,250
Other assets	29	269,769	483,090
TOTAL ASSETS		**26,072,160**	**24,645,112**
LIABILITIES			
Due to central banks		410	404
Financial liabilities designated as at fair value through profit or loss	30	78,737	73,852
Derivative financial liabilities	21	42,120	46,682
Due to banks and other financial institutions	31	1,644,147	1,596,232
Repurchase agreements	32	300,988	810,610
Certificates of deposit	33	281,380	221,489
Due to customers	34	20,646,928	18,894,447
Income tax payable		82,946	69,344
Debt securities issued	35	499,291	436,275
Other liabilities	36	247,348	436,376
TOTAL LIABILITIES		**23,824,295**	**22,585,711**
EQUITY			
Share capital	37	356,407	356,407
Other equity instruments	38	79,375	79,375
Reserves	39	700,637	610,299
Retained profits		1,111,446	1,013,320
TOTAL EQUITY		**2,247,865**	**2,059,401**
TOTAL EQUITY AND LIABILITIES		**26,072,160**	**24,645,112**

Gu Shu
Vice Chairman and President

Zhang Wenwu
General Manager of Finance
and Accounting Department

The notes on pages 142 to 298 form part of these financial statements.

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the "CBIRC") of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398, respectively. The Bank's offshore preference shares are listed on the Stock Exchange of Hong Kong Limited and the stock codes are 4603, 4604 and 84602, respectively. The Bank's domestic preference shares are listed on the Shanghai Stock Exchange and the stock code is 360011.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2. BASIS OF PREPARATION

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

(2) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4. The consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017, which have been audited.

(In RMB millions, unless otherwise stated)

(3) Change in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs"), and International Financial Reporting Interpretations Committee ("IFRICs")) that are effective in 2018 and relevant to the Group's operation.

IFRS 15	*Revenue from contracts with customers*
IFRS 9	*Financial instruments*
Amendments to IFRS 2	*Share-based payment "Classification and measurement of share-based payment transactions"*
Amendments to IAS 40	*Investment property "Transfers of investment property"*
IFRIC 22	*Foreign currency transactions and advance consideration*

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards and Amendments to IAS 28, Investments in associates and joint ventures

Amendments to IFRS 4	*Insurance contracts "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"*

The principal effects of adopting these amended IFRSs are as follows:

IFRS 15 "Revenue from contracts with customers"

Under IFRS 15, revenue is recognised based on a single model that applies to contracts with customers. The model features the replacement of the previous "transfer of risk-reward" by the "transfer of control" as the criteria for revenue recognition. The standard contains a contract-based five-step analysis of transactions to determine whether, how much and when (at a point in time or over time) revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, under which revenue is recognised in accordance with transactions distinguished from sales of goods, rendering of services and construction contracts.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption has no material impact on the financial position and the financial result of the Group.

IFRS 9 "Financial instruments"

IFRS 9 Financial Instruments ("IFRS 9") introduces new requirements for classification and measurement of financial instruments, measurement of impairment for financial assets and hedge accounting. IFRS 9 is effective on 1 January 2018. The Group adjusted the classification and measurement of financial instruments that were not derecognised on 1 January 2018 on a retrospective basis in accordance with the reconciliations requirements under IFRS 9. The Group did not adjust the comparative figures of consolidated financial statements and recognised any transition adjustments against the opening balance of retained earnings or other comprehensive income. Refer to Note 3 summary of significant accounting policies for the accounting policies under IFRS 9, and refer to Note 3 summary of significant accounting policies of the Group's Financial Statements for the year ended 31 December 2017 for the accounting policies under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVOCI"):

- The classification for debt instruments is determined based on the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as financial assets measured at FVOCI, then interest income, impairment loss, foreign exchange gains or losses and gains or losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model, except for the equity security is not held for trading and the entity irrevocably elects to designate that security as at FVOCI. If an equity security is designated as at FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without reclassification to profit or loss.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated as at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit losses ("ECL")" model. Under the expected credit loss model, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which results in an early recognition of credit losses.

Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

Disclosure

IFRS 9 requires extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

Transition

The Group is required to adopt IFRS 9 from 1 January 2018. The Group adjusted the classification and measurement of financial instruments that were not derecognised on 1 January 2018 on a retrospective basis in accordance with the reconciliations requirements under IFRS 9. The Group did not adjust the comparative figures of consolidated financial statements and recognised any transition adjustments against the opening balance of retained earnings or other comprehensive income.

(In RMB millions, unless otherwise stated)

The following table illustrates the original classification and measurement of financial instruments under IAS 39 and the new classification and measurement of financial instruments under IFRS 9 as at 1 January 2018.

	IAS 39		IFRS 9	
Financial instruments	Classification	Carrying amount	Classification	Carrying amount
Financial assets:				
Cash and balances with central banks	Amortised cost (loans and receivables)	3,613,872	Amortised cost	3,613,872
Due from banks and other financial institutions	Amortised cost (loans and receivables)	847,611	Amortised cost	847,341
Derivative financial assets	FVTPL	89,013	FVTPL (mandatory)	89,013
Reverse repurchase agreements	Amortised cost (loans and receivables)	986,631	Amortised cost FVTPL (mandatory)	791,065 195,520
Loans and advances to customers	Amortised cost (loans and receivables)	13,892,966	Amortised cost FVOCI FVTPL (mandatory)	13,759,417 100,975 410
Financial investments	Amortised cost (receivables) Amortised cost (held to maturity) FVOCI (available for sale) FVTPL (held for trading) FVTPL (designated)	277,129 3,542,184 1,496,453 87,337 353,601	Amortised cost FVOCI FVTPL (mandatory) FVTPL (designated)	3,835,107 1,443,785 148,518 351,802
Other assets	Amortised cost (loans and receivables)	450,166	Amortised cost	449,233
Financial liabilities:				
Debt securities issued	Amortised cost	526,940	Amortised cost	527,928
Financial liabilities designated as at fair value through profit or loss	FVTPL (designated)	89,361	FVTPL (designated)	88,391

Note: As at 1 January 2018, the financial liabilities issued by the Group had not been reclassified or re-measured except for the financial liabilities listed above.

(In RMB millions, unless otherwise stated)

The following table reconciles the carrying amounts of financial assets and financial liabilities under IAS 39 to the carrying amounts under IFRS 9.

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial assets					
Financial assets measured at amortised cost					
Cash and balances with central banks					
Balance under IAS 39 and balance under IFRS 9		3,613,872	–	–	3,613,872
Due from banks and other financial institutions					
Balance under IAS 39		847,611			
Remeasurement: provision for expected credit losses				(270)	
Balance under IFRS 9					847,341
Reverse repurchase agreements					
Balance under IAS 39		986,631			
Less: to FVTPL — mandatory (IFRS 9)	A		(195,520)		
Remeasurement: provision for expected credit losses				(46)	
Balance under IFRS 9					791,065
Loans and advances to customers					
Balance under IAS 39		13,892,966			
Less: to FVOCI (IFRS 9)	B		(99,945)		
Less: to FVTPL — mandatory (IFRS 9)	C		(411)		
Remeasurement: provision for expected credit losses				(33,193)	
Balance under IFRS 9					13,759,417

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial investments — amortised cost					
Balance under IAS 39		277,129			
Remeasurement: provision for expected credit losses				5	
Less: to FVOCI (IFRS 9)	B		(2,600)		
Less: to FVTPL — mandatory (IFRS 9)	C		(22,050)		
Add: from held-to-maturity investments (IAS 39)	D		3,286,309		
Remeasurement: provision for expected credit losses				(843)	
Remeasurement: reversal of the fair value adjustments recognised during previous reclassifications				66	
Add: from financial assets designated as at FVTPL (IAS 39)	E		1,799		
Remeasurement: provision for expected credit losses				(2)	
Add: from available-for-sale financial assets (IAS 39)	F		277,841		
Remeasurement: provision for expected credit losses				(97)	
Remeasurement: from fair value to amortised cost				17,550	
Balance under IFRS 9					3,835,107
Financial investments — held-to-maturity investments					
Balance under IAS 39		3,542,184			
Less: to amortised cost (IFRS 9)	D		(3,286,309)		
Less: to FVOCI (IFRS 9)	B		(247,760)		
Less: to FVTPL — mandatory (IFRS 9)	C		(8,115)		
Balance under IFRS 9					–
Other assets					
Balance under IAS 39		450,166			
Remeasurement: provision for expected credit losses				(933)	
Balance under IFRS 9					449,233
Financial assets measured at amortised cost		**23,610,559**	**(296,761)**	**(17,763)**	**23,296,035**

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial assets measured at FVTPL					
Derivative financial assets					
Balance under IAS 39 and balance under IFRS 9		89,013	–	–	89,013
Reverse repurchase agreements					
Balance under IAS 39		–			
Add: from amortised cost (IAS 39)	A		195,520		
Balance under IFRS 9					195,520
Loans and advances to customers					
Balance under IAS 39		–			
Add: from amortised cost (IAS 39)	C		411		
Remeasurement: from amortised cost to fair value				(1)	
Balance under IFRS 9					410
Financial investments — FVTPL (mandatory)					
Balance under IAS 39		87,337			
Add: from receivables (IAS 39)	C		22,050		
Remeasurement: from amortised cost to fair value				(465)	
Add: from held-to-maturity investments (IAS 39)	C		8,115		
Remeasurement: from amortised cost to fair value				(86)	
Add: from available-for-sale financial assets (IAS 39)	C, H		31,563		
Remeasurement: reversal of impairment allowance under IAS 39				724	
Remeasurement: fair value remeasurement				(720)	
Balance under IFRS 9					148,518
Financial investments — designated as at FVTPL					
Balance under IAS 39		353,601			
Less: to amortised cost (IFRS 9)	E		(1,799)		
Balance under IFRS 9					351,802
Financial assets measured at FVTPL		**529,951**	**255,860**	**(548)**	**785,263**

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial assets measured at FVOCI					
Loans and advances to customers					
Balance under IAS 39		–			
Add: from amortised cost (IAS 39)	B		99,945		
Remeasurement: reversal of impairment allowance under IAS 39				1,077	
Remeasurement: from amortised cost to fair value				(47)	
Balance under IFRS 9					100,975
Financial investments — FVOCI (debt instruments)					
Balance under IAS 39		–			
Add: from held-to-maturity investments (IAS 39)	B		247,760		
Remeasurement: from amortised cost to fair value				2,329	
Add: from available-for-sale financial assets (IAS 39)	D		1,185,275		
Remeasurement: reversal of impairment allowance under IAS 39				149	
Add: from receivables (IAS 39)	B		2,600		
Remeasurement: from amortised cost to fair value				(19)	
Balance under IFRS 9					1,438,094
Financial investments — FVOCI (equity instruments)					
Balance under IAS 39		–			
Add: from available-for-sale financial assets (IAS 39) — designated	G		1,774		
Remeasurement: reversal of impairment allowance under IAS 39				479	
Remeasurement: fair value remeasurement				3,438	
Balance under IFRS 9					5,691
Financial investments — available-for-sale financial assets (IAS 39)					
Balance under IAS 39		1,496,453			
Less: to amortised cost (IFRS 9)	F		(277,841)		
Less: to FVOCI (IFRS 9) — debt instruments	D		(1,185,275)		
Less: to FVOCI (IFRS 9) — equity instruments	G		(1,774)		
Less: to FVTPL — mandatory (IFRS 9)	C, H		(31,563)		
Balance under IFRS 9					–
Financial assets measured at FVOCI		**1,496,453**	**40,901**	**7,406**	**1,544,760**

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial liabilities					
Financial liabilities measured at amortised cost					
Debt securities issued					
Balance under IAS 39		526,940			
Add: from financial liabilities designated as at FVTPL (IAS 39)	I		970		
Remeasurement: from fair value to amortised cost				18	
Balance under IFRS 9					527,928
Financial liabilities measured at amortised cost		**526,940**	**970**	**18**	**527,928**
Financial liabilities measured at FVTPL					
Financial liabilities designated as at FVTPL					
Balance under IAS 39		89,361			
Less: to amortised cost (IFRS 9)	I		(970)		
Balance under IFRS 9					88,391
Financial liabilities measured at FVTPL		**89,361**	**(970)**	**–**	**88,391**

Note: As at 1 January 2018, the financial liabilities issued by the Group had not been reclassified or re-measured except for the financial liabilities listed above.

The application of IFRS 9 resulted in the reclassifications set out in the table above and explained below.

A. Certain reverse repurchase agreements held by the Group were held within a business model whose objective at the date of initial application was neither collecting contractual cash flows, nor both collecting contractual cash flows and selling financial assets. Therefore, these assets were classified as financial assets measured at FVTPL under IFRS 9.

B. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as receivables or held-to-maturity investments were held within a business model in which objective at the date of initial application was both collecting contractual cash flows and selling financial assets. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal amount outstanding. Therefore, these assets were classified as financial assets measured at FVOCI under IFRS 9.

C. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as receivables, held-to-maturity investments or available-for-sale financial assets, their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at FVTPL under IFRS 9.

D. In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories were no longer used, with no changes to their measurement basis:

(i) Those previously classified as available-for-sale financial assets and now classified as measured at FVOCI; and

(ii) Those previously classified as held-to-maturity investments and now classified as measured at amortised cost.

E. Under IAS 39, certain debt instruments held by the Group were designated as at FVTPL, which no longer met the criteria under IFRS 9 for designation as at FVTPL. Therefore, the Group revoked its previous designation of these financial assets, reassessed their business model and contractual cash flows and classified them as measured at amortised cost. The effective interest rate of these debt instruments was 0.75% to 4.38%, and interest income recognised during the year amounted to RMB33 million. The fair value of these debt instruments as at 31 December 2018 was RMB1,805 million. Assuming that these debt instruments were not reclassified upon transition to IFRS 9, the gain arising from changes in their fair value during the year that would have been recognised in the profit or loss was RMB6 million.

F. Certain debt instruments originally classified as available-for-sale financial assets were held within a business model whose objective at the date of initial application was to collect contractual cash flows. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at amortised cost under IFRS 9. The fair value of these instruments as at 31 December 2018 was RMB293,092 million. Assuming that these financial assets were not reclassified upon transition to IFRS 9, the gain arising from changes in their fair value during the year that would have been recognised in other comprehensive income was RMB13,004 million.

G. The reclassified and re-measured financial assets are equity investments designated irrevocably by the Group as financial assets measured at FVOCI at the date of initial application.

H. The reclassified and re-measured financial assets amounted to RMB21,519 million are equity investments, which the Group did not designate as at FVOCI at the date of initial application.

I. Under IAS 39, certain debt securities issued were designated as at FVTPL when the Group held related derivative financial instruments. As at 1 January 2018, the Group revoked the previous designation due to the criteria of designating for eliminating or significantly reducing an accounting mismatch are no longer met.

(In RMB millions, unless otherwise stated)

The following table reconciles the closing impairment allowance under IAS 39 to opening allowance determined in accordance with IFRS 9 on the initial application date:

	Impairment allowance under IAS 39/IAS 37 (i) as at 31 December 2017	Reclassification	Remeasurement	Impairment allowance under IFRS 9 as at 1 January 2018
Loans and receivables (IAS 39)/Financial assets measured at amortised cost (IFRS 9)				
Cash and balances with central banks	–	–	–	–
Due from banks and other financial institutions	583	–	270	853
Reverse repurchase agreements	–	–	46	46
Loans and advances to customers	340,482	(1,077)	33,193	372,598
Financial investments	152	–	(5)	147
Other assets	2,988	–	933	3,921
Loans and receivables (IAS 39)/Financial assets measured at FVOCI (IFRS 9)				
Loans and advances to customers	–	1,077	(606)	471
Financial assets designated as at FVTPL (IAS 39)/Financial assets measured at amortised cost (IFRS 9)				
Financial investments	–	–	2	2
Held-to-maturity investments (IAS 39)/ Financial assets measured at FVOCI (IFRS 9)				
Financial investments	–	–	23	23
Held-to-maturity investments (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Financial investments	167	–	843	1,010
Available-for-sale financial assets (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Financial investments	–	–	97	97
Available-for-sale financial assets (IAS 39)/ Financial assets measured at FVOCI (IFRS 9)				
Financial investments	628	(479)	2,951	3,100
Available-for-sale financial assets (IAS 39)/ Financial assets measured at FVTPL (IFRS 9)				
Financial investments	724	(724)	–	–
Loan commitments and financial guarantee contracts				
Credit commitments	100	–	30,807	30,907
Total	**345,824**	**(1,203)**	**68,554**	**413,175**

(i) IAS 37 stands for *International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets"*.

Amendments to IFRS 2, Share-based payment "Classification and measurement of share-based payment transactions"

The amendments clarify the accounting for the following classification and measurement issues under IFRS 2:

- Measurement of cash-settled share-based payments

  The amendments clarify that the fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments — i.e. using the modified grant date method.

- Classification of share-based payments settled net of tax withholdings

  The amendments introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee's tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee's tax obligation.

- Accounting for a modification of a share-based payment from cash-settled to equity-settled

  The amendments clarify that on such a modification the liability for the original cash-settled share-based payment is derecognised and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date.

  Any difference between the carrying amount of the liability derecognised and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IAS 40, Investment property "Transfers of investment property"

The amendments provide guidance on deciding when there is a change in use to transfer a property to or from investment property. The amendments clarify that a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of the change in use.

The amendments also re-characterise the list of evidence provided in the standard as a non-exhaustive list of examples i.e. other forms of evidence may support a transfer.

The adoption has no material impact on the financial position and the financial result of the Group.

IFRIC 22, "Foreign currency transactions and advance consideration"

The Interpretation provides guidance on how to determine "the date of the transaction" when applying IAS 21. The effects of changes in foreign exchange rates to situations where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability.

The Interpretation clarifies that "the date of the transaction" for the purpose of determining the exchange rate to use on initial application of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The adoption has no material impact on the financial position and the financial result of the Group.

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards and Amendments to IAS 28, Investments in associates and joint ventures

The amendments to IFRS 1 delete the short-term exemptions for first-time adopters that are already out-of-date.

The amendments to IAS 28 clarify that:

- a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint ventures at fair value through profit or loss on an investment-by-investment basis; and
- a non-investment entity investor may elect to retain the fair value accounting applied by its investment entity associate or joint venture and this election can be made separately for each investment entity associate or joint venture.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IFRS 4, Insurance contracts "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"

The amendments address concerns arising from the different effective dates of IFRS 9 and the new insurance contracts standard, IFRS 17. The amendments introduce the following two approaches:

- Deferral approach — Temporary exemption from IFRS 9

  Companies whose activities are predominantly connected with insurance may choose to defer the application of IFRS 9 until 2021 (the effective date of IFRS 17).

- Overlay approach

  All companies that issue insurance contracts may choose to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is applied.

The adoption has no material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretations and amendments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see Note 3(21)).

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associates and Joint ventures

An associate is an entity in which the Group or Bank has significant influence.

A joint venture is an arrangement whereby the Group or Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's investments in associates or joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Under the equity method, unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see Note 3(21)).

(4) Foreign currency translation

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank's operations in Mainland China. Each entity in the Group determines its own functional currency and the financial statements of each entity are presented using that functional currency.

Foreign currency transactions are initially recorded in the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment of a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rates ruling at the end of the reporting period. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Cash flows arising from transactions in foreign currencies and cash flows of overseas subsidiaries are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in the statement of cash flows as a reconciling item.

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Initial recognition of financial instruments

At initial recognition, financial assets are classified into three categories: financial assets measured at amortised cost, financial assets measured at FVOCI and financial assets measured at FVTPL.

At initial recognition, financial liabilities are classified into two categories: financial liabilities measured at FVTPL and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset, etc.), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

(ii) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at FVOCI, or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement of financial assets

Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Debt instruments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and other financial liabilities.

Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

For the financial liabilities designated as at FVTPL, the gains and losses arose are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit and loss. When these liabilities are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to retained earnings.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(6) Impairment of the financial assets

The Group recognises loss allowances for ECL on:

– Financial assets measured at amortised cost;

– Debt instruments measured at FVOCI; and

– Loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

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

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 51(a) credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 51(a) credit risk for the definition of credit-impaired financial assets.

Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. The Group recognises loss allowances for loan commitments and financial guarantee contracts through other liabilities (allowance for impairment losses on credit commitments).

Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Modification of loan contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms. If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(8) Derecognition of financial assets and liabilities

Financial assets

Financial asset is derecognised when one of the following conditions is met:

– the Group's contractual rights to the cash flows from the financial asset expire;

– the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

– the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but assumed the obligation to pay those cash flows to the eventual recipients and meanwhile meet the conditions of the transfer of financial assets, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, derecognise the remaining. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

Financial liabilities

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(9) Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at FVTPL. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(10) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares, perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bonds issued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(11) Derivatives and hedge accounting

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of a new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. If the main contract included in the hybrid contract is not an asset within the scope of the new financial instrument standard, when their economic characteristics and risks are not closely related to those of the hybrid contract, those separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not carried at FVTPL, certain derivatives embedded in other financial instruments should be split from the hybrid contract and treated as separate derivatives. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedge relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Net investment hedges

Net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

(12) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(13) Presentation of financial instruments

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both the following conditions are satisfied:

– the Group currently has a legally enforceable right to set off the recognised amounts; and

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(14) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

According to the policy of classification of financial assets (refer to Note 3(5)), the reverse repurchase agreements held by the Group were divided into different classification according to the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets: financial assets measured at amortised cost and financial assets measured at FVTPL.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

(15) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

(16) Property and equipment

Property and equipment, other than construction in progress are stated at costs less accumulated depreciation and any impairment loss. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (excluding aircraft and vessels) are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	5–50 years	0%–3%	1.94%–20%
Office equipment and motor vehicles (excluding aircraft and vessels)	2–7 years	–	14.29%–50%
Leasehold improvements		Over the shorter of the economic useful lives and remaining lease terms	

Equipment under operating leases where the Group is the lessor contains aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the real conditions of individual aircraft and vessels. The residual values are assessed by an independent valuer based on historical data. The estimated useful lives range from 15 to 25 years.

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment loss.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment or any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

(17) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") or the consideration paid. The rights are amortised using the straight-line basis over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings as finance leases in property and equipment.

(18) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(19) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

(20) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflows. When determining the best estimate, the Group considers factors pertaining to a contingency such as risks, uncertainties and time of value of money. Where there is a continuous range of the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate shall be the mid-point of that range. In other cases, the best estimate shall be determined according to the following circumstances:

– Where the contingency involves a single item, the best estimate shall be the most likely outcome.

– Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

The Group shall review the carrying amount of a provision at the end of reporting period. The carrying amount shall be adjusted to the current best estimate.

(21) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(22) Cash and cash equivalents

Cash and cash equivalents refer to short-term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(23) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognise termination benefits in profit or loss at the earlier of:

– When the Group can no longer withdraw an offer of those benefits;

– When the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when they are incurred.

(24) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

(25) Insurance contracts

Insurance contracts classification

The Group's insurance subsidiary executes the contract with the policyholder. Where the Group undertakes insurance risk, which means a risk, rather than a financial risk, transferred from the holder of a contract to the insurance provider and over time, the combined cost of claims, administration and acquisition of the contract may exceed the aggregate amount of premiums received and investment income, the contract is classified as an insurance contract; where the Group undertakes the risks other than insurance risk. The contract is classified as non-insurance contract; and where the Group undertakes both insurance risk and other risks, forming a contract with mixed risks, the following stipulations are applied:

(i) Where the insurance risk and other risks can be distinguished from each other and separately measured, the insurance risk is separated from other risks. The insurance risk is accounted for as an insurance contract and other risks are accounted for according to the relevant accounting standards;

(ii) Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, an umbrella contract applies and significant insurance risk test shall be performed based on it. If the insurance risk is significant, the contract is accounted for as an insurance contract; otherwise, it is accounted for as a non-insurance contract.

Insurance income recognition

Insurance premium income is recognised when:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group;

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payment that the Group is obliged to pay to fulfill relevant obligations under the insurance contract. At the end of each reporting period, liability adequacy tests are performed. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(26) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

(i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and

(ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

(i) The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

   – The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

   – The customer controls the service provided by the Group in the course of performance; or

   – The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

(ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(27) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(28) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Finance leases

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and advances to customers. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Operating leases

Rental payments applicable to operating leases are charged to profit or loss on the straight-line basis over the lease terms.

When the Group is the lessor under operating leases, the assets subject to operating leases are accounted for as the Group's assets. Rental income is recognised as "other operating income, net" in the statement of profit or loss on the straight-line basis over the lease term.

(29) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(30) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (refer to Note 3(6)) and the amount initially recognised less the cumulative amount of income. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.

(31) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(32) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below. Refer to Note 4 significant accounting judgements and estimates of the Group's Financial Statements for the year ended 31 December 2017 for the significant accounting judgements and estimates under IAS 39.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 51(a) credit risk for the explanation of the inputs, assumptions and estimation techniques used in measuring ECL.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 3(1) indicate that the Group controls securitisation vehicles, investment funds, wealth management products, asset management plans, trust plans or asset-backed securities.

Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and outside the day-to-day servicing of the receivables (which is carried out by the Group under a servicing contract). Key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Group considers whether it manages these key decisions that most significantly affect these vehicles' returns.

Investment funds, wealth management products, asset management plans, trust plans and asset-backed securities

The Group acts as manager to a number of investment funds, wealth management products, asset management plans, trust plans and assets-backed securities. When assessing whether controls such a structured entity, the Group would determine whether it exercises the decision-making rights as a principal or an agent and usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. The Group would also determine whether another entity with decision-making rights is acting as an agent for it.

For further disclosure in respect of unconsolidated investment funds, wealth management products, asset management plans, trust plans and assets-backed securities in which the Group has an interest or for which it is a sponsor, see Note 41.

(In RMB millions, unless otherwise stated)

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements.

IFRS 16	*Leases*[1]
IFRIC 23	*Uncertainty over income tax treatments*[2]
IFRS 9 Amendments	*Prepayment features with negative compensation and modifications of financial liabilities*[2]
IAS 28 Amendments	*Long-term interests in associates and joint ventures*[2]
Annual Improvements to IFRSs 2015–2017 Cycle[2]	
IAS 19 Amendments	*Plan Amendment, Curtailment or Settlement*[2]
IFRS 3 Amendments	*Clarifying what is a business*[3]
IAS 1 and IAS 8 Amendments	*Definition of Material*[3]
IFRS 17	*Insurance contracts*[4]
IFRS 10 and IAS 28 Amendments	*Sale or contribution of assets between an investor and its associate or joint venture*[5]

1 Effective for annual periods beginning on or after 1 January 2019, early adoption is permitted only for companies that also apply IFRS 15.

2 Effective for annual periods beginning on or after 1 January 2019, early adoption is permitted.

3 Effective for annual periods beginning on or after 1 January 2020, early adoption is permitted.

4 Effective for annual periods beginning on or after 1 January 2021, early adoption is permitted only for companies that also apply IFRS 9 and IFRS 15.

5 Effective for annual periods is to be determined, early adoption is permitted.

Further information about those changes that are expected to affect the Group is as follows:

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which replaces the current guidance in IAS 17. The new standard requires the companies to bring leases on-balance sheet for lessees. The new standard also makes changes in accounting over the life of the lease, and introduces a stark dividing line between leases and service contracts.

Under IFRS 16 there is no longer a distinction between finance leases and operating leases so far as lessees are concerned. Instead, subject to practical expedients, a lessee recognises all leases on-balance sheet by recognising a right-of-use (ROU) asset and lease liability.

Lessor accounting is substantially unchanged — i.e. lessors continue to classify leases as finance and operating leases. However, there are a number of changes in the details of lessor accounting. For example, lessors apply the new definition of a lease, sale-and-leaseback guidance, sub-lease guidance and disclosure requirements.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The standard is expected to have no material impact on financial position and financial performance.

IFRIC 23, "Uncertainty over income tax treatments"

This Interpretation provides guidance on how to apply IAS 12, *Income taxes* when there is uncertainty over whether a tax treatment will be accepted by the tax authority.

Under the Interpretation, the key test is whether it is probable that the tax authority will accept the entity's tax treatment.

- If it is probable, then the entity should measure current and deferred tax consistently with the tax treatment in its tax return.
- If it is not probable, then the entity should reflect the effect of uncertainty in its accounting for income tax by using the "expected value" approach or the "the most likely amount" approach — whichever better predicts the resolution of the uncertainty and in that case the tax amounts in the financial statements will not be the same as the amounts in the tax return.

The interpretation is expected to have no material impact on financial position and financial performance.

Amendments to IFRS 9, Financial instruments "Prepayment features with negative compensation and modifications of financial liabilities"

The IASB has changed IFRS 9's requirements in two areas of financial instruments accounting.

- Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.
- For the companies that have modified or exchanged fixed rate financial liabilities that do not result in derecognition, they were required to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR; and recognise any adjustment in profit or loss.

The amendments are expected to have no material impact on financial position and financial performance.

Amendments to IAS 28, Investment in associates and joint ventures "Long-term interests in associates and joint ventures"

The IASB has clarified that IFRS 9 applies to long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The amendments are expected to have no material impact on financial position and financial performance.

Annual Improvements to IFRS Standards 2015–2017 Cycle

The 2015–2017 cycle of annual improvements contain amendments to four standards including IFRS 3 *Business combinations*, IFRS 11 *Joint arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing costs*.

The annual improvements are expected to have no material impact on financial position and financial performance.

Amendments to IAS 19, Employee Benefits "Plan Amendment, Curtailment or Settlement"

The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The amendments are expected to have no material impact on the financial position and the financial result of the Group.

Amendments to IFRS 3, Business Combinations "Clarifying what is a business"

The IASB has issued amendments to IFRS 3 that seek to clarify the definition of business. The amendments include an election to use a concentration test. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The effect of these changes is that the new definition of a business is narrower, which could result in fewer business combinations being recognised. The amendments may require a complex assessment to decide whether a transaction is a business combination or an asset acquisition.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, "Definition of Material"

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

IFRS 17, "Insurance contracts"

IFRS 17 is issued to resolve the comparison problems created by IFRS 4 by setting out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The Group is currently assessing the impact of the standard on its financial position and financial performance.

Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investment in associates and joint ventures , "Sale or contribution of assets between an investor and its associate or joint venture"

The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under IFRS 3, *Business combination*.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

(In RMB millions, unless otherwise stated)

6. NET INTEREST INCOME

	2018	2017
Interest income on:		
Loans and advances to customers	640,031	572,688
Corporate loans and advances	407,779	369,740
Personal loans	217,860	186,089
Discounted bills	14,392	16,859
Financial investments	200,157	185,181
Due from banks and other financial institutions	58,660	55,390
Due from central banks	49,246	48,335
	948,094	861,594
Interest expense on:		
Due to customers	(280,212)	(260,956)
Due to banks and other financial institutions	(64,991)	(58,418)
Debt securities issued	(30,373)	(20,142)
	(375,576)	(339,516)
Net interest income	572,518	522,078

The above interest income and expense are related to financial instruments which are not measured at FVTPL.

7. NET FEE AND COMMISSION INCOME

	2018	2017
Bank card business	43,719	38,692
Settlement, clearing business and cash management	31,785	26,820
Personal wealth management and private banking services (i)	27,596	32,846
Investment banking business	24,002	23,189
Corporate wealth management services (i)	14,582	18,984
Guarantee and commitment business	8,861	6,818
Asset custody business (i)	7,045	6,731
Trust and agency services (i)	1,959	1,805
Others	2,798	2,781
Fee and commission income	162,347	158,666
Fee and commission expense	(17,046)	(19,041)
Net fee and commission income	145,301	139,625

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB15,835 million (2017: RMB19,937 million) with respect to trust and other fiduciary activities.

8. NET TRADING INCOME

	2018	2017
Debt securities	4,087	3,758
Equity investments	(151)	757
Derivatives and others	(1,090)	1,238
	2,846	5,753

The above amounts mainly include gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities held for trading.

(In RMB millions, unless otherwise stated)

9. NET GAIN ON FINANCIAL INVESTMENTS

	2018	2017
Dividend income from equity investments designated as at FVOCI, including:		
— derecognised during the year	1	
— held at the year end	228	
Dividend income from unlisted investments		166
Dividend income from listed investments		162
Gain/(loss) on financial assets measured at FVTPL, net	292	(476)
Including:		
Loss on financial assets and liabilities designated as at FVTPL	(1,824)	(476)
Gain on disposal of financial assets measured at FVOCI, net	635	
Gain on available-for-sale financial assets, net		2,313
Others	189	–
	1,345	2,165

10. OTHER OPERATING INCOME, NET

	2018	2017
Net premium income	33,420	38,093
Operating cost of insurance business	(31,772)	(38,525)
Net gain on disposal of property and equipment, repossessed assets and others	1,936	1,484
Others	(473)	4,981
	3,111	6,033

11. OPERATING EXPENSES

	2018	2017
Staff costs:		
Salaries and bonuses	76,985	74,919
Staff benefits	27,137	25,642
Post-employment benefits — defined contribution plans (i)	16,952	14,393
	121,074	114,954
Premises and equipment expenses:		
Depreciation	13,407	13,873
Lease payments under operating leases in respect of land and buildings	7,543	7,384
Repairs and maintenance charges	3,903	4,000
Utility expenses	2,235	2,305
	27,088	27,562
Amortisation	2,339	2,114
Other administrative expenses (ii)	23,294	21,661
Taxes and surcharges	7,781	7,465
Others	12,627	12,438
	194,203	186,194

(i) The defined contribution plans mainly include contributions to the state pension and the Bank's Annuity Plan.

(ii) The principal auditor's remuneration of RMB216 million for the year (2017: RMB205 million) is included in other administrative expenses.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Chapter 622 Section 383 of the Hong Kong Companies Ordinance, are as follows:

		Year ended 31 December 2018			
Name	Position	Remuneration paid before tax RMB'000 (1)	Defined contribution plans RMB'000 (2)	Fees RMB'000 (3)	Total emoluments before tax RMB'000 (4)=(1)+(2)+(3)
Gu Shu	Vice Chairman of the Board of Directors, Executive Director, President	546	127	–	673
Cheng Fengchao (i)	Non-executive Director	–	–	–	–
Zheng Fuqing (ii)	Non-executive Director	–	–	–	–
Mei Yingchun	Non-executive Director	–	–	–	–
Dong Shi	Non-executive Director	–	–	–	–
Ye Donghai	Non-executive Director	–	–	–	–
Hong Yongmiao	Independent Non-executive Director	–	–	470	470
Anthony Francis Neoh	Independent Non-executive Director	–	–	440	440
Yang Siu Shun	Independent Non-executive Director	–	–	440	440
Sheila Colleen Bair	Independent Non-executive Director	–	–	365	365
Shen Si	Independent Non-executive Director	–	–	413	413
Nout Wellink (iii)	Independent Non-executive Director	–	–	25	25
Zhang Wei	Shareholder Representative Supervisor	880	203	–	1,083
Hui Ping (iv)	Employee Representative Supervisor	–	–	50	50
Huang Li	Employee Representative Supervisor	–	–	50	50
Qu Qiang (v)	External Supervisor	–	–	250	250
Shen Bingxi	External Supervisor	–	–	–	–
Yi Huiman (vi)	Former Chairman of the Board of Directors, Executive Director	546	127	–	673
Qian Wenhui (vii)	Former Chairman of the Board of Supervisors	46	12	–	58
Zhang Hongli (viii)	Former Executive Director, Vice President	246	61	–	307
Wang Jingdong (ix)	Former Executive Director, Vice President	328	83	–	411
Fei Zhoulin (x)	Former Non-executive Director	–	–	–	–
Or Ching Fai (xi)	Former Independent Non-executive Director	–	–	392	392
Total		2,592	613	2,895	6,100

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank have followed the PRC authorities' policies relating to the remuneration reform on executives of central enterprises.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Shareholder Representative Supervisors of the Bank have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's 2018 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Fees of Mr. Hui Ping and Mr. Huang Li were their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of these financial statements, changes of directors and supervisors of the Bank are as follows:

(i) At the 2017 Annual General Meeting held on 26 June 2018, Mr. Cheng Fengchao was re-elected as Non-executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(ii) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Zheng Fuqing was re-elected as Non-executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(iii) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Nout Wellink was appointed as Independent Non-executive Director of the Bank, and his term of office took effect from 3 December 2018.

(iv) On 21 September 2018, the Bank re-elected Mr. Hui Ping as Employee Supervisor of the Bank at the Interim Employees' Congress, and his new term of office took effect from the date of review and approval by the Employees' Congress.

(v) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Qu Qiang was re-elected as External Supervisor of the Bank, and his new term of office took effect from 20 December 2018.

(vi) In January 2019, Mr. Yi Huiman ceased to act as Chairman of the Board of Directors and Executive Director of the Bank due to change of job assignments.

(vii) In January 2018, Mr. Qian Wenhui resigned from the positions of Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

(viii) In July 2018, Mr. Zhang Hongli ceased to act as Executive Director of the Bank due to expiration of the term of office, and resigned from the position of Vice President of the Bank due to family reasons.

(ix) In September 2018, Mr. Wang Jingdong ceased to act as Executive Director and Vice President of the Bank due to change of job assignments.

(x) In October 2018, Mr. Fei Zhoulin ceased to act as Non-executive Director of the Bank citing his age.

(xi) In October 2018, due to expiration of the term of office, Mr. Or Ching Fai ceased to act as Independent Non-executive Director of the Bank.

		Year ended 31 December 2017						
Name	Position	Fees	Remuneration paid	Discretionary bonuses	Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax	Of which: deferred payment	Actual amount of remuneration paid before tax
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
Yi Huiman	Chairman of the Board of Directors, Executive Director	–	312	430	149	891	–	891
Gu Shu	Vice Chairman of the Board of Directors, Executive Director, President	–	312	430	149	891	–	891
Zhang Hongli	Executive Director, Vice President	–	281	384	146	811	–	811
Wang Jingdong	Executive Director, Vice President	–	281	385	146	812	–	812
Cheng Fengchao	Non-executive Director	–	–	–	–	–	–	–
Zheng Fuqing	Non-executive Director	–	–	–	–	–	–	–
Fei Zhoulin	Non-executive Director	–	–	–	–	–	–	–
Mei Yingchun (i)	Non-executive Director	–	–	–	–	–	–	–
Dong Shi (i)	Non-executive Director	–	–	–	–	–	–	–
Ye Donghai (ii)	Non-executive Director	–	–	–	–	–	–	–
Or Ching Fai	Independent Non-executive Director	470	–	–	–	470	–	470
Hong Yongmiao	Independent Non-executive Director	470	–	–	–	470	–	470
Anthony Francis Neoh	Independent Non-executive Director	445	–	–	–	445	–	445
Yang Siu Shun	Independent Non-executive Director	437	–	–	–	437	–	437
Sheila Colleen Bair (iii)	Independent Non-executive Director	300	–	–	–	300	–	300
Shen Si (iv)	Independent Non-executive Director	308	–	–	–	308	–	308
Zhang Wei	Shareholder Representative Supervisor	–	527	1,142	371	2,040	458	1,582
Hui Ping	Employee Representative Supervisor	50	–	–	–	50	–	50
Huang Li	Employee Representative Supervisor	50	–	–	–	50	–	50
Qu Qiang	External Supervisor	275	–	–	–	275	–	275
Shen Bingxi	External Supervisor	–	–	–	–	–	–	–
Qian Wenhui (v)	Former Chairman of the Board of Supervisors	–	312	430	149	891	–	891
Wang Xiaoya (vi)	Former Non-executive Director	–	–	–	–	–	–	–
Ge Rongrong (vi)	Former Non-executive Director	–	–	–	–	–	–	–
Fu Zhongjun (vii)	Former Non-executive Director	–	–	–	–	–	–	–
Kenneth Patrick Chung (viii)	Former Independent Non-executive Director	110	–	–	–	110	–	110
		2,915	2,025	3,201	1,110	9,251	458	8,793

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank have followed the PRC authorities' policies relating to the remuneration reform on executives of central enterprises.

The remuneration before tax payable to Directors and Supervisors for 2017 set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount disclosed in the 2017 Annual Report.

Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred based on the future performance.

Fees of Mr. Hui Ping and Mr. Huang Li were their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of 2017 financial statements, changes of directors and supervisors of the Bank are as follows:

(i) At the Annual General Meeting for the Year 2016 held on 27 June 2017, Ms. Mei Yingchun and Mr. Dong Shi were appointed as Non-executive Director of the Bank, and their qualifications were approved by the former China Banking Regulatory Commission (the "former CBRC") in August 2017.

(ii) At the Annual General Meeting for the Year 2016 held on 27 June 2017, Mr. Ye Donghai was appointed as Non-executive Director of the Bank, and his qualification was approved by the former CBRC in October 2017.

(iii) At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Ms. Sheila Colleen Bair was appointed as Independent Non-executive Director of the Bank, and her qualification was approved by the former CBRC in March 2017.

(iv) At the Annual General Meeting for the Year 2015 held on 24 June 2016, Mr. Shen Si was appointed as Independent Non-executive Director of the Bank, and his qualification was approved by the former CBRC in March 2017.

(v) In January 2018, Mr. Qian Wenhui resigned from the positions of Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

(vi) In June 2017, Ms. Wang Xiaoya and Ms. Ge Rongrong ceased to act as Non-executive Directors of the Bank due to work adjustment.

(vii) In January 2017, due to expiration of the term of office, Mr. Fu Zhongjun ceased to act as Non-executive Director of the Bank.

(viii) In March 2017, due to expiration of the term of office, Mr. Kenneth Patrick Chung ceased to act as Independent Non-executive Director of the Bank.

The Non-executive Directors of the Bank who were recommended by Huijin received emoluments from Huijin in respect of their services during the year.

During the year, there was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration (2017: Nil).

During the year, no emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2017: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in notes 12 and 49(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Salaries and allowances	26,350	15,865
Discretionary bonuses	67,333	75,134
Defined contribution plans	611	1,473
Others	–	69
	94,294	92,541

The number of these individuals whose emoluments fell within the following bands is set out below:

	Number of employees	
	2018	2017
RMB12,000,001 Yuan to RMB12,500,000 Yuan	1	–
RMB13,500,001 Yuan to RMB14,000,000 Yuan	1	–
RMB14,500,001 Yuan to RMB15,000,000 Yuan	–	1
RMB15,000,001 Yuan to RMB15,500,000 Yuan	–	2
RMB15,500,001 Yuan to RMB16,000,000 Yuan	1	–
RMB23,000,001 Yuan to RMB23,500,000 Yuan	–	1
RMB23,500,001 Yuan to RMB24,000,000 Yuan	–	1
RMB25,500,001 Yuan to RMB26,000,000 Yuan	1	–
RMB26,500,001 Yuan to RMB27,000,000 Yuan	1	–
	5	5

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group (2017: Nil).

14. IMPAIRMENT LOSSES ON ASSETS

	Notes	2018	2017
Loans and advances to customers	23	147,347	124,096
Others		14,247	3,673
		161,594	127,769

(In RMB millions, unless otherwise stated)

15. INCOME TAX EXPENSE

(a) Income tax expense

	2018	2017
Current income tax expense:		
Mainland China	76,088	80,982
Hong Kong and Macau	2,510	2,123
Overseas	3,280	3,397
	81,878	86,502
Deferred income tax expense	(8,188)	(9,312)
	73,690	77,190

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2018	2017
Profit before taxation	372,413	364,641
Tax at the PRC statutory income tax rate	93,103	91,160
Effects of different applicable rates of tax prevailing in other countries/regions	(1,177)	(889)
Effects of non-deductible expenses (i)	11,171	8,956
Effects of non-taxable income (ii)	(28,969)	(23,673)
Effects of profits attributable to associates and joint ventures	(772)	(737)
Effects of others	334	2,373
Income tax expense	73,690	77,190

(i) The non-deductible expenses mainly represent non-deductible impairment provision, write-offs and others.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts, which is exempted from income tax.

16. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2018 includes a profit of RMB282,044 million (2017: RMB269,205 million) which has been dealt with in the financial statements of the Bank (Note 39).

17. DIVIDENDS

	2018	2017
Dividends on ordinary shares declared and paid:		
Final ordinary shares dividends for 2017: RMB0.2408 per share (2016: RMB0.2343 per share)	85,823	83,506
Dividends on preference shares declared and paid: Dividends	4,506	4,437

	2018	2017
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final ordinary shares dividends for 2018: RMB0.2506 per share (2017: RMB0.2408 per share)	89,315	85,823

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	2018	2017
Earnings:		
Profit for the year attributable to equity holders of the parent company	297,676	286,049
Less: Profit for the year attributable to other equity instruments holders of the parent company	(4,506)	(4,437)
Profit for the year attributable to ordinary equity holders of the parent company	293,170	281,612
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,407
Basic and diluted earnings per share (RMB yuan)	0.82	0.79

Basic and diluted earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the parent company divided by the weighted average number of ordinary shares in issue.

(In RMB millions, unless otherwise stated)

19. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2018	2017	2018	2017
Cash and unrestricted balances with central banks:				
Cash on hand	70,047	75,214	64,327	71,168
Surplus reserves with the PBOC (i)	114,786	26,507	113,996	23,082
Unrestricted balances with central banks of overseas countries or regions	123,500	150,850	99,527	114,413
	308,333	252,571	277,850	208,663
Restricted balances with central banks:				
Mandatory reserves with the PBOC (ii)	2,756,781	3,015,150	2,749,172	3,007,651
Fiscal deposits with the PBOC	254,171	276,936	254,171	276,936
Other restricted balances with the PBOC (ii)	8,738	36,961	7,641	36,961
Mandatory reserves with central banks of overseas countries or regions (ii)	42,885	32,254	23,246	18,785
	3,062,575	3,361,301	3,034,230	3,340,333
Accrued interest on balances with central banks	1,668		1,668	
	3,372,576	3,613,872	3,313,748	3,548,996

(i) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 31 December 2018, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

(In RMB millions, unless otherwise stated)

20. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2018	2017	2018	2017
Due from banks and other financial institutions:				
Banks operating in Mainland China	307,588	313,703	276,859	313,111
Other financial institutions operating in Mainland China	4,694	5,116	3,910	4,992
Banks and other financial institutions operating outside Mainland China	70,141	51,635	76,709	40,755
Accrued interest	2,624		2,387	
	385,047	370,454	359,865	358,858
Less: Allowance for impairment losses	(401)	(380)	(393)	(360)
	384,646	370,074	359,472	358,498
Placements with banks and other financial institutions:				
Banks operating in Mainland China	147,805	118,211	147,940	119,112
Other financial institutions operating in Mainland China	193,191	234,122	233,281	234,076
Banks and other financial institutions operating outside Mainland China	230,640	125,407	285,354	219,106
Accrued interest	6,781		5,893	
	578,417	477,740	672,468	572,294
Less: Allowance for impairment losses	(614)	(203)	(538)	(199)
	577,803	477,537	671,930	572,095
	962,449	847,611	1,031,402	930,593

Movements of the allowance for impairment losses during the year are as follows:

Group

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2017	327	118	445
Charge for the year	53	85	138
At 31 December 2017	380	203	583
Impact of adopting IFRS 9	(2)	272	270
At 1 January 2018	378	475	853
Charge for the year	23	139	162
At 31 December 2018	401	614	1,015

(In RMB millions, unless otherwise stated)

Bank

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2017	326	115	441
Charge for the year	34	84	118
At 31 December 2017	360	199	559
Impact of adopting IFRS 9	6	212	218
At 1 January 2018	366	411	777
Charge for the year	27	127	154
At 31 December 2018	393	538	931

21. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between markets participates at measured date.

In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 31 December 2018, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB44,552 million (31 December 2017: RMB51,266 million) and RMB45,254 million (31 December 2017: RMB52,649 million) respectively, and the net derivative assets and net derivative liabilities were RMB25,906 million (31 December 2017: RMB26,949 million) and RMB26,608 million (31 December 2017: RMB28,332 million) respectively.

(In RMB millions, unless otherwise stated)

At the end of the reporting period, the Group and the Bank had derivative financial instruments as follows:

Group

	2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	2,893,412	2,542,823	101,765	21,756	5,559,756	41,230	(41,330)
Option contracts purchased	43,801	52,688	3,163	124	99,776	912	–
Option contracts written	48,820	60,266	1,474	–	110,560	–	(863)
	2,986,033	2,655,777	106,402	21,880	5,770,092	42,142	(42,193)
Interest rate contracts:							
Swap contracts	293,502	400,038	852,201	240,521	1,786,262	16,179	(16,277)
Forward contracts	71,076	42,965	29,431	321	143,793	2	(202)
Option contracts purchased	7,544	3,393	2,869	1,660	15,466	41	–
Option contracts written	5,998	2,391	1,768	1,141	11,298	–	(42)
	378,120	448,787	886,269	243,643	1,956,819	16,222	(16,521)
Commodity derivatives and others	811,111	260,790	47,982	10,519	1,130,402	12,971	(14,859)
	4,175,264	3,365,354	1,040,653	276,042	8,857,313	71,335	(73,573)

	2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,951,140	1,833,069	97,581	34,293	3,916,083	49,806	(49,569)
Option contracts purchased	47,003	67,284	3,769	117	118,173	2,498	–
Option contracts written	29,612	41,938	351	–	71,901	–	(625)
	2,027,755	1,942,291	101,701	34,410	4,106,157	52,304	(50,194)
Interest rate contracts:							
Swap contracts	95,556	224,343	558,629	193,588	1,072,116	16,042	(14,671)
Forward contracts	102,731	33,737	24,739	–	161,207	31	(215)
Option contracts purchased	3,588	7,468	2,417	1,067	14,540	82	–
Option contracts written	528	8,770	8,653	397	18,348	–	(69)
	202,403	274,318	594,438	195,052	1,266,211	16,155	(14,955)
Commodity derivatives and others	784,044	265,794	34,722	5,625	1,090,185	20,554	(13,407)
	3,014,202	2,482,403	730,861	235,087	6,462,553	89,013	(78,556)

(In RMB millions, unless otherwise stated)

Bank

	2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	2,456,198	2,438,794	90,537	2,388	4,987,917	34,860	(35,101)
Option contracts purchased	26,185	36,489	1,366	–	64,040	732	–
Option contracts written	27,612	38,133	1,346	–	67,091	–	(652)
	2,509,995	2,513,416	93,249	2,388	5,119,048	35,592	(35,753)
Interest rate contracts:							
Swap contracts	94,575	151,375	432,671	33,972	712,593	1,656	(1,408)
Forward contracts	–	–	215	295	510	3	(3)
	94,575	151,375	432,886	34,267	713,103	1,659	(1,411)
Commodity derivatives and others	68,960	162,337	165	–	231,462	1,044	(4,956)
	2,673,530	2,827,128	526,300	36,655	6,063,613	38,295	(42,120)

	2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,739,995	1,707,181	77,392	3,524	3,528,092	44,944	(44,370)
Option contracts purchased	35,898	50,274	230	–	86,402	2,292	–
Option contracts written	18,366	32,173	153	–	50,692	–	(362)
	1,794,259	1,789,628	77,775	3,524	3,665,186	47,236	(44,732)
Interest rate contracts:							
Swap contracts	8,512	30,746	80,853	35,182	155,293	1,451	(1,114)
Commodity derivatives and others	66,703	158,836	82	–	225,621	5,169	(836)
	1,869,474	1,979,210	158,710	38,706	4,046,100	53,856	(46,682)

(In RMB millions, unless otherwise stated)

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

Group

	2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,374	344	15,216	1,855	18,789	91	(30)
Currency swap contracts	21,142	58,117	1,541	824	81,624	692	(613)
Equity derivative	51	–	43	–	94	16	(9)
	22,567	58,461	16,800	2,679	100,507	799	(652)

	2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,953	2,383	6,441	2,081	12,858	152	(22)
Currency swap contracts	1,617	417	730	–	2,764	36	(45)
Equity derivative	47	8	46	–	101	41	–
	3,617	2,808	7,217	2,081	15,723	229	(67)

Bank

	2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	20,828	56,262	1,541	824	79,455	675	(603)
	20,828	56,262	1,541	824	79,455	675	(603)

	2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	–	1,953	190	323	2,466	8	(11)
Currency swap contracts	1,479	–	730	–	2,209	15	(45)
	1,479	1,953	920	323	4,675	23	(56)

(In RMB millions, unless otherwise stated)

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

	31 December 2018				
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	19,410	(5,868)	(147)	35	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	7,966	–	25	37	Loans and advances to customers
Others	–	(65,120)	80	(3,866)	Placements from banks and other financial institutions /Certificates of deposit /Due to customers /Other liabilities
	27,376	(70,988)	(42)	(3,794)	

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current year (2017: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities, respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in profit or loss during the year is presented as follows:

	Group	
	2018	2017
(Loss)/gain arising from fair value hedges, net:		
Hedging instruments	(71)	104
Hedged items attributable to the hedged risk	63	(110)
	(8)	(6)

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

Group

	2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,713	5,366	30,670	12,074	49,823	709	(283)
	1,713	5,366	30,670	12,074	49,823	709	(283)

(In RMB millions, unless otherwise stated)

	2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	–	2,012	34,715	13,084	49,811	830	(219)
	–	2,012	34,715	13,084	49,811	830	(219)

Bank

	2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,713	1,875	11,493	1,401	16,482	124	(100)
	1,713	1,875	11,493	1,401	16,482	124	(100)

	2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	–	2,012	16,276	1,706	19,994	213	(104)
	–	2,012	16,276	1,706	19,994	213	(104)

Details of the Group's hedged risk exposures in fair value hedges are set out below:

	31 December 2018				
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	24,796	(3,500)	(42)	(48)	Financial investments measured at FVTPL/ Financial investments measured at FVOCI/ Debt securities issued
Loans	1,416	–	(185)	–	Loans and advances to customers
Others	13,405	(3,943)	(379)	11	Reverse repurchase agreements /Certificates of deposit /Due to customers
	39,617	(7,443)	(606)	(37)	

(In RMB millions, unless otherwise stated)

Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

As at 31 December 2018, an accumulated net loss from the hedging instrument of RMB333 million was recognised in "Other comprehensive income" on net investment hedges (as at 31 December 2017 net accumulated gain: RMB708 million). As at 31 December 2018, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2017: Nil).

Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group and the Bank as at the end of the reporting date are as follows:

	Group		Bank	
	2018	2017	2018	2017
Counterparty credit default risk-weighted assets	45,656	55,843	21,817	29,909
Currency derivatives	16,456	20,809	11,126	13,535
Interest rate derivatives	4,119	3,045	952	769
Credit derivatives	1	29	1	–
Commodity derivatives and others	9,706	16,393	7,855	12,231
Netting settled credit default risk-weighted assets	15,374	15,567	1,883	3,374
Credit value adjustment risk-weighted assets	22,443	18,812	16,303	14,973
Central counterparties credit risk-weighted assets	3,639	4,267	1,942	1,111
	71,738	78,922	40,062	45,993

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional). The credit risk-weighted assets of the Group's derivative financial instruments include counterparty credit default risk-weighted assets, credit value adjustment risk-weighted assets and central counterparties credit risk-weighted assets.

(In RMB millions, unless otherwise stated)

22. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchases of bills, securities and cash advanced as collateral on securities borrowing.

	Group		Bank	
	2018	2017	2018	2017
Measured at amortised cost:				
Reverse repurchase agreements-bills:				
Banks	161,467	207,123	164,130	208,641
	161,467	207,123	164,130	208,641
Reverse repurchase agreements-securities:				
Banks	52,633	189,140	28,618	159,825
Other financial institutions	344,993	532,323	328,594	382,297
	397,626	721,463	357,212	542,122
Cash advanced as collateral on securities borrowing	–	58,045	–	–
Accrued interest	202		88	
Less: Allowance for impairment losses	(40)	–	(37)	–
	559,255	986,631	521,393	750,763
Measured at FVTPL:				
Reverse repurchase agreements-securities:				
Banks	2,470		–	
Other financial institutions	142,502		–	
	144,972		–	
Cash advanced as collateral on securities borrowing	29,822		–	
	174,794		–	
	734,049	986,631	521,393	750,763

(i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting (note 3(13)), and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statement. As at 31 December 2018, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB467,516 million and RMB476,199 million respectively (31 December 2017: RMB542,062 million and RMB560,138 million respectively), and the net reverse repurchase agreements and net repurchase agreements were RMB145,648 million and RMB154,331 million, respectively (31 December 2017: RMB137,155 million and RMB155,231 million, respectively).

(ii) As part of the reverse repurchase agreements, the Group has received securities that is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2018, the Group had received securities with a fair value of approximately RMB227,372 million on such terms (31 December 2017: RMB157,222 million). Of these, securities with a fair value of approximately RMB202,508 million have been repledged under repurchase agreements (31 December 2017: RMB136,694 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

(In RMB millions, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2018	2017	2018	2017
Measured at amortised cost:				
Corporate loans and advances	9,411,281	8,936,864	8,708,167	8,263,344
Personal loans	5,636,574	4,945,458	5,515,538	4,843,049
Discounted bills	10,209	351,126	9,450	349,024
Accrued interest	38,948		34,345	
	15,097,012	14,233,448	14,267,500	13,455,417
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost (note 23(a))	(412,731)	(340,482)	(400,474)	(330,016)
	14,684,281	13,892,966	13,867,026	13,125,401
Measured at FVOCI:				
Corporate loans and advances	6,245		–	
Discounted bills	354,228		343,827	
Accrued interest	10		–	
	360,483		343,827	
Measured at FVTPL:				
Corporate loans and advances	1,368		924	
	15,046,132	13,892,966	14,211,777	13,125,401

As at 31 December 2018, the Group's and the Bank's allowance for impairment losses on loans and advances to customers measured at FVOCI were RMB446 million and RMB432 million respectively, see Note 23(b) (31 December 2017: Not applicable).

(In RMB millions, unless otherwise stated)

During the year, movements of the allowance for impairment losses on loans and advances to customers are as follows:

(a) Movements of allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

Group

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	107,961	111,867	152,770	372,598
Transfer:				
— to stage 1	19,393	(17,976)	(1,417)	–
— to stage 2	(4,901)	5,493	(592)	–
— to stage 3	(2,869)	(40,413)	43,282	–
Charge	38,217	24,083	85,074	147,374
Write-offs and transfer out	(338)	(2,294)	(106,146)	(108,778)
Recoveries of loans and advances previously written off	–	–	2,141	2,141
Other movements	621	646	(1,871)	(604)
Balance at 31 December 2018	158,084	81,406	173,241	412,731

Bank

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	102,873	109,683	148,379	360,935
Transfer:				
— to stage 1	19,389	(17,972)	(1,417)	–
— to stage 2	(4,883)	5,475	(592)	–
— to stage 3	(2,869)	(40,413)	43,282	–
Charge	38,077	23,409	83,481	144,967
Write-offs and transfer out	(338)	(2,294)	(104,424)	(107,056)
Recoveries of loans and advances previously written off	–	–	2,134	2,134
Other movements	628	636	(1,770)	(506)
Balance at 31 December 2018	152,877	78,524	169,073	400,474

(In RMB millions, unless otherwise stated)

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVOCI are as follows:

Group

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	23	–	448	471
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	173	0	(200)	(27)
Other movements	2	–	–	2
Balance at 31 December 2018	198	0	248	446

Bank

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	23	–	448	471
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	161	0	(200)	(39)
Other movements	–	–	–	–
Balance at 31 December 2018	184	0	248	432

(In RMB millions, unless otherwise stated)

During the year of 2017, movements of the allowance for impairment losses on loans and advances to customers are as follows:

Group

	Individually assessed	Collectively assessed	Total
At 1 January 2017	65,557	223,955	289,512
Impairment loss:	108,983	15,113	124,096
— impairment allowances charged	158,352	135,679	294,031
— impairment allowances transferred	1,399	(1,399)	–
— reversal of impairment allowances	(50,768)	(119,167)	(169,935)
Accreted interest on impaired loans	(3,189)	–	(3,189)
Recoveries of loans and advances previously written off	1,426	838	2,264
Write-offs and other movements	(57,031)	(15,170)	(72,201)
At 31 December 2017	115,746	224,736	340,482

Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2017	61,458	218,152	279,610
Impairment loss:	108,512	13,959	122,471
— impairment allowances charged	156,823	134,057	290,880
— impairment allowances transferred	1,402	(1,402)	–
— reversal of impairment allowances	(49,713)	(118,696)	(168,409)
Accreted interest on impaired loans	(3,166)	–	(3,166)
Recoveries of loans and advances previously written off	1,383	836	2,219
Write-offs and other movements	(56,473)	(14,645)	(71,118)
At 31 December 2017	111,714	218,302	330,016

(In RMB millions, unless otherwise stated)

24. FINANCIAL INVESTMENTS

		Group		Bank	
		2018	2017	2018	2017
Financial investments measured at FVTPL	(a)	805,347	440,938	740,645	398,329
Financial investments measured at FVOCI	(b)	1,430,163		1,245,837	
Financial investments measured at amortised cost	(c)	4,519,182		4,362,174	
Available-for-sale financial assets	(d)		1,496,453		1,358,802
Held-to-maturity investments	(e)		3,542,184		3,439,471
Receivables	(f)		277,129		231,631
		6,754,692	5,756,704	6,348,656	5,428,233

(a) Financial investments measured at FVTPL

	Group		Bank	
	2018	2017	2018	2017
Financial investments held for trading				
Debt securities (analysed by type of issuers):				
Governments and central banks	33,141	24,468	24,153	7,371
Policy banks	1,128	2,228	1,127	2,199
Public sector entities	7,229	4,670	7,175	4,618
Banks and other financial institutions	16,984	8,452	14,708	7,957
Corporate entities	8,830	38,724	8,015	37,927
	67,312	78,542	55,178	60,072
Equity investments	5,484	7,331	–	–
Funds investments	–	1,464	–	–
	72,796	87,337	55,178	60,072
Financial investments designated as at FVTPL				
Debt securities (analysed by type of issuers):				
Governments and central banks	9,155	10,590	–	–
Policy banks	38,077	30,729	38,077	30,729
Public sector entities	47	2,953	47	2,953
Banks and other financial institutions	39,651	6,966	39,651	6,966
Corporate entities	5,576	8,539	5,479	6,766
	92,506	59,777	83,254	47,414
Other investments	493,230	293,824	490,250	290,843
	585,736	353,601	573,504	338,257

(In RMB millions, unless otherwise stated)

	Group		Bank	
	2018	2017	2018	2017
Financial investments measured at FVTPL (mandatory)				
Debt securities (analysed by type of issuers):				
Policy banks	10,086		10,086	
Public sector entities	8		–	
Banks and other financial institutions	69,785		69,785	
Corporate entities	4,052		709	
	83,931		80,580	
Equity investments	22,506		1,292	
Funds and other investments	40,378		30,091	
	146,815		111,963	
	805,347	440,938	740,645	398,329
Analysed into:				
Debt securities:				
Listed in Hong Kong	4,271	2,668	2,557	2,193
Listed outside Hong Kong	8,135	12,860	1,428	1,902
Unlisted	231,343	122,791	215,027	103,391
	243,749	138,319	219,012	107,486
Equity investments:				
Listed in Hong Kong	3,805	3,615	5	–
Listed outside Hong Kong	3,688	2,967	1,013	–
Unlisted	20,497	749	274	–
	27,990	7,331	1,292	–
Funds and other investments:				
Listed in Hong Kong	–	1,462	–	–
Listed outside Hong Kong	1,104	–	–	–
Unlisted	532,504	293,826	520,341	290,843
	533,608	295,288	520,341	290,843
	805,347	440,938	740,645	398,329

(In RMB millions, unless otherwise stated)

(b) Financial investments measured at FVOCI

	2018	
	Group	Bank
Debt securities (analysed by type of issuers):		
Governments and central banks	413,941	380,287
Policy banks	223,877	202,787
Public sector entities	201,183	195,339
Banks and other financial institutions	302,685	242,056
Corporate entities	235,641	176,687
Accrued interest	22,610	20,606
	1,399,937	1,217,762
Equity investments (i)	29,919	28,075
Other investments	307	–
	1,430,163	1,245,837
Analysed into:		
Debt securities:		
Listed in Hong Kong	123,358	58,363
Listed outside Hong Kong	216,471	140,571
Unlisted	1,060,108	1,018,828
	1,399,937	1,217,762
Equity investments:		
Listed outside Hong Kong	688	327
Unlisted	29,231	27,748
	29,919	28,075
Other investments:		
Unlisted	307	–
	307	–
	1,430,163	1,245,837

(i) The Group designates part of non-trading equity investments as financial investments measured at FVOCI. As at 31 December 2018, the fair value of such equity investments was RMB29,919 million. During the year, dividend income recognised for such equity investments was RMB229 million (including the dividend income of RMB1 million for the termination of such equity investments during the year). The value of the Group disposal of such equity investments was RMB25 million and the cumulative loss of transferring into retained earnings from other comprehensive income after disposal was RMB1 million during the year.

(In RMB millions, unless otherwise stated)

During the year, movements of the allowance for impairment losses on financial investments measured at FVOCI are as follows:

Group

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	2,933	–	190	3,123
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(1)	1	–	–
— to stage 3	–	–	–	–
Charge/(Reverse)	(1,476)	91	–	(1,385)
Other movements	166	–	6	172
Balance at 31 December 2018	1,622	92	196	1,910

Bank

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	2,701	–	190	2,891
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(1)	1	–	–
— to stage 3	–	–	–	–
Charge/(Reverse)	(1,487)	89	–	(1,398)
Other movements	194	–	6	200
Balance at 31 December 2018	1,407	90	196	1,693

Allowance for impairment losses on financial investments measured at FVOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and any impairment loss or gain is recognised in the profit or loss. As at 31 December 2018, the financial investments measured at FVOCI included credit-impaired financial investments whose impairment provision have been fully charged.

(In RMB millions, unless otherwise stated)

(c) Financial investments measured at amortised cost

	2018	
	Group	Bank
Debt securities (analysed by type of issuers):		
Governments and central banks	3,618,546	3,557,040
Including: Special government bond (i)	85,000	85,000
Policy banks	501,634	484,521
Public sector entities	8,560	4,003
Banks and other financial institutions	264,929	236,600
Including: Huarong bonds (ii)	90,309	90,309
Corporate entities	35,914	18,600
Accrued interest	61,622	60,698
	4,491,205	4,361,462
Other investments (iii)	30,331	3,000
Accrued interest	129	–
	30,460	3,000
	4,521,665	4,364,462
Less: Allowance for impairment losses	(2,483)	(2,288)
	4,519,182	4,362,174
Analysed into:		
Debt securities:		
Listed in Hong Kong	36,855	14,776
Listed outside Hong Kong	86,296	46,603
Unlisted	4,366,471	4,298,625
	4,489,622	4,360,004
Other investments:		
Unlisted	29,560	2,170
	29,560	2,170
	4,519,182	4,362,174
Market value of listed securities	123,618	61,497

(In RMB millions, unless otherwise stated)

During the year, movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

Group

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	1,171	2	83	1,256
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(11)	11	–	–
— to stage 3	(2)	–	2	–
Charge	325	841	38	1,204
Other movements	21	–	2	23
Balance at 31 December 2018	1,504	854	125	2,483

Bank

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	1,052	–	24	1,076
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	(2)	–	2	–
Charge	336	830	38	1,204
Other movements	6	–	2	8
Balance at 31 December 2018	1,392	830	66	2,288

(i) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the Ministry of Finance of the People's Republic of China (the "MOF") to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(ii) The Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for another ten years and the interest rate remains unchanged. Additionally, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. As at 31 December 2018, the Bank received accumulated early repayments amounting to RMB222,687 million.

(iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from January 2019 to November 2032 and bear interest rates ranging from 2.00% to 7.50% per annum. During the year, the amounts which have been matured have been repaid without overdue history.

(In RMB millions, unless otherwise stated)

(d) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	2017	
	Group	Bank
Debt securities, at fair value (i)	1,466,995	1,324,817
Other debt instruments, at fair value	6,164	–
Equity investments:		
At fair value (i)	20,292	33,417
At cost (ii)	3,002	568
Debt for equity swaps	1,292	720
Others	2,189	260
Less: Allowance for impairment losses of equity investments, at cost	(479)	(412)
	1,496,453	1,358,802
Debt securities analysed into:		
Listed in Hong Kong	92,538	46,501
Listed outside Hong Kong	187,684	126,430
Unlisted	1,186,773	1,151,886
	1,466,995	1,324,817
Equity investments analysed into:		
Listed in Hong Kong	1,401	3
Listed outside Hong Kong	3,262	1,430
Unlisted	18,631	32,552
	23,294	33,985
Market value of listed securities:		
Debt securities	280,222	172,931
Equity investments	4,663	1,433
	284,885	174,364

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment recognised is recorded in the carrying amount directly. As at 31 December 2017, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount was RMB85 million, and impaired equity investments whose impairment provision has been fully charged, with the accrual of impairment recognised in profit or loss of RMB22 million on available-for-sale debt securities; and the accrual of impairment recognised in profit or loss of RMB84 million on available-for-sale equity investments.

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the year of 2017, the carrying amount of these equity investments decreased by RMB71 million. The gain on disposal of these equity investments was RMB743 million.

(In RMB millions, unless otherwise stated)

(e) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	2017	
	Group	Bank
Debt securities	3,542,351	3,439,576
Less: Allowance for impairment losses	(167)	(105)
	3,542,184	3,439,471

	2017	
	Group	Bank
Analysed into:		
Listed in Hong Kong	27,532	4,793
Listed outside Hong Kong	92,886	48,435
Unlisted	3,421,766	3,386,243
	3,542,184	3,439,471
Market value of listed debt securities	120,395	53,554

As at 31 December 2017, the total carrying amount of held-to-maturity investments that the Group disposed prior to their maturity with remaining maturity more than three months was RMB11,661 million, which accounted for 0.33% of the total amount of the Group's held-to-maturity investments.

(f) Receivables

The receivables are stated at amortised cost and comprise the following:

	2017	
	Group	Bank
Huarong bonds (i)	90,309	90,309
Special government bond	85,000	85,000
Others (ii)	101,820	56,322
	277,129	231,631

	2017	
	Group	Bank
Analysed into:		
Listed outside Hong Kong	22,004	22,004
Unlisted	255,125	209,627
	277,129	231,631

(i) As at 31 December 2017, the Bank received accumulated early repayments on the Huarong bonds amounting to RMB222,687 million.

(ii) Others include financial and corporate bonds, debt investment plans, asset backed securities, asset management plans, wealth management products and trust plans with fixed or determinable payments. They will mature from January 2018 to November 2032 and bear interest rates ranging from 2.00% to 7.50% per annum. During the year of 2017, the amounts which have been matured have been repaid without overdue history.

(In RMB millions, unless otherwise stated)

(g) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale equity investments measured at cost are as follows:

	Group			Bank		
	Held-to-maturity investments	Available-for-sale equity investments	Total	Held-to-maturity investments	Available-for-sale equity investments	Total
At 1 January 2017	107	678	785	39	606	645
Charge	70	–	70	67	–	67
Reverse	(4)	–	(4)	–	–	–
Dispose	(6)	(194)	(200)	(1)	(194)	(195)
Other movements	–	(5)	(5)	–	–	–
At 31 December 2017	167	479	646	105	412	517

25. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2018	2017
Listed investments, at cost	2,712	2,712
Unlisted investments, at cost	119,398	117,589
	122,110	120,301

(In RMB millions, unless otherwise stated)

Particulars of the Group's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest %		Voting rights %	Nominal value of issued share/ paid-in capital	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
	2018	2017	2018	2018			
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	100	HKD36,379 million	HKD46,930 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	100	HKD4,882 million	HKD4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia ("ICBC Indonesia")	98.61	98.61	98.61	IDR3,692 billion	USD361 million	Jakarta, Indonesia	Commercial banking
Bank ICBC (Joint stock company)	100	100	100	RUB10,810 million	RUB10,810 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. * ("ICBC Leasing")	100	100	100	RMB18,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	89.33	MOP589 million	MOP12,064 million	Macau, the PRC	Commercial banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	80	80	80	CAD158 million	CAD178.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	97.86	THB20,132 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer
ICBC-AXA Assurance Co., Ltd. *	60	60	60	RMB12,505 million	RMB7,980 million	Shanghai, the PRC	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	80	USD369 million	USD306 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A.("ICBC Argentina")	80	80	80	ARS1,345 million	ARS3,505 million	Buenos Aires, Argentina	Commercial banking
ICBC PERU BANK	100	100	100	USD100 million	USD100 million	Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brazil) S.A.	100	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial and investment banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	100	NZD234 million	NZD234 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	100	MXN1,597 million	MXN1,597 million	Mexico City, Mexico	Commercial banking
ICBC Turkey Bank Anonim Sirketi ("ICBC Turkey")	92.84	92.84	92.84	TRY860 million	USD425 million	Istanbul, Turkey	Commercial banking
ICBC Standard Bank PLC ("ICBC Standard")	60	60	60	USD1,083 million	USD839 million	London, United Kingdom	Banking
ICBC Financial Asset Investment Co., Limited*	100	100	100	RMB12,000 million	RMB12,000 million	Nanjing, the PRC	Financial asset investment
ICBC Austria Bank GmbH	100	–	100	EUR100 million	EUR100 million	Vienna, Austria	Commercial banking

* These subsidiaries incorporated in Mainland China are all limited liability companies.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

(In RMB millions, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures comprise the following:

		Group	
		2018	2017
Interest in associates	(a)	27,099	28,586
Interest in joint ventures	(b)	2,025	3,855
		29,124	32,441

	Group	
	2018	2017
Share of net assets	19,385	21,614
Goodwill	10,087	11,175
	29,472	32,789
Less: Allowance for impairment losses	(348)	(348)
	29,124	32,441

	Bank	
	2018	2017
Shares listed outside Hong Kong, at cost	34,242	34,242

(a) Interest in associates

(i) Particulars of the Group's only material associate are as follows:

Name	Percentage of equity interest % 31 December 2018	Percentage of equity interest % 31 December 2017	Voting rights % 31 December 2018	Place of incorporation/ registration	Principal activities
Standard Bank Group Limited ("Standard Bank") (i)	20.08	20.07	20.08	Johannesburg, Republic of South Africa	Commercial banking

(i) Standard Bank, a listed commercial bank in Republic of South Africa and a strategic partner for the Group, enables the Group to widen its customer base in Africa.

The market value of the Group's investment in Standard Bank amounts to RMB27,677 million as at 31 December 2018 (31 December 2017: RMB33,564 million).

(In RMB millions, unless otherwise stated)

The summarised financial information of Standard Bank, being consistent with the Group's accounting policies, and reconciled to the carrying amounts using the equity method in the Group's consolidated financial statements is as follows:

	2018	2017
Gross amounts of the associate		
Assets	1,013,117	1,070,509
Liabilities	918,299	970,202
Net assets	94,818	100,307
Revenue	51,265	54,379
Profit from continuing operations	13,362	13,891
Other comprehensive income	2,153	(2,500)
Total comprehensive income	15,515	11,391
Dividends received from the associate	7,356	7,176
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attribute to the parent company	81,215	85,254
Group's effective interest	20.08%	20.07%
Group's share of net assets of the associate	16,308	17,109
Goodwill	10,051	11,139
Carrying amount of the Group's interest in Standard Bank in the consolidated financial statements	26,359	28,248

(ii) The following tables illustrate the summarised financial information of the associates that are not individually material to the Group:

	2018	2017
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	287	40
Other comprehensive income	–	(285)
Total comprehensive income	287	(245)

(iii) Reconciliation of carrying amounts to the Group's total interests in the associates:

	2018	2017
Carrying amount of material associates-Standard Bank	26,359	28,248
Carrying amount of individually immaterial associates	1,088	686
Less: Allowance for impairment losses	(348)	(348)
Interest in associates in the consolidated financial statements	27,099	28,586

All of the above associates are accounted for using the equity method in the consolidated financial statements.

(b) Interest in joint ventures

The Group has interests in a number of individually immaterial joint ventures. The following tables illustrate the summarised financial information of the joint ventures that are not individually material to the Group:

	2018	2017
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	2,025	3,855
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operations	150	138
Other comprehensive income	0	(20)
Total comprehensive income	150	118

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

(In RMB millions, unless otherwise stated)

27. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2017	139,838	23,009	10,073	75,993	122,507	371,420
Additions	922	11,993	438	4,722	16,145	34,220
CIP transfer in/(out)	3,104	(5,333)	–	67	2,162	–
Disposals	(1,347)	(97)	(136)	(8,345)	(13,052)	(22,977)
At 31 December 2017 and 1 January 2018	142,517	29,572	10,375	72,437	127,762	382,663
Additions	5,450	15,574	680	6,509	42,148	70,361
CIP transfer in/(out)	4,099	(9,553)	–	114	5,340	–
Disposals	(921)	(471)	(101)	(4,200)	(4,178)	(9,871)
At 31 December 2018	151,145	35,122	10,954	74,860	171,072	443,153
Accumulated depreciation and impairment:						
At 1 January 2017	50,814	41	7,483	55,597	11,276	125,211
Depreciation charge for the year	5,654	–	936	7,283	4,085	17,958
Impairment charge for the year	–	–	–	–	558	558
Disposals	(822)	–	(101)	(6,405)	(1,480)	(8,808)
At 31 December 2017 and 1 January 2018	55,646	41	8,318	56,475	14,439	134,919
Depreciation charge for the year	5,671	–	868	6,868	6,908	20,315
Impairment charge for the year	–	–	–	–	3,088	3,088
Disposals	(616)	–	(30)	(3,983)	(944)	(5,573)
At 31 December 2018	60,701	41	9,156	59,360	23,491	152,749
Carrying amount:						
At 31 December 2017	86,871	29,531	2,057	15,962	113,323	247,744
At 31 December 2018	90,444	35,081	1,798	15,500	147,581	290,404

(In RMB millions, unless otherwise stated)

Bank

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Total
Cost:					
At 1 January 2017	137,283	16,716	9,295	72,435	235,729
Additions	853	6,720	378	4,454	12,405
CIP transfer in/(out)	3,072	(3,132)	–	60	–
Disposals	(995)	(90)	(103)	(6,265)	(7,453)
At 31 December 2017 and 1 January 2018	140,213	20,214	9,570	70,684	240,681
Additions	1,421	7,535	578	6,130	15,664
CIP transfer in/(out)	4,099	(4,213)	–	114	–
Disposals	(872)	(149)	(48)	(3,898)	(4,967)
At 31 December 2018	144,861	23,387	10,100	73,030	251,378
Accumulated depreciation and impairment:					
At 1 January 2017	50,095	41	7,096	54,408	111,640
Depreciation charge for the year	5,589	–	865	7,087	13,541
Disposals	(584)	–	(98)	(6,205)	(6,887)
At 31 December 2017 and 1 January 2018	55,100	41	7,863	55,290	118,294
Depreciation charge for the year	5,604	–	783	6,669	13,056
Disposals	(612)	–	(30)	(3,878)	(4,520)
At 31 December 2018	60,092	41	8,616	58,081	126,830
Carrying amount:					
At 31 December 2017	85,113	20,173	1,707	15,394	122,387
At 31 December 2018	84,769	23,346	1,484	14,949	124,548

(In RMB millions, unless otherwise stated)

The carrying value of the Group's and the Bank's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	Group		Bank	
	2018	2017	2018	2017
Long-term leases (over 50 years):				
Held in the PRC (other than Hong Kong)	18,148	17,656	18,121	17,630
Held in Hong Kong	869	843	184	202
Held overseas	745	633	57	53
	19,762	19,132	18,362	17,885
Medium-term leases (10 to 50 years):				
Held in the PRC (other than Hong Kong)	68,247	65,416	64,275	65,404
Held in Hong Kong	124	212	73	163
Held overseas	257	458	30	33
	68,628	66,086	64,378	65,600
Short-term leases (less than 10 years):				
Held in the PRC (other than Hong Kong)	2,027	1,618	2,027	1,618
Held overseas	27	35	2	10
	2,054	1,653	2,029	1,628
	90,444	86,871	84,769	85,113

As at 31 December 2018, the process of obtaining the title for the Group's properties and buildings with an aggregate net carrying value of RMB10,539 million (31 December 2017: RMB12,850 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2018, the net carrying value of aircraft and vessels leased out by the Group under operating leases was RMB147,581 million (31 December 2017: RMB113,323 million).

As at 31 December 2018, the net carrying value of aircraft and vessels owned by the Group that have been pledged as security for due to banks and other financial institutions was RMB90,887 million (31 December 2017: RMB68,355 million).

(In RMB millions, unless otherwise stated)

28. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Group

	As at 31 December 2018		As at 31 December 2017	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	210,624	52,438	150,493	37,475
Change in fair value of financial instruments measured at FVTPL	705	147	(9,491)	(2,368)
Change in fair value of financial instruments measured at FVOCI	(14,248)	(3,819)		
Change in fair value of available-for-sale financial assets			38,471	9,748
Accrued staff costs	26,033	6,508	27,640	6,910
Others	11,788	3,101	(13,561)	(3,373)
	234,902	58,375	193,552	48,392

	As at 31 December 2018		As at 31 December 2017	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Deferred income tax liabilities:				
Allowance for impairment losses	(944)	(401)	(2,012)	(502)
Change in fair value of financial instruments measured at FVTPL	572	143	–	–
Change in fair value of financial instruments measured at FVOCI	3,592	900		
Change in fair value of available-for-sale financial assets			(367)	(38)
Others	2,272	575	4,053	973
	5,492	1,217	1,674	433

(In RMB millions, unless otherwise stated)

Bank

	As at 31 December 2018		As at 31 December 2017	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	203,782	50,910	146,986	36,719
Change in fair value of financial instruments measured at FVTPL	442	103	(9,495)	(2,369)
Change in fair value of financial instruments measured at FVOCI	(15,664)	(3,923)		
Change in fair value of available-for-sale financial assets			40,057	10,116
Accrued staff costs	26,033	6,508	27,640	6,910
Others	10,036	2,622	(16,584)	(4,126)
	224,629	56,220	188,604	47,250

(b) Movements of deferred income tax

Group

	As at 31 December 2017	Impact of adopting IFRS 9	As at 1 January 2018	Recognised in profit or loss	Recognised in equity	As at 31 December 2018
Deferred income tax assets:						
Allowance for impairment losses	37,475	7,254	44,729	7,709	–	52,438
Change in fair value of financial instruments measured at FVTPL	(2,368)	577	(1,791)	1,938	–	147
Change in fair value of financial instruments measured at FVOCI		4,433	4,433	–	(8,252)	(3,819)
Change in fair value of available-for-sale financial assets	9,748	(9,748)	–			
Accrued staff costs	6,910	–	6,910	(402)	–	6,508
Others	(3,373)	7,702	4,329	(1,217)	(11)	3,101
	48,392	10,218	58,610	8,028	(8,263)	58,375

(In RMB millions, unless otherwise stated)

	As at 31 December 2017	Impact of adopting IFRS 9	As at 1 January 2018	Recognised in profit or loss	Recognised in equity	As at 31 December 2018
Deferred income tax liabilities:						
Allowance for impairment losses	(502)	6	(496)	95	–	(401)
Change in fair value of financial instruments measured at FVTPL	–	–	–	143	–	143
Change in fair value of financial instruments measured at FVOCI		(38)	(38)	–	938	900
Change in fair value of available-for-sale financial assets	(38)	38	–			
Others	973	–	973	(398)	–	575
	433	6	439	(160)	938	1,217

	As at 1 January 2017	Recognised in profit or loss	Recognised in equity	As at 31 December 2017
Deferred income tax assets:				
Allowance for impairment losses	28,616	8,859	–	37,475
Change in fair value of financial instruments measured at FVTPL	(2,385)	17	–	(2,368)
Change in fair value of available-for-sale financial assets	(973)	–	10,721	9,748
Accrued staff costs	7,026	(116)	–	6,910
Others	(3,886)	539	(26)	(3,373)
	28,398	9,299	10,695	48,392

	As at 1 January 2017	Recognised in profit or loss	Recognised in equity	As at 31 December 2017
Deferred income tax liabilities:				
Allowance for impairment losses	(365)	(137)	–	(502)
Change in fair value of available-for-sale financial assets	120	–	(158)	(38)
Others	849	124	–	973
	604	(13)	(158)	433

(In RMB millions, unless otherwise stated)

Bank

	As at 31 December 2017	Impact of adopting IFRS 9	As at 1 January 2018	Recognised in profit or loss	Recognised in equity	As at 31 December 2018
Deferred income tax assets:						
Allowance for impairment losses	36,719	7,307	44,026	6,884	–	50,910
Change in fair value of financial instruments measured at FVTPL	(2,369)	543	(1,826)	1,929	–	103
Change in fair value of financial instruments measured at FVOCI		4,559	4,559	–	(8,482)	(3,923)
Change in fair value of available-for-sale financial assets	10,116	(10,116)	–			
Accrued staff costs	6,910	–	6,910	(402)	–	6,508
Others	(4,126)	7,534	3,408	(771)	(15)	2,622
	47,250	9,827	57,077	7,640	(8,497)	56,220

	As at 1 January 2017	Recognised in profit or loss	Recognised in equity	As at 31 December 2017
Deferred income tax assets:				
Allowance for impairment losses	28,066	8,653	–	36,719
Change in fair value of financial instruments measured at FVTPL	(2,388)	19	–	(2,369)
Change in fair value of available-for-sale financial assets	(680)	–	10,796	10,116
Accrued staff costs	7,026	(116)	–	6,910
Others	(4,690)	598	(34)	(4,126)
	27,334	9,154	10,762	47,250

The Group and the Bank did not have significant unrecognised deferred income tax assets or liabilities at the end of the reporting period.

29. OTHER ASSETS

	Group		Bank	
	2018	2017	2018	2017
Precious metals	182,391	239,922	134,280	213,700
Settlement accounts	122,318	138,501	98,332	116,820
Land use rights	17,464	18,280	17,437	18,228
Repossessed assets	10,884	10,274	10,584	9,973
Advance payments	10,555	8,217	844	460
Goodwill (i)	9,299	8,956	–	–
Interest receivable	2,624	126,606	1,836	118,644
Others	28,989	25,749	10,289	9,767
	384,524	576,505	273,602	487,592
Less: Allowance for impairment losses	(4,120)	(4,836)	(3,833)	(4,502)
	380,404	571,669	269,769	483,090

(In RMB millions, unless otherwise stated)

(i) Goodwill arising from business combinations has been allocated to the Group's CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections are based on financial forecasts approved by management of the subsidiaries. The average growth rates are projected based on the similar rates which do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

As indicated by the impairment tests, goodwill arising from business combinations is not impaired and thus, no impairment loss was recognised.

30. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank	
		2018	2017	2018	2017
Interbank wealth management products	(1)	11,480	10,758	11,480	10,758
Financial liabilities related to precious metals	(2)(a)	67,266	60,183	67,257	60,175
Debt securities	(2)(b)	2,285	8,192	–	2,919
Other		6,369	10,228	–	–
		87,400	89,361	78,737	73,852

(1) The principal-guaranteed interbank wealth management products issued by the Group and the financial assets in which the aforesaid products form parts of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated as at FVTPL, respectively. As at 31 December 2018, the fair value of the interbank wealth management products was approximately the same as the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity (31 December 2017: approximately the same).

(2) Financial liabilities related to precious metals and issued debt securities have been matched with precious metals and derivative as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted at amortised cost, whereas the related precious metals and derivative were measured at fair value with movements in the fair value taken through the statement of profit or loss. By designating these financial liabilities at FVTPL, the movement in their fair values is recorded in the statement of profit or loss.

(a) As at 31 December 2018, the fair value of the financial liabilities related to precious metals was higher than the amount that the Group would be contractually required to pay to the holders by RMB266 million (31 December 2017: RMB156 million higher).

(b) The debt securities including 5 equity-linked notes issued by ICBC Asia in 2016 and 2017 were classified as financial liabilities designated as at FVTPL. As at 31 December 2018, the fair value of the debt securities is lower than the amount that the Group would be contractually required to pay to the holder of these debt securities upon maturity by RMB720 million (31 December 2017: RMB364 million lower).

There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in credit risk were not considered significant during the year of 2018 and the year of 2017. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(In RMB millions, unless otherwise stated)

31. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2018	2017	2018	2017
Deposits:				
Banks and other financial institutions operating in Mainland China	1,202,671	1,106,888	1,195,100	1,096,021
Banks and other financial institutions operating outside Mainland China	123,317	107,713	58,760	55,018
Accrued interest	2,258		1,654	
	1,328,246	1,214,601	1,255,514	1,151,039
Money market takings:				
Banks and other financial institutions operating in Mainland China	128,015	141,055	20,440	57,022
Banks and other financial institutions operating outside Mainland China	346,186	350,893	358,639	388,171
Accrued interest	12,048		9,554	
	486,249	491,948	388,633	445,193
	1,814,495	1,706,549	1,644,147	1,596,232

32. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchases of bills, securities and cash received as collateral on securities lending.

	Group		Bank	
	2018	2017	2018	2017
Repurchase agreements-bills:				
Banks	18,709	10,626	18,489	10,603
	18,709	10,626	18,489	10,603
Repurchase agreements-securities:				
Banks	331,691	854,724	280,525	799,220
Other financial institutions	148,663	143,742	1,958	787
	480,354	998,466	282,483	800,007
Cash received as collateral on securities lending	15,375	37,246	–	–
Accrued interest	363		16	
	514,801	1,046,338	300,988	810,610

33. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by Hong Kong Branch, Singapore Branch, Tokyo Branch, Seoul Branch, Luxembourg Branch, Doha Branch, Sydney Branch, New York Branch, Abu Dhabi Branch, Dubai (DIFC) Branch, London Branch, ICBC London, ICBC Asia, ICBC Macau and ICBC New Zealand were recognised at amortised cost.

(In RMB millions, unless otherwise stated)

34. DUE TO CUSTOMERS

	Group		Bank	
	2018	2017	2018	2017
Demand deposits:				
Corporate customers	6,405,136	6,069,804	6,287,825	5,939,577
Personal customers	3,931,182	3,820,392	3,864,212	3,753,389
	10,336,318	9,890,196	10,152,037	9,692,966
Time deposits:				
Corporate customers	5,076,005	4,635,661	4,647,601	4,269,384
Personal customers	5,505,236	4,748,525	5,361,695	4,643,818
	10,581,241	9,384,186	10,009,296	8,913,202
Others	268,914	288,554	268,855	288,279
Accrued interest	222,461		216,740	
	21,408,934	19,562,936	20,646,928	18,894,447

35. DEBT SECURITIES ISSUED

		Group		Bank	
		2018	2017	2018	2017
Subordinated bonds and					
Tier 2 Capital Notes issued by	(1)				
The Bank		269,864	269,143	269,864	269,143
Subsidiaries		9,122	11,965	–	–
Accrued interest		3,473		3,435	
		282,459	281,108	273,299	269,143
Other debt securities issued by	(2)				
The Bank		225,075	167,132	225,075	167,132
Subsidiaries		108,904	78,700	–	–
Accrued interest		1,404		917	
		335,383	245,832	225,992	167,132
		617,842	526,940	499,291	436,275

As at 31 December 2018, the amount of debt securities issued due within one year was RMB92,045 million (31 December 2017: RMB41,820 million).

(1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the former CBRC, the Bank issued callable subordinated bonds through open market bidding in 2009, 2010, 2011, 2012, 2014 and 2017. Approved by the PBOC, these subordinated bonds were traded in the bond market among banks. The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue Price (In RMB)	Amount (In RMB)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Notes
			(million)	(million)					
09 ICBC 02 Bond	16/07/2009	100 Yuan	24,000	24,000	4.00%	20/07/2009	20/07/2024	20/08/2009	(i)
10 ICBC 02 Bond	10/09/2010	100 Yuan	16,200	16,200	4.10%	14/09/2010	14/09/2025	03/11/2010	(ii)
11 ICBC 01 Bond	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011	(iii)
11 ICBC 02 Bond	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012	(iv)
12 ICBC 01 Bond	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012	(v)
14 ICBC 01 Bond	04/08/2014	100 Yuan	20,000	20,000	5.80%	05/08/2014	05/08/2024	24/09/2014	(vi)
17 ICBC 01 Bond	06/11/2017	100 Yuan	44,000	44,000	4.45%	08/11/2017	08/11/2027	10/11/2017	(vii)
17 ICBC 02 Bond	20/11/2017	100 Yuan	44,000	44,000	4.45%	22/11/2017	22/11/2027	23/11/2017	(viii)

(i) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2019. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points thereafter.

(ii) The Bank has the option to redeem all of the bonds on 14 September 2020 upon the approval of the relevant regulatory authorities.

(iii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.

(iv) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.

(v) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.

(vi) The Bank has the option to redeem all of the bonds on 5 August 2019 upon the approval of the relevant regulatory authorities.

(vii) The Bank has the option to redeem all of the bonds on 8 November 2022 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 22 November 2022 upon the approval of the relevant regulatory authorities.

In 2015, the Bank issued Tier 2 Capital Notes denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the Notes are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issue Price	Amount (Original Currency)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Note
				(million)	(million)					
15 USD Tier 2 Capital Notes	15/09/2015	USD	99.189	2,000	13,741	4.875%	21/09/2015	21/09/2025	22/09/2015	(ix)

(ix) On 15 September 2015, the Bank issued Tier 2 Capital Notes with an aggregate nominal amount of USD2,000 million, bearing a fixed interest rate of 4.875% per annum. The listing and permission to deal in the Stock Exchange of Hong Kong Limited became effective on 22 September 2015. The Notes were issued at the price fixed at 99.189% of the nominal amount with maturity due on 21 September 2025 and cannot be redeemed before maturity.

The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and Tier 2 Capital Notes during the current year (2017: Nil).

Subsidiaries:

On 2 December 2009, ICBC Standard issued a subordinated bond with an amount of USD500 million, bearing a fixed interest rate of 8.125% per annum and with maturity due on 2 December 2019.

On 30 November 2010, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020.

On 10 September 2014, ICBC Macau issued a subordinated bond with an aggregate nominal amount of USD320 million, bearing a floating interest rate. The bond was issued at the price fixed at 99.298% of the nominal amount with maturity due on 10 September 2024.

The above subordinated bonds and notes are separately listed on the London Stock Exchange Plc and the Stock Exchange of Hong Kong Limited. ICBC Standard, ICBC Asia and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and notes during the period (2017: Nil).

(2) Other debt securities issued

As at 31 December 2018, the Group's other debt securities issued mainly include:

The Bank:

(i) Sydney Branch issued notes and interbank deposit amounting to RMB13,641 million denominated in AUD, CHF, RMB, HKD, USD and GBP with maturities between 2019 and 2024 at fixed or floating interest rates. Of which, in 2018, Sydney Branch issued notes amounting to RMB4,612 million denominated in AUD, USD and RMB at fixed or floating interest rates with maturities between 2019 and 2023 and issued interbank deposit amounting to RMB477 million denominated in GBP with maturities in 2019.

(ii) Singapore Branch issued notes amounting to RMB36,513 million denominated in RMB and USD with maturities between 2019 and 2023 at fixed or floating interest rates. Of which, in 2018, Singapore Branch issued notes amounting to RMB11,871 million denominated in RMB and USD with maturities in 2021 and 2023 at fixed or floating interest rates.

(iii) Tokyo Branch issued notes amounting to RMB3,332 million denominated in JPY and RMB with maturities in 2019 at fixed interest rates. Of which, in 2018, Tokyo Branch issued notes amounting to RMB1,898 million denominated in JPY with maturities in 2019 at fixed interest rates.

(iv) New York Branch issued notes amounting to RMB56,095 million denominated in USD with maturities between 2019 and 2027 at fixed or floating interest rates. Of which, in 2018, New York Branch issued notes amounting to RMB23,372 million denominated in USD with maturities in 2019 at fixed interest rates.

(v) Luxembourg Branch issued notes amounting to RMB26,905 million denominated in USD and EUR with maturities between 2019 and 2022 at fixed or floating interest rates. Of which, in 2018, Luxembourg Branch issued notes amounting to RMB755 million denominated in USD with maturities in 2019 at fixed or floating interest rates.

(vi) Dubai (DIFC) Branch issued notes amounting to RMB30,877 million denominated in USD and EUR with maturities between 2019 and 2023 at fixed or floating interest rates. Of which, in 2018, Dubai (DIFC) Branch issued notes amounting to RMB13,270 million denominated in USD with maturities between 2020 and 2023 at floating interest rates.

(vii) Hong Kong Branch issued notes amounting to RMB27,739 million denominated in USD and HKD with maturities between 2019 and 2022 at fixed or floating interest rates. Of which, in 2018, Hong Kong Branch issued notes amounting to RMB4,408 million denominated in USD and HKD with maturities in 2020 and 2021 at fixed or floating interest rates.

(viii) London Branch issued notes amounting to RMB29,316 million denominated in USD and EUR with maturities between 2019 and 2023 at floating interest rates. Of which, in 2018, London Branch issued notes amounting to RMB19,699 million denominated in USD and EUR with maturities in 2021 and 2023 at floating interest rates.

(ix) The Head Office issued debt securities in Hong Kong amounting to RMB500 million denominated in RMB with maturity in 2019 at fixed interest rates.

Subsidiaries:

(i) ICBC Asia issued notes amounting to RMB17,814 million denominated in RMB, USD, EUR and HKD with maturities between 2020 and 2023 at fixed or floating interest rates. Of which, in 2018, ICBC Asia issued notes amounting to RMB16,434 million denominated in RMB, USD and HKD with maturities between 2020 and 2023 at fixed or floating interest rates.

(ii) ICBC Financial Leasing issued medium and long-term debt securities and notes amounting to RMB68,074 million denominated in RMB and USD with maturities between 2019 and 2027 at fixed or floating interest rates.

Of which, Skysea International Capital Management Limited ("Skysea International"), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 31 December 2018, Skysea International has redeemed USD153 million and the carrying amount of the Notes were RMB4,080 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturity due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.

ICBCIL Finance Co., Ltd., which is controlled by the Group, issued medium and long-term notes amounting to RMB59,831 million denominated in RMB and USD, with maturities between 2019 and 2027 at fixed or floating interest rates. Of which, in 2018, ICBCIL Finance Co., Ltd. issued medium and long-term notes amounting to RMB10,252 million denominated in USD, with maturities between 2021 and 2023 at floating interest rates. By satisfying certain conditions, ICBCIL Finance Co., Ltd. has the option to redeem all of the notes at any time. Above notes were guaranteed by ICBC Financial Leasing Co., Ltd. and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively.

Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB971 million denominated in USD with maturity in 2025 at a fixed interest rate. The bond was guaranteed by The Export-Import Bank of Korea.

Within China, in 2018, ICBCIL issued medium and long-term debt securities amounting to RMB3,192 million denominated in RMB with maturities in 2021 at fixed interest rates.

(iii) ICBC Thai issued debt securities amounting to RMB6,762 million denominated in THB with maturities between 2019 and 2028 at fixed interest rates. Of which, in 2018, ICBC Thai issued debt securities of RMB3,319 million denominated in THB with maturities between 2019 and 2028 at fixed interest rates.

(iv) ICBC International issued medium and long-term debt securities amounting to RMB14,043 million denominated in USD with maturities in 2019 and 2021 at fixed or floating interest rates. Of which, in 2018, ICBC International issued medium and long-term debt securities amounting to RMB4,787 million denominated in USD with maturities in 2021 at floating interest rates.

(v) ICBC New Zealand issued medium and long-term debt securities and notes amounting to RMB2,128 million denominated in AUD and NZD with maturities between 2020 and 2023 at fixed or floating interest rates. Of which, in 2018, ICBC New Zealand issued medium and long-term bonds and notes amounting to RMB788 million denominated in NZD with maturities between 2021 and 2023 at fixed or floating interest rates.

(vi) In 2018, ICBC Argentina issued medium and long-term debt securities amounting to RMB240 million denominated in ARS with maturities in 2020 at floating interest rates.

36. OTHER LIABILITIES

	Group		Bank	
	2018	2017	2018	2017
Settlement accounts	167,015	158,083	126,555	113,252
Allowance for impairment losses on credit commitments	34,715	100	34,088	–
Salaries, bonuses, allowances and subsidies payables (i)	25,308	26,716	22,318	23,557
Sundry tax payables	10,937	11,906	10,394	11,298
Promissory notes	1,260	1,440	660	825
Early retirement benefits	686	1,361	686	1,361
Interest payable	–	242,399	–	234,991
Others	169,898	161,495	52,647	51,092
	409,819	603,500	247,348	436,376

(i) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 31 December 2018 (31 December 2017: Nil).

(ii) As at 31 December 2018, the amount of other liabilities due within one year was RMB376,731 million (31 December 2017: RMB550,736 million).

37. SHARE CAPITAL

	2018		2017	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

38. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Overseas Preference Shares in:										
USD	2014-12-10	Equity	6.00%	20USD/Share	147	2,940	17,991	None	Mandatory	No
EUR	2014-12-10	Equity	6.00%	15EUR/Share	40	600	4,558	None	Mandatory	No
RMB	2014-12-10	Equity	6.00%	100RMB/Share	120	12,000	12,000	None	Mandatory	No
Domestic Preference Shares in:										
RMB	2015-11-18	Equity	4.50%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
Total					757		79,549			
Less: Issue fees							174			
Book value							79,375			

(b) Main Clauses

(i) Overseas preference shares

a. Dividend

Fixed rate for a certain period (5 years for USD and RMB tranche and 7 years for EUR tranche) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The USD, EUR and RMB Preference Shareholders as well as the Domestic Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

f. Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. Redemption price is equal to issue price plus accrued dividend in current period.

USD Preference Shares: the First Redemption Date is five years after issuance

EUR Preference Shares: the First Redemption Date is seven years after issuance

RMB Preference Shares: the First Redemption Date is five years after issuance

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(ii) Domestic preference shares

a. Dividend

Fixed rate for a certain period (5 years) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The paying order of domestic preference shares is equal to overseas preference shares. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The Domestic Preference Shareholders as well as Overseas Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares. If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

f. Redemption

After five years have elapsed since the date of issuance (18 November 2015) under the premise of obtaining the approval of the CBIRC and compliance with regulatory requirements, the Group has right to redeem all or some of domestic preference shares. The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion. Redemption price is equal to book value plus accrued dividend in current period.

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(c) Changes in preference shares outstanding

		Preference Shares				
		Overseas			Domestic	
Financial instrument outstanding		**USD**	**EUR**	**RMB**	**RMB**	**Total**
1 January 2018	Amount (million shares)	147	40	120	450	757
and	In original currency (million)	2,940	600	12,000	45,000	N/A
31 December 2018	In RMB (million)	17,991	4,558	12,000	45,000	79,549

Note: The RMB amounts of offshore preference shares in U.S. dollar and Euro on 31 December 2018 are translated at the spot exchange rate on issuance date.

(2) Perpetual Bond

(a) Perpetual bond outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million pieces)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
USD Perpetual bond	2016-07-21	Equity	4.25%	1,000USD/Piece	1	1,000	6,691	None	None	No
Total					1		6,691			
Less: Issue fees							15			
Book value							6,676			

Note: USD perpetual bond was issued by ICBC Asia, a subsidiary of the Bank.

(b) Main Clauses

On 21 July 2016, ICBC Asia issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (hereinafter referred to as "Perpetual Bond") in the aggregate amount of US$1 billion (equivalent to approximately RMB6,676 million net of related issuance costs). Fixed rate for the first 5 years after issuance of the bond is 4.25%. If perpetual bonds are not called, distribution will be reset based on the then prevailing 5-year USA national bonds yield plus a fixed initial spread (3.135 per cent. per annum) every 5 years.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2017. ICBC Asia has the right to cancel distribution payment (subject to the requirement as set out in the terms and conditions of the perpetual bond) and the distribution cancelled shall not be cumulative.

The perpetual bond will be written off up to the amount as directed by the Hong Kong Monetary Authority (hereinafter referred to as "HKMA") if the HKMA notifies ICBC Asia that in the opinion of the HKMA or a relevant government body, ICBC Asia would become non-viable if there is no written off of the principal. The perpetual bond also contain Hong Kong Bail-in Power. Each holder of the perpetual bond shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

(1) reduction or cancellation of all or a part of the principal and/or distribution of the perpetual bond;

(2) the conversion of all or a part of the principal and/or distribution of the perpetual bond into shares of ICBC Asia or another person; and/or

(3) the amendment of the maturity, distribution payment date and/or the distribution amount of the perpetual bond.

ICBC Asia has a call option to redeem all the outstanding perpetual bond from 21 July 2021 or any subsequent distribution payment date thereafter.

(c) Changes in perpetual bond outstanding

Financial instrument outstanding	1 January 2018			Movement during the year			31 December 2018		
	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)
USD Perpetual bond	1	1,000	6,691	–	–	–	1	1,000	6,691
Total	1	1,000	6,691	–	–	–	1	1,000	6,691

Note: The RMB amount of perpetual bond on 31 December 2018 is translated at the spot exchange rate on issuance date.

(3) Interests attribute to equity instruments' holders

Equity instrument		1 January 2018	31 December 2018
1.	Total equity attribute to equity holders of the parent company	2,095,333	2,330,001
	(1) Equity attribute to ordinary equity holders of the parent company	2,009,282	2,243,950
	(2) Equity attribute to other equity instruments holders of the parent company	86,051	86,051
2.	Total equity attribute to non-controlling interests	13,533	14,882
	(1) Equity attribute to non-controlling interests of ordinary shares	13,533	14,882
	(2) Equity attribute to non-controlling interests of other equity instruments	–	–

39. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 28 March 2019, the total appropriation to surplus reserve of the Bank was RMB28,421 million (2017: RMB27,166 million), among which an appropriation of 10% of the profit of the Bank for the year determined under the generally accepted accounting principles of PRC ("PRC GAAP") to the statutory surplus reserve, in the amount of RMB28,318 million (2017: RMB27,059 million) was approved and the total surplus reserve made by some overseas branches was RMB103 million (2017: RMB107 million) pursuant to the requirements of local authorities.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserve in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The general reserve balance of the Bank as at 31 December 2018 amounted to RMB271,201 million (31 December 2017: RMB259,374 million), which has reached 1.5% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVOCI.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

The statement of changes in equity of the Bank during the year are set out below.

			Reserves									
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total equity
Balance as at 1 January 2017	356,407	79,375	156,204	201,980	246,308	2,434	(237)	(4,751)	(81)	601,857	872,290	1,909,929
Profit for the year	–	–	–	–	–	–	–	–	–	–	269,205	269,205
Other comprehensive income	–	–	–	–	–	(31,760)	(968)	786	152	(31,790)	–	(31,790)
Total comprehensive income	–	–	–	–	–	(31,760)	(968)	786	152	(31,790)	269,205	237,415
Dividends — ordinary shares 2016 final (note 17)	–	–	–	–	–	–	–	–	–	–	(83,506)	(83,506)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,437)	(4,437)
Appropriation to surplus reserve (i)	–	–	–	27,166	–	–	–	–	–	27,166	(27,166)	–
Appropriation to general reserve (ii)	–	–	–	–	13,066	–	–	–	–	13,066	(13,066)	–
Balance as at 31 December 2017	356,407	79,375	156,204	229,146	259,374	(29,326)	(1,205)	(3,965)	71	610,299	1,013,320	2,059,401
Impact of adopting IFRS 9	–	–	–	–	–	22,665	–	–	–	22,665	(53,341)	(30,676)
Balance as at 1 January 2018	356,407	79,375	156,204	229,146	259,374	(6,661)	(1,205)	(3,965)	71	632,964	959,979	2,028,725
Profit for the year	–	–	–	–	–	–	–	–	–	–	282,044	282,044
Other comprehensive income	–	–	–	–	–	26,587	911	52	(125)	27,425	–	27,425
Total comprehensive income	–	–	–	–	–	26,587	911	52	(125)	27,425	282,044	309,469
Dividends — ordinary shares 2017 final (note 17)	–	–	–	–	–	–	–	–	–	–	(85,823)	(85,823)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,506)	(4,506)
Appropriation to surplus reserve (i)	–	–	–	28,421	–	–	–	–	–	28,421	(28,421)	–
Appropriation to general reserve (ii)	–	–	–	–	11,827	–	–	–	–	11,827	(11,827)	–
Balance as at 31 December 2018	**356,407**	**79,375**	**156,204**	**257,567**	**271,201**	**19,926**	**(294)**	**(3,913)**	**(54)**	**700,637**	**1,111,446**	**2,247,865**

(i) Includes the appropriation made by overseas branches in the amount of RMB103 million (2017: RMB107 million).

(ii) Includes the reversal made by overseas branches in the amount of RMB9 million (2017: appropriation in the amount of RMB20 million).

(In RMB millions, unless otherwise stated)

40. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2018	2017
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVOCI	2,086	
Less: Income tax effect	(481)	
	1,605	
Other comprehensive income recognised under equity method	(9)	(29)
Others	(5)	3
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVOCI	32,971	
Less: Amount transferred to profit or loss from other comprehensive income	337	
Income tax effect	(8,709)	
	24,599	
Credit losses of debt instruments measured at FVOCI	(1,027)	
Less: Amount transferred to profit or loss from other comprehensive income	(211)	
	(1,238)	
Net loss from change in fair value of available-for-sale financial assets		(43,742)
Less: Amount transferred to profit or loss from other comprehensive income		(631)
Income tax effect		10,879
		(33,494)
Reserve from cash flow hedging instruments		
(Losses)/gains during the year	(42)	965
Less: Income tax effect	(11)	(26)
	(53)	939
Other comprehensive income recognised under equity method	488	(757)
Foreign currency translation differences	3,325	(8,752)
Others	(903)	712
	27,809	(41,378)

(In RMB millions, unless otherwise stated)

41. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, wealth management products, asset management plans, trust plans and asset-backed securities and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

Group

	31 December 2018		31 December 2017	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	23,191	23,191	10,919	10,919
Wealth management products	–	–	200	200
Asset management plans	324,773	324,773	267,379	267,379
Trust plans	39,966	39,966	24,200	24,200
Asset-backed securities	80,202	80,202	24,400	24,400
	468,132	468,132	327,098	327,098

The maximum exposures to loss in the above investment funds, wealth management products, asset management plans, trust plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date.

The following table sets out an analysis of the line items in the statement of financial position in which assets were recognised relating to the Group's interests in structured entities sponsored by third party institutions:

Group

	31 December 2018		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	23,191	–	–
Asset management plans	306,981	–	17,792
Trust plans	28,197	–	11,769
Asset-backed securities	60,284	5,917	14,001
	418,653	5,917	43,562

(In RMB millions, unless otherwise stated)

	31 December 2017			
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading or designated as at FVTPL	Receivables
Investment funds	–	7,976	1,443	1,500
Wealth management products	–	–	–	200
Asset management plans	–	6,164	228,063	33,152
Trust plans	–	–	8,157	16,043
Asset-backed securities	54	18,549	4,798	999
	54	32,689	242,461	51,894

(b) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2018, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2018, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,575,857 million (31 December 2017: RMB2,665,795 million) and RMB1,308,500 million (31 December 2017: RMB1,296,300 million) respectively.

During the year of 2018, the amount of the average exposure of financing transactions through placements and reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB73,105 million (2017: RMB92,791 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(c) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2018

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2018 but matured before 31 December 2018 was RMB708,588 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2017 but matured before 31 December 2017 was RMB1,439,371 million).

During the year of 2018, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB1,387 million (2017: RMB4,107 million).

The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2018 but matured before 31 December 2018 was RMB66 million (The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2017 but matured before 31 December 2017 was RMB42,400 million).

During the year of 2018, the amount of income received from such category of investment funds was RMB0.19 million. (2017: RMB12 million).

(In RMB millions, unless otherwise stated)

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of balances of cash and cash equivalents

	Note	2018	2017
Cash on hand	19	70,047	75,214
Balances with central banks other than restricted deposits	19	238,286	177,357
Nostro accounts with banks and other financial institutions with original maturity of three months or less		224,886	292,694
Placements with banks and other financial institutions with original maturity of three months or less		290,067	195,393
Reverse repurchase agreements with original maturity of three months or less		686,237	779,672
		1,509,523	1,520,330

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group			
	Liabilities	Equity		
	Debt securities issued	Retained profits	Non-controlling interests	Total
Balance as at 1 January 2018	531,559	1,042,509	13,533	1,587,601
Cash flows from financing activities				
Capital injection by non-controlling shareholders	–	–	125	125
Proceeds from issuance of debt securities	1,045,746	–	–	1,045,746
Interest paid on debt securities	258	(23,175)	–	(22,917)
Repayment of debt securities	(968,222)	–	–	(968,222)
Dividends paid to non-controlling shareholders	–	–	(327)	(327)
Dividends paid on ordinary shares	–	(85,823)	–	(85,823)
Dividends paid on preference shares	–	(4,506)	–	(4,506)
Net cash flows from financing activities	77,782	(113,504)	(202)	(35,924)
The effect of changes in foreign exchange rates	11,580	–	–	11,580
Amortisation of debt securities	(3,079)	–	–	(3,079)
Total liability-related other changes	(3,079)	–	–	(3,079)
Total equity-related other changes	–	277,661	1,551	279,212
Balance as at 31 December 2018	617,842	1,206,666	14,882	1,839,390

(In RMB millions, unless otherwise stated)

	Group				
	Liabilities		Equity		
	Debt securities issued	Interest payable on securities	Retained profits	Non-controlling interests	Total
Balance as at 1 January 2017	357,937	3,770	940,663	11,412	1,313,782
Cash flows from financing activities					
Capital injection by non-controlling shareholders	–	–	–	792	792
Proceeds from issuance of debt securities	943,954	–	–	–	943,954
Interest paid on debt securities	–	849	(16,219)	–	(15,370)
Acquisition of non-controlling interests	–	–	–	(194)	(194)
Repayment of debt securities	(759,095)	–	–	–	(759,095)
Dividends paid to non-controlling shareholders	–	–	–	(309)	(309)
Dividends paid on ordinary shares	–	–	(83,506)	–	(83,506)
Dividends paid on preference shares	–	–	(4,437)	–	(4,437)
Net cash flows from financing activities	184,859	849	(104,162)	289	81,835
The effect of changes in foreign exchange rates	(16,043)	–	–	–	(16,043)
Amortisation of debt securities	187	–	–	–	187
Total liability-related other changes	187	–	–	–	187
Total equity-related other changes	–	–	261,043	1,864	262,907
Balance as at 31 December 2017	526,940	4,619	1,097,544	13,565	1,642,668

43. TRANSFERRED FINANCIAL ASSETS

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

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral in certain circumstance. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2018		31 December 2017	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	33,161	45,780	44,458	44,433
Securities lending agreements	273,685	–	277,169	–
	306,846	45,780	321,627	44,433

(In RMB millions, unless otherwise stated)

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB256,346 million as at 31 December 2018 (31 December 2017: RMB59,051 million) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB37,239 million as at 31 December 2018 (31 December 2017: RMB3,679 million).

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. As at 31 December 2018, the Group does not have carrying amount of transferred assets that did not qualify for derecognition and carrying amount of their associated liabilities (31 December 2017: Nil).

44. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

45. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2018	2017	2018	2017
Authorised, but not contracted for	344	644	327	607
Contracted, but not provided for	33,042	22,380	1,469	2,314
	33,386	23,024	1,796	2,921

(In RMB millions, unless otherwise stated)

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group and the Bank leased certain office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	Group		Bank	
	2018	2017	2018	2017
Within one year	6,546	5,451	4,877	4,961
Over one year but within five years	12,806	9,166	7,486	8,280
Over five years	2,331	1,011	714	808
	21,683	15,628	13,077	14,049

Operating lease commitments — Lessor

At the end of the reporting period, the Group leased certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants were as follows:

	Group	
	2018	2017
Within one year	16,068	10,551
Over one year but within five years	62,722	42,806
Over five years	88,258	35,255
	167,048	88,612

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	Group		Bank	
	2018	2017	2018	2017
Bank acceptances	263,038	245,542	259,392	240,052
Guarantees issued:				
— Financing letters of guarantees	104,146	160,947	171,940	215,556
— Non-financing letters of guarantees	405,155	337,930	431,974	362,367
Sight letters of credit	42,918	37,353	37,657	34,556
Usance letters of credit and other commitments	162,801	153,182	159,470	147,524
Loan commitments:				
— With an original maturity of under one year	151,927	234,675	141,488	221,628
— With an original maturity of one year or over	1,061,666	1,439,090	987,856	1,383,145
Undrawn credit card limit	1,037,861	902,217	1,005,493	871,289
	3,229,512	3,510,936	3,195,270	3,476,117

(In RMB millions, unless otherwise stated)

	Group		Bank	
	2018	2017	2018	2017
Credit risk-weighted assets of credit commitments(i)	1,402,715	1,552,070	1,363,246	1,526,140

(i) Internal ratings-based approach was adopted to calculate the credit risk-weighted assets according to the scope approved by the former CBRC, and others were calculated by weighted approach.

(d) Legal proceedings

As at 31 December 2018, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,154 million (31 December 2017: RMB4,496 million).

In the opinion of management, the Group and the Bank have made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group and the Bank.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2018, the Bank had underwritten and sold bonds with an accumulated amount of RMB85,845 million (31 December 2017: RMB87,981 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2018, the unexpired securities underwriting obligations of the Group and the Bank amounted to RMB100 million (31 December 2017: Nil).

46. DESIGNATED FUNDS AND LOANS

	Group	
	2018	2017
Designated funds	920,829	1,327,990
Designated loans	920,476	1,327,433

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

47. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 31 December 2018, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB490,913 million (31 December 2017: RMB878,823 million).

(In RMB millions, unless otherwise stated)

48. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "net fee and commission income" set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

49. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 2018, the MOF directly owned approximately 34.60% (31 December 2017: approximately 34.60%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the major transactions are as follows:

	2018	2017
Balances at end of the year:		
The PRC government bonds and the special government bond	1,097,055	927,432

	2018	2017
Transactions during the year:		
Subscription of the PRC government bonds	682,923	351,138
Redemption of the PRC government bonds	322,489	184,792
Interest income on the PRC government bonds	37,795	31,366
Interest rate ranges during the year:	%	%
Bond investments	2.13 to 5.41	2.10 to 5.41

As at 31 December 2018, the Group holds a series of long-term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB90,309 million (31 December 2017: RMB90,309 million). The details of the Huarong bonds are included in note 24.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 49(g) "transactions with state-owned entities in the PRC".

(ii) Huijin

As at 31 December 2018, Central Huijin Investment Ltd ("Huijin") directly owned approximately 34.71% (31 December 2017: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2018, the Huijin Bonds held by the Bank are of an aggregate face value of RMB38.77 billion (31 December 2017: RMB22.75 billion), with terms ranging from 1 to 30 years and coupon rates ranging from 3.12% to 5.15% per annum. The Huijin Bonds are government-backed, short-term financing bills and medium-term notes. The Bank's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

(In RMB millions, unless otherwise stated)

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the major transactions are as follows:

	2018	2017
Balances at end of the year:		
Debt securities purchased	39,563	22,215
Loans and advances to customers	27,007	27,036
Due to customers	11,499	5,607

	2018	2017
Transactions during the year:		
Interest income on debt securities purchased	1,211	672
Interest income on loans and advances to customers	1,207	603
Interest expense on amounts due to customers	192	202
Net loss on financial liabilities designated as at FVTPL	–	26
Interest rate ranges during the year:	%	%
Debt securities purchased	3.12 to 5.15	3.16 to 4.98
Loans and advances to customers	3.92 to 4.75	3.92 to 4.75
Due to customers	0.30 to 2.18	0.30 to 1.76

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions during the year conducted with these banks and financial institutions are as follows:

	2018	2017
Balances at end of the year:		
Debt securities purchased	523,519	650,186
Due from banks and other financial institutions	135,694	128,185
Loans and advances to customers	211	691
Derivative financial assets	6,335	6,431
Due to banks and other financial institutions	123,288	157,412
Derivative financial liabilities	6,988	6,023
Due to customers	933	580
Credit commitments	13,974	15,954

	2018	2017
Transactions during the year:		
Interest income on debt securities purchased	19,866	23,758
Interest income on amounts due from banks and other financial institutions	538	418
Interest income on loans and advances to customers	26	8
Interest expense on amounts due to banks and other financial institutions	1,517	911
Interest expense on amounts due to customers	12	10
Interest rate ranges during the year:	%	%
Debt securities purchased	0 to 7.00	0.13 to 7.67
Due from banks and other financial institutions	0 to 7.50	0 to 10.00
Loans and advances to customers	4.13 to 6.18	2.31 to 4.13
Due to banks and other financial institutions	0 to 8.17	0 to 9.07
Due to customers	0 to 3.90	0 to 7.20

The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain major or long dated transactions can vary across the market.

(In RMB millions, unless otherwise stated)

(b) Subsidiaries

	2018	2017
Balances at end of the year:		
Financial investments	27,638	14,478
Due from banks and other financial institutions	428,902	387,233
Loans and advances to customers	49,532	37,385
Derivative financial assets	2,059	757
Due to banks and other financial institutions	420,539	383,376
Derivative financial liabilities	985	4,353
Reverse repurchase agreements	4,479	1,235
Repurchase agreements	27,349	5,913
Credit commitments	151,512	144,810

	2018	2017
Transactions during the year:		
Interest income on financial investments	155	147
Interest income on amounts due from banks and other financial institutions	1,802	1,186
Interest income on loans and advances to customers	1,033	265
Interest expense on amounts due to banks and other financial institutions	2,643	1,262
Fee and commission income	2,432	1,566
Interest rate ranges during the year:	%	%
Financial investments	0 to 4.00	0.50 to 4.00
Due from banks and other financial institutions	0.01 to 4.50	-0.42 to 105.00
Loans and advances to customers	0.20 to 6.15	0.25 to 6.15
Due to banks and other financial institutions	-0.20 to 5.50	-0.36 to 105.00

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(c) Associates and affiliates

	2018	2017
Balances at end of the year:		
Due from banks and other financial institutions	135	3,075
Loans and advances to customers	3,399	1,667
Derivative financial assets	1,558	1,238
Due to banks and other financial institutions	15,887	17,535
Due to customers	166	121
Derivative financial liabilities	433	1,178
Credit commitments	–	65

	2018	2017
Transactions during the year:		
Interest income on amounts due from banks and other financial institutions	53	16
Interest income on loans and advances to customers	120	55
Interest expense on amounts due to banks and other financial institutions	323	133
Interest expense on amounts due to customers	1	2
Interest rate ranges during the year:	%	%
Due from banks and other financial institutions	0 to 14.00	0 to 14.00
Loans and advances to customers	1.20 to 4.37	0.50 to 4.28
Due to banks and other financial institutions	0 to 2.67	0 to 8.54
Due to customers	0 to 0.72	0 to 2.30

The major transactions between the Group and the associates and their affiliates comprised due from banks and other financial institutions, loans and advances to customers and due to banks and other financial institutions and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Joint ventures and affiliates

	2018	2017
Balances at end of the year:		
Due to customers	71	145

	2018	2017
Transactions during the year:		
Interest expense on amounts due to customers	1	1
Interest rate ranges during the year:	%	%
Due to customers	0.01 to 0.30	0.01 to 1.30

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 12 above, is as follows:

	2018 RMB'000	2017 RMB'000
Short-term employment benefits	3,721	7,519
Post-employment benefits	262	304
	3,983	7,823

Note: The above remuneration before tax payable to key management personnel for 2017 represents the total amount of annual remuneration, which includes the amount disclosed in the 2017 Annual Report.

The total compensation packages for senior management of the Bank for the year ended 31 December 2018 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's 2018 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control directly or indirectly are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

	2018 RMB'000	2017 RMB'000
Loans	2,513	2,603

There were no other material transactions and balances with key management personnel on an individual basis during the year. The Group enters into banking transactions with key management personnel in the normal course of business.

The aggregate balance of loans and credit card overdraft to the person which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB93.45 million as at 31 December 2018 (31 December 2017: RMB36.52 million).

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund holds A shares of the Bank with an amount of RMB4.41 million as at 31 December 2018 (31 December 2017: RMB21.58 million).

(g) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the year, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

50. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

(In RMB millions, unless otherwise stated)

Others

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Year ended 31 December 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	273,082	86,143	213,293	–	572,518
Internal net interest (expense)/income	(3,458)	122,772	(119,314)	–	–
Net fee and commission income	81,684	62,969	648	–	145,301
Other income/(expense), net (i)	2,551	1,606	(2,143)	5,288	7,302
Operating income	353,859	273,490	92,484	5,288	725,121
Operating expenses	(70,797)	(98,280)	(17,449)	(7,677)	(194,203)
Impairment losses on assets	(131,348)	(30,926)	793	(113)	(161,594)
Operating profit/(loss)	151,714	144,284	75,828	(2,502)	369,324
Share of profits of associates and joint ventures	–	–	–	3,089	3,089
Profit before taxation	151,714	144,284	75,828	587	372,413
Income tax expense					(73,690)
Profit for the year					298,723
Other segment information:					
Depreciation	5,621	5,011	2,237	538	13,407
Amortisation	996	747	432	164	2,339
Capital expenditure	30,471	26,969	12,083	3,032	72,555
As at 31 December 2018					
Segment assets	9,706,611	5,711,799	12,095,016	186,114	27,699,540
Including: Investments in associates and joint ventures	–	–	–	29,124	29,124
Property and equipment	107,201	95,256	42,370	45,577	290,404
Other non-current assets (ii)	20,760	6,982	4,241	15,863	47,846
Segment liabilities	12,292,100	9,664,481	3,179,501	218,575	25,354,657
Other segment information:					
Credit commitments	2,222,156	1,007,356	–	–	3,229,512

(i) Including net trading income, net gain on financial investments and other operating income (net).

(ii) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

(In RMB millions, unless otherwise stated)

	Year ended 31 December 2017				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	251,100	58,384	212,594	–	522,078
Internal net interest income/(expense)	1,308	127,684	(128,992)	–	–
Net fee and commission income	76,923	62,325	377	–	139,625
Other income/(expense), net (i)	2,933	(474)	6,620	4,872	13,951
Operating income	332,264	247,919	90,599	4,872	675,654
Operating expenses	(70,089)	(93,935)	(15,857)	(6,313)	(186,194)
Impairment losses on assets	(109,302)	(16,141)	(2,029)	(297)	(127,769)
Operating profit/(loss)	152,873	137,843	72,713	(1,738)	361,691
Share of profits of associates and joint ventures	–	–	–	2,950	2,950
Profit before taxation	152,873	137,843	72,713	1,212	364,641
Income tax expense					(77,190)
Profit for the year					287,451
Other segment information:					
Depreciation	6,122	5,070	2,404	277	13,873
Amortisation	967	682	406	59	2,114
Capital expenditure	15,794	12,964	6,185	728	35,671
As at 31 December 2017					
Segment assets	9,309,390	4,992,999	11,629,855	154,799	26,087,043
Including: Investments in associates and joint ventures	–	–	–	32,441	32,441
Property and equipment	96,515	79,646	37,649	33,934	247,744
Other non-current assets (ii)	20,975	7,076	4,435	11,124	43,610
Segment liabilities	11,294,092	8,627,592	3,854,496	169,807	23,945,987
Other segment information:					
Credit commitments	2,608,719	902,217	–	–	3,510,936

(i) Including net trading income, net gain on financial investments and other operating income (net).

(ii) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh, Istanbul, Prague, Zurich, Manila and Vienna, etc.).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office ("HO"):	the HO business division (including institutions directly managed by the HO and their offices);
Yangtze River Delta:	including Shanghai, Jiangsu, Zhejiang and Ningbo;
Pearl River Delta:	including Guangdong, Shenzhen, Fujian and Xiamen;
Bohai Rim:	including Beijing, Tianjin, Hebei, Shandong and Qingdao;
Central China:	including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
Western China:	including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
Northeastern China:	including Liaoning, Heilongjiang, Jilin and Dalian.
Overseas and others:	branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

	Year ended 31 December 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	228,918	61,134	55,342	30,593	59,236	80,818	18,202	38,275	–	572,518
Internal net interest (expense)/income	(141,316)	27,338	11,824	83,075	11,846	6,811	5,554	(5,132)	–	–
Net fee and commission income	3,907	38,284	27,704	23,785	17,258	20,869	4,644	8,850	–	145,301
Other (expense)/income, net (i)	(5,114)	(605)	(495)	(654)	(148)	20	(442)	15,028	(288)	7,302
Operating income	86,395	126,151	94,375	136,799	88,192	108,518	27,958	57,021	(288)	725,121
Operating expenses	(18,802)	(29,196)	(21,976)	(31,779)	(28,482)	(33,104)	(11,960)	(19,192)	288	(194,203)
Impairment losses on assets	(29,087)	(19,899)	(20,268)	(29,537)	(23,683)	(21,005)	(10,436)	(7,679)	–	(161,594)
Operating profit	38,506	77,056	52,131	75,483	36,027	54,409	5,562	30,150	–	369,324
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	3,089	–	3,089
Profit before taxation	38,506	77,056	52,131	75,483	36,027	54,409	5,562	33,239	–	372,413
Income tax expense										(73,690)
Profit for the year										298,723
Other segment information:										
Depreciation	1,825	1,786	1,231	2,006	2,352	2,690	1,113	404	–	13,407
Amortisation	809	233	198	196	280	335	86	202	–	2,339
Capital expenditure	2,655	3,133	1,767	3,838	2,410	2,801	975	54,976	–	72,555

(i) Including net trading income, net gain on financial investments and other operating income (net).

	As at 31 December 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,803,222	5,860,977	3,700,969	4,085,516	2,758,294	3,530,531	1,120,364	3,695,699	(6,914,407)	27,641,165
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	29,124	–	29,124
Property and equipment	12,038	31,408	11,332	18,605	18,359	22,807	9,650	166,205	–	290,404
Other non-current assets (i)	11,606	5,839	3,458	3,926	6,750	10,449	1,581	4,237	–	47,846
Unallocated assets										58,375
Total assets										27,699,540
Liabilities by geographical areas	7,532,137	6,166,615	3,719,458	6,639,630	2,733,284	3,378,285	1,134,009	879,687	(6,914,407)	25,268,698
Unallocated liabilities										85,959
Total liabilities										25,354,657
Other segment information:										
Credit commitments	1,140,804	652,201	372,549	544,264	231,154	412,271	82,387	720,824	(926,942)	3,229,512

(i) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

(In RMB millions, unless otherwise stated)

	Year ended 31 December 2017									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	212,369	50,808	47,429	28,671	50,020	71,964	15,441	45,376	–	522,078
Internal net interest (expense)/income	(142,941)	28,970	15,958	73,129	13,526	8,597	7,876	(5,115)	–	–
Net fee and commission income	6,063	36,449	24,415	23,282	17,548	19,383	4,596	7,904	(15)	139,625
Other (expense)/income, net (i)	(1,650)	905	714	924	247	851	719	11,280	(39)	13,951
Operating income	73,841	117,132	88,516	126,006	81,341	100,795	28,632	59,445	(54)	675,654
Operating expenses	(15,739)	(28,487)	(21,383)	(30,653)	(27,495)	(32,179)	(12,170)	(18,142)	54	(186,194)
Impairment losses on assets	(10,911)	(17,012)	(19,572)	(28,535)	(21,187)	(20,922)	(5,650)	(3,980)	–	(127,769)
Operating profit	47,191	71,633	47,561	66,818	32,659	47,694	10,812	37,323	–	361,691
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	2,950	–	2,950
Profit before taxation	47,191	71,633	47,561	66,818	32,659	47,694	10,812	40,273	–	364,641
Income tax expense										(77,190)
Profit for the year										287,451
Other segment information:										
Depreciation	1,704	1,918	1,323	2,079	2,452	2,856	1,155	386	–	13,873
Amortisation	627	240	181	169	285	352	88	172	–	2,114
Capital expenditure	1,512	3,639	1,303	1,539	2,011	2,830	787	22,050	–	35,671

(i) Including net trading income, net gain on financial investments and other operating income (net).

	As at 31 December 2017									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,101,260	5,327,071	3,356,039	3,710,656	2,529,871	3,113,759	1,078,047	3,382,006	(5,560,058)	26,038,651
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	32,441	–	32,441
Property and equipment	12,166	30,359	10,955	17,080	18,588	23,054	9,900	125,642	–	247,744
Other non-current assets (i)	11,025	5,762	4,172	3,974	5,371	7,603	1,430	4,273	–	43,610
Unallocated assets										48,392
Total assets										26,087,043
Liabilities by geographical areas	7,179,622	5,564,511	3,692,171	5,568,370	2,624,956	3,164,294	1,069,369	571,676	(5,560,058)	23,874,911
Unallocated liabilities										71,076
Total liabilities										23,945,987
Other segment information:										
Credit commitments	946,311	657,602	466,598	558,078	254,474	433,536	89,923	690,097	(585,683)	3,510,936

(i) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the "Board") has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments monitoring financial risks within the Group, including the Credit Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the Head Office and management of the relevant branches.

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas in addition to the credit risk arising from the Group's loans, due from banks and other financial institutions and financial investments. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments will be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three risk stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

Refer to Note 3(6) Impairment of the financial assets for the definition of the three risk stages.

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria at the timing of recognition:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral;

(iii) The corporate borrower has the above matters in other financial institutions refers to (i), (ii)

The Group defines a retail business borrower as in default when single credit assets of borrowers meets one or more of the following criteria:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) Write-offs;

(iii) The Group considers the borrower is unlikely to pay its credit obligations to the Group in full.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

Description of parameters, assumptions, and estimation techniques

Expected credit losses (“ECL”) for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition or whether an asset is considered to be credit-impaired. The loss allowance for loans and advances to customers, other than those corporate loans and advance to customers which are credit-impaired, is measured using the risk parameters method. The key parameters include Probability of Default (“PD”), Loss Given Default (“LGD”), and Exposure at Default (“EAD”), considering the time value of money. Related definitions are as follows:

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, with taking the forward-looking information into account;

EAD refers to the total amount of on-and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions made during the year.

The impairment loss on credit-impaired corporate loans and advance to customers applied cash flow discount method, if there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables, including Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Purchasing Managers' Index ("PMI"), M2, Industrial Added Value and Real Estate Climate Index, impacting ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic variables are provided quarterly by the Group at least and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

Write-off policy

The Group writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery.

(In RMB millions, unless otherwise stated)

Contractual modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The following table includes carrying amount of rescheduled loans and advance to customers:

	Group		Bank	
	2018	2017	2018	2017
Rescheduled loans and advances to customers	7,211	5,158	5,083	2,590
Impaired loans and advances to customers included in above	3,112	1,989	2,903	1,618

Collaterals and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 31 December 2018, the gross carrying amount of corporate loans and discounted bills amounted to RMB9,783,331 million (31 December 2017: RMB9,287,990 million), of which credit exposure covered by collateral amounted to RMB3,208,571 million (31 December 2017: RMB3,335,404 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2018, the gross carrying amount of retail loans amounted to RMB5,636,574 million (31 December 2017: RMB4,945,458 million), of which credit exposure covered by collateral amounted to RMB4,913,432 million (31 December 2017: RMB4,313,125 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

During the reporting period, the Group took possession of collateral held as security with a carrying amount of RMB1,774 million (31 December 2017: RMB2,099 million).

(In RMB millions, unless otherwise stated)

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

	Group		Bank	
	2018	2017	2018	2017
Balances with central banks	3,302,529	3,538,658	3,249,421	3,477,828
Due from banks and other financial institutions	962,449	847,611	1,031,402	930,593
Derivative financial assets	71,335	89,013	38,295	53,856
Reverse repurchase agreements	734,049	986,631	521,393	750,763
Loans and advances to customers	15,046,132	13,892,966	14,211,777	13,125,401
Financial investments				
— Financial investments measured at FVTPL	750,957	432,143	709,262	398,329
— Financial investments measured at FVOCI	1,400,244		1,217,762	
— Financial investments measured at amortised cost	4,519,182		4,362,174	
— Available-for-sale financial assets		1,473,159		1,324,817
— Held-to-maturity investments		3,542,184		3,439,471
— Receivables		277,129		231,631
Others	166,363	288,090	116,771	238,733
	26,953,240	25,367,584	25,458,257	23,971,422
Credit commitments	3,229,512	3,510,936	3,195,270	3,476,117
Total maximum credit risk exposure	30,182,752	28,878,520	28,653,527	27,447,539

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(In RMB millions, unless otherwise stated)

By geographical distribution

The following tables set out the breakdown of the Group's and the Bank's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution:

Group

31 December 2018

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	2,870,736	82,669	32,256	80,490	17,367	32,409	10,447	176,155	3,302,529
Due from banks and other financial institutions	561,322	15,052	1,857	427	222	599	103	382,867	962,449
Derivative financial assets	29,741	2,095	849	358	130	241	109	37,812	71,335
Reverse repurchase agreements	505,600	–	–	–	–	–	–	228,449	734,049
Loans and advances to customers	687,466	2,763,624	2,020,113	2,454,608	2,148,413	2,668,607	731,538	1,571,763	15,046,132
Financial investments									
— Financial investments measured at FVTPL	699,223	1,219	914	6,016	520	685	174	42,206	750,957
— Financial investments measured at FVOCI	857,356	34,529	18,218	174,673	16,997	21,665	432	276,374	1,400,244
— Financial investments measured at amortised cost	3,997,484	24,694	25,637	22,827	59,701	90,710	13,720	284,409	4,519,182
Others	18,130	27,297	61,931	3,383	2,393	2,038	395	50,796	166,363
	10,227,058	2,951,179	2,161,775	2,742,782	2,245,743	2,816,954	756,918	3,050,831	26,953,240
Credit commitments	1,047,736	522,667	332,232	417,287	160,755	250,303	75,541	422,991	3,229,512
Total maximum credit risk exposure	11,274,794	3,473,846	2,494,007	3,160,069	2,406,498	3,067,257	832,459	3,473,822	30,182,752

The compositions of each geographical distribution above are set out in note 50(b).

31 December 2017

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	3,065,933	59,322	34,559	115,233	26,569	33,744	9,270	194,028	3,538,658
Due from banks and other financial institutions	582,618	2,854	1,128	634	210	1,251	123	258,793	847,611
Financial assets held for trading	60,072	–	–	–	–	–	–	18,470	78,542
Financial assets designated as at FVTPL	333,921	557	373	563	253	370	91	17,473	353,601
Derivative financial assets	34,410	647	1,889	2,228	306	1,467	194	47,872	89,013
Reverse repurchase agreements	738,433	–	–	–	–	–	–	248,198	986,631
Loans and advances to customers	606,492	2,542,533	1,842,347	2,277,473	1,954,528	2,451,071	712,922	1,505,600	13,892,966
Financial investments									
— Receivables	221,242	24	284	1,736	3,540	270	120	49,913	277,129
— Held-to-maturity investments	3,124,591	28,576	22,004	24,344	44,699	68,913	12,677	216,380	3,542,184
— Available-for-sale financial assets	933,376	45,079	24,088	193,388	17,417	22,933	1,279	235,599	1,473,159
Others	128,867	32,024	13,558	18,148	20,255	14,593	3,773	56,872	288,090
	9,829,955	2,711,616	1,940,230	2,633,747	2,067,777	2,594,612	740,449	2,849,198	25,367,584
Credit commitments	911,612	579,997	414,893	517,276	220,802	371,775	84,106	410,475	3,510,936
Total maximum credit risk exposure	10,741,567	3,291,613	2,355,123	3,151,023	2,288,579	2,966,387	824,555	3,259,673	28,878,520

The compositions of each geographical distribution above are set out in note 50(b).

(In RMB millions, unless otherwise stated)

Bank

31 December 2018

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	2,870,736	82,669	32,256	80,490	17,367	32,409	10,447	123,047	3,249,421
Due from banks and other financial institutions	785,442	16,429	2,243	427	222	599	103	225,937	1,031,402
Derivative financial assets	30,266	2,182	849	358	130	241	109	4,160	38,295
Reverse repurchase agreements	508,264	–	–	–	–	–	–	13,129	521,393
Loans and advances to customers	694,766	2,763,624	2,020,113	2,468,536	2,148,413	2,670,233	739,954	706,138	14,211,777
Financial investments									
— Financial investments measured at FVTPL	136,716	1,219	914	568,522	520	685	174	512	709,262
— Financial investments measured at FVOCI	857,356	34,529	18,218	174,673	16,997	21,665	432	93,892	1,217,762
— Financial investments measured at amortised cost	4,006,969	24,694	25,637	22,827	59,701	90,710	13,720	117,916	4,362,174
Others	18,371	27,354	61,938	3,387	2,396	2,042	397	886	116,771
	9,908,886	2,952,700	2,162,168	3,319,220	2,245,746	2,818,584	765,336	1,285,617	25,458,257
Credit commitments	1,107,011	537,087	335,207	430,005	166,341	255,240	75,828	288,551	3,195,270
Total maximum credit risk exposure	11,015,897	3,489,787	2,497,375	3,749,225	2,412,087	3,073,824	841,164	1,574,168	28,653,527

The compositions of each geographical distribution above are set out in note 50(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

31 December 2017

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	3,065,933	59,322	34,559	115,233	26,569	33,744	9,270	133,198	3,477,828
Due from banks and other financial institutions	728,091	2,884	8,179	634	210	1,264	123	189,208	930,593
Financial assets held for trading	60,072	–	–	–	–	–	–	–	60,072
Financial assets designated as at FVTPL	333,921	557	373	563	253	370	91	2,129	338,257
Derivative financial assets	36,438	647	1,889	2,228	306	1,467	194	10,687	53,856
Reverse repurchase agreements	739,950	–	–	–	–	–	–	10,813	750,763
Loans and advances to customers	613,792	2,542,533	1,842,347	2,294,258	1,954,528	2,451,071	719,126	707,746	13,125,401
Financial investments									
— Receivables	225,657	24	284	1,736	3,540	270	120	–	231,631
— Held-to-maturity investments	3,131,589	28,576	22,004	24,344	44,699	68,913	12,677	106,669	3,439,471
— Available-for-sale financial assets	936,338	45,079	24,088	193,388	17,417	22,933	1,279	84,295	1,324,817
Others	129,073	32,068	13,565	18,156	20,258	14,598	3,773	7,242	238,733
	10,000,854	2,711,690	1,947,288	2,650,540	2,067,780	2,594,630	746,653	1,251,987	23,971,422
Credit commitments	937,147	596,587	429,153	530,239	227,552	380,078	84,279	291,082	3,476,117
Total maximum credit risk exposure	10,938,001	3,308,277	2,376,441	3,180,779	2,295,332	2,974,708	830,932	1,543,069	27,447,539

The compositions of each geographical distribution above are set out in note 50(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

(In RMB millions, unless otherwise stated)

By industry and issuers distribution

The composition of the Group's and of the Bank's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	Group		Bank	
	2018	2017	2018	2017
Transportation, storage and postal services	2,070,542	1,868,700	1,957,627	1,766,388
Manufacturing	1,569,387	1,622,263	1,518,030	1,572,794
Leasing and commercial services	1,145,342	1,017,887	1,094,756	961,509
Production and supply of electricity, heating, gas and water	1,004,744	971,938	976,464	947,100
Real estate	850,038	739,783	677,177	597,547
Water, environment and public utility management	786,803	676,573	771,973	656,895
Wholesale and retail	626,059	702,151	583,254	658,745
Finance	295,271	295,919	207,383	204,903
Construction	265,149	249,244	247,209	231,493
Mining	234,976	262,262	207,360	230,195
Science, education, culture and sanitation	196,046	146,074	174,180	130,874
Others	374,537	384,070	293,678	304,901
Subtotal for corporate loans	9,418,894	8,936,864	8,709,091	8,263,344
Personal mortgage and business loans	4,805,944	4,154,899	4,725,728	4,088,754
Others	830,630	790,559	789,810	754,295
Subtotal for personal loans	5,636,574	4,945,458	5,515,538	4,843,049
Discounted bills	364,437	351,126	353,277	349,024
Total for loans and advances to customers	15,419,905	14,233,448	14,577,906	13,455,417

The following tables present an analysis of debt securities (excluding accrued interest) by types of issuers and investments:

Group

	31 December 2018			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	42,296	413,941	3,617,465	4,073,702
Policy banks	49,291	223,877	501,564	774,732
Public sector entities	7,284	201,183	8,555	217,022
Banks and other financial institutions	126,420	302,685	264,645	693,750
Corporate entities	18,458	235,641	35,771	289,870
	243,749	1,377,327	4,428,000	6,049,076

(In RMB millions, unless otherwise stated)

	31 December 2017					
	Financial assets held for trading	Financial assets designated as at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Receivables	Total
Governments and central banks	24,468	10,590	514,597	2,670,976	85,000	3,305,631
Policy banks	2,228	30,729	206,621	757,091	–	996,669
Public sector entities	4,670	2,953	196,793	15,779	100	220,295
Banks and other financial institutions	8,452	6,966	307,105	72,985	123,237	518,745
Corporate entities	38,724	8,539	241,879	25,353	17,898	332,393
	78,542	59,777	1,466,995	3,542,184	226,235	5,373,733

Bank

	31 December 2018			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	24,153	380,287	3,555,980	3,960,420
Policy banks	49,290	202,787	484,456	736,533
Public sector entities	7,222	195,339	3,999	206,560
Banks and other financial institutions	124,144	242,056	236,395	602,595
Corporate entities	14,203	176,687	18,477	209,367
	219,012	1,197,156	4,299,307	5,715,475

	31 December 2017					
	Financial assets held for trading	Financial assets designated as at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Receivables	Total
Governments and central banks	7,371	–	487,915	2,608,717	85,000	3,189,003
Policy banks	2,199	30,729	189,069	728,060	–	950,057
Public sector entities	4,618	2,953	189,865	7,684	100	205,220
Banks and other financial institutions	7,957	6,966	259,547	90,532	126,653	491,655
Corporate entities	37,927	6,766	198,421	4,478	17,898	265,490
	60,072	47,414	1,324,817	3,439,471	229,651	5,101,425

(In RMB millions, unless otherwise stated)

Distribution of debt securities investments (excluding accrued interest) analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The carrying amounts of debt securities investments analysed by rating as at the end of the reporting period are as follows:

Group

	31 December 2018					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,479,735	2,557,514	5,217	15,840	15,396	4,073,702
Policy banks	758,698	2,289	965	11,894	886	774,732
Public sector entities	130	204,822	123	11,947	–	217,022
Banks and other financial institutions	232,352	312,628	17,605	72,531	58,634	693,750
Corporate entities	53,371	146,240	9,030	44,650	36,579	289,870
	2,524,286	3,223,493	32,940	156,862	111,495	6,049,076

	31 December 2017					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,260,334	2,014,051	6,502	9,878	14,866	3,305,631
Policy banks	981,501	2,949	1,589	10,524	106	996,669
Public sector entities	110	204,261	118	15,786	20	220,295
Banks and other financial institutions	155,799	246,955	17,072	55,336	43,583	518,745
Corporate entities	34,051	220,870	14,462	36,350	26,660	332,393
	2,431,795	2,689,086	39,743	127,874	85,235	5,373,733

(In RMB millions, unless otherwise stated)

Bank

	31 December 2018					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,422,978	2,519,288	4,277	6,438	7,439	3,960,420
Policy banks	728,911	–	965	6,575	82	736,533
Public sector entities	–	198,598	123	7,839	–	206,560
Banks and other financial institutions	221,797	293,355	12,190	42,796	32,457	602,595
Corporate entities	33,990	139,692	7,982	13,411	14,292	209,367
	2,407,676	3,150,933	25,537	77,059	54,270	5,715,475

	31 December 2017					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,215,873	1,961,866	3,680	2,053	5,531	3,189,003
Policy banks	939,035	2,919	1,589	6,437	77	950,057
Public sector entities	110	195,003	118	9,969	20	205,220
Banks and other financial institutions	183,270	233,129	14,331	34,894	26,031	491,655
Corporate entities	20,160	212,228	12,916	9,806	10,380	265,490
	2,358,448	2,605,145	32,634	63,159	42,039	5,101,425

(In RMB millions, unless otherwise stated)

(iii) Analysis on the credit quality of financial instruments

As at 31 December 2018, the Group's and the Bank's credit risk stages of financial instruments are as follows:

Group

	31 December 2018							
	Book value				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,372,576	–	–	3,372,576	–	–	–	–
Due from banks and other financial institutions	954,413	9,051	–	963,464	(993)	(22)	–	(1,015)
Reverse repurchase agreements	559,295	–	–	559,295	(40)	–	–	(40)
Loans and advances to customers	14,310,149	552,086	234,777	15,097,012	(158,084)	(81,406)	(173,241)	(412,731)
Including: Corporate loans and advances	8,714,321	527,291	194,637	9,436,249	(109,399)	(74,298)	(136,499)	(320,196)
Personal loans	5,585,639	24,795	40,120	5,650,554	(48,670)	(7,108)	(36,722)	(92,500)
Discounted bills	10,189	–	20	10,209	(15)	–	(20)	(35)
Financial investments	4,516,711	4,793	161	4,521,665	(1,504)	(854)	(125)	(2,483)
Precious metal leasing	103,110	750	329	104,189	(530)	(226)	(202)	(958)
Total	23,816,254	566,680	235,267	24,618,201	(161,151)	(82,508)	(173,568)	(417,227)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	31 December 2018							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	360,234	1	248	360,483	(198)	(0)	(248)	(446)
Including: Corporate loans and advances	6,255	–	–	6,255	(13)	–	–	(13)
Discounted bills	353,979	1	248	354,228	(185)	(0)	(248)	(433)
Financial investments	1,398,443	1,801	–	1,400,244	(1,622)	(92)	(196)	(1,910)
Total	1,758,677	1,802	248	1,760,727	(1,820)	(92)	(444)	(2,356)
Credit commitments	3,175,598	53,160	754	3,229,512	(28,811)	(5,342)	(562)	(34,715)

(In RMB millions, unless otherwise stated)

Bank

	31 December 2018							
	Book value				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,313,748	–	–	3,313,748	–	–	–	–
Due from banks and other financial institutions	1,032,333	–	–	1,032,333	(931)	–	–	(931)
Reverse repurchase agreements	521,430	–	–	521,430	(37)	–	–	(37)
Loans and advances to customers	13,546,702	492,973	227,825	14,267,500	(152,877)	(78,524)	(169,073)	(400,474)
Including: Corporate loans and advances	8,071,741	469,341	188,130	8,729,212	(104,732)	(71,635)	(132,684)	(309,051)
Personal loans	5,465,531	23,632	39,675	5,528,838	(48,130)	(6,889)	(36,369)	(91,388)
Discounted bills	9,430	–	20	9,450	(15)	–	(20)	(35)
Financial investments	4,361,361	3,000	101	4,364,462	(1,392)	(830)	(66)	(2,288)
Precious metal leasing	103,110	750	329	104,189	(530)	(226)	(202)	(958)
Total	22,878,684	496,723	228,255	23,603,662	(155,767)	(79,580)	(169,341)	(404,688)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	31 December 2018							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	343,578	1	248	343,827	(184)	(0)	(248)	(432)
Including: Discounted bills	343,578	1	248	343,827	(184)	(0)	(248)	(432)
Financial investments	1,216,742	1,020	–	1,217,762	(1,407)	(90)	(196)	(1,693)
Total	1,560,320	1,021	248	1,561,589	(1,591)	(90)	(444)	(2,125)
Credit commitments	3,131,523	62,795	952	3,195,270	(28,189)	(5,337)	(562)	(34,088)

(In RMB millions, unless otherwise stated)

As at 31 December 2017, the analysis of the overdue situation of loans and advances to customers and bond investments of the Group and the Bank is as follows:

Group

	31 December 2017					
		Debt securities				
	Loans and advances to customers	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated as at FVTPL
Neither past due nor impaired	13,932,977	226,240	3,542,268	1,467,059	78,542	59,777
Past due but not impaired	79,483	–	–	–	–	–
Impaired	220,988	–	83	281	–	–
	14,233,448	226,240	3,542,351	1,467,340	78,542	59,777
Less: Allowance for impairment losses	(340,482)	(5)	(167)	(345)	–	–
	13,892,966	226,235	3,542,184	1,466,995	78,542	59,777

Bank

	31 December 2017					
		Debt securities				
	Loans and advances to customers	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated as at FVTPL
Neither past due nor impaired	13,172,458	229,656	3,439,552	1,324,956	60,072	47,414
Past due but not impaired	68,313	–	–	–	–	–
Impaired	214,646	–	24	–	–	–
	13,455,417	229,656	3,439,576	1,324,956	60,072	47,414
Less: Allowance for impairment losses	(330,016)	(5)	(105)	(139)	–	–
	13,125,401	229,651	3,439,471	1,324,817	60,072	47,414

(b) Liquidity risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although remaining solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(In RMB millions, unless otherwise stated)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

The Group's and the Bank's expected the remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

31 December 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	564,172	–	–	7,303	–	–	2,801,101	3,372,576
Due from banks and other financial institutions (*)	153,907	897,537	257,859	316,762	69,856	577	–	1,696,498
Derivative financial assets	61	13,448	15,369	24,278	11,645	6,534	–	71,335
Loans and advances to customers	21,943	914,097	621,648	2,600,254	3,567,565	7,249,737	70,888	15,046,132
Financial investments								
— Financial investments measured at FVTPL	6,164	44,236	44,671	109,843	405,552	131,963	62,918	805,347
— Financial investments measured at FVOCI	–	52,098	57,803	244,232	775,046	272,032	28,952	1,430,163
— Financial investments measured at amortised cost	7	39,686	130,695	415,725	2,473,116	1,459,953	–	4,519,182
Investments in associates and joint ventures	–	–	–	–	–	–	29,124	29,124
Property and equipment	–	–	–	–	–	–	290,404	290,404
Others	257,916	49,564	19,372	15,912	18,176	38,240	39,599	438,779
Total assets	1,004,170	2,010,666	1,147,417	3,734,309	7,320,956	9,159,036	3,322,986	27,699,540
Liabilities:								
Due to central banks	–	–	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	67,859	478	382	5,570	11,334	1,777	–	87,400
Derivative financial liabilities	415	14,081	15,570	28,094	9,778	5,635	–	73,573
Due to banks and other financial institutions (**)	1,129,334	510,830	302,505	310,489	31,569	44,569	–	2,329,296
Certificates of deposit	–	60,071	126,157	140,227	14,450	449	–	341,354
Due to customers	11,578,642	919,716	1,337,250	4,978,718	2,582,550	12,058	–	21,408,934
Debt securities issued	–	19,689	7,021	65,335	238,450	287,347	–	617,842
Others	285,333	53,041	33,234	90,604	20,299	13,266	–	495,777
Total liabilities	13,061,583	1,577,906	1,822,119	5,619,108	2,908,840	365,101	–	25,354,657
Net liquidity gap	(12,057,413)	432,760	(674,702)	(1,884,799)	4,412,116	8,793,935	3,322,986	2,344,883

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	529,507	7,598	14,578	14,650	–	–	3,047,539	3,613,872
Due from banks and other financial institutions (*)	359,750	900,047	213,862	299,346	60,936	301	–	1,834,242
Financial assets held for trading	–	7,682	6,099	50,873	7,089	6,799	8,795	87,337
Financial assets designated as at FVTPL	4,786	1,630	1,715	157,414	151,689	30,285	6,082	353,601
Derivative financial assets	162	15,459	21,188	34,609	12,171	5,424	–	89,013
Loans and advances to customers	40,414	906,587	780,058	2,643,941	3,244,181	6,195,484	82,301	13,892,966
Financial investments	–	100,504	173,033	505,890	2,803,426	1,709,619	23,294	5,315,766
Investments in associates and joint ventures	–	–	–	–	–	–	32,441	32,441
Property and equipment	–	–	–	–	–	–	247,744	247,744
Others	338,790	72,876	24,567	57,084	40,937	45,702	40,105	620,061
Total assets	1,273,409	2,012,383	1,235,100	3,763,807	6,320,429	7,993,614	3,488,301	26,087,043
Liabilities:								
Due to central banks	–	22	10	20	404	–	–	456
Financial liabilities designated as at FVTPL	60,436	1,027	1,796	11,523	12,769	1,810	–	89,361
Derivative financial liabilities	214	18,752	18,013	27,290	8,628	5,659	–	78,556
Due to banks and other financial institutions (**)	985,193	1,043,392	254,170	401,526	22,698	45,908	–	2,752,887
Certificates of deposit	–	49,685	95,928	102,316	12,049	296	–	260,274
Due to customers	10,701,914	1,014,915	1,387,688	3,895,490	2,549,415	13,514	–	19,562,936
Debt securities issued	–	7,330	11,620	22,870	200,826	284,294	–	526,940
Others	319,177	77,587	61,384	132,359	61,481	22,589	–	674,577
Total liabilities	12,066,934	2,212,710	1,830,609	4,593,394	2,868,270	374,070	–	23,945,987
Net liquidity gap	(10,793,525)	(200,327)	(595,509)	(829,587)	3,452,159	7,619,544	3,488,301	2,141,056

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

Bank

31 December 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	533,689	–	–	7,303	–	–	2,772,756	3,313,748
Due from banks and other financial institutions (*)	126,758	760,246	229,712	332,108	99,673	4,298	–	1,552,795
Derivative financial assets	–	7,709	10,080	18,176	1,249	1,081	–	38,295
Loans and advances to customers	12,777	903,927	573,073	2,496,675	3,225,042	6,933,254	67,029	14,211,777
Financial investments								
— Financial investments measured at FVTPL	6,080	41,236	44,088	96,962	392,581	123,395	36,303	740,645
— Financial investments measured at FVOCI	–	45,788	50,630	224,701	675,993	220,650	28,075	1,245,837
— Financial investments measured at amortised cost	7	29,792	104,760	379,595	2,408,462	1,439,558	–	4,362,174
Investments in subsidiaries and associates	–	–	–	–	–	–	156,352	156,352
Property and equipment	–	–	–	–	–	–	124,548	124,548
Others	186,175	47,757	7,746	10,465	15,253	30,352	28,241	325,989
Total assets	865,486	1,836,455	1,020,089	3,565,985	6,818,253	8,752,588	3,213,304	26,072,160
Liabilities:								
Due to central banks	–	–	–	–	410	–	–	410
Financial liabilities designated as at FVTPL	67,257	–	–	4,363	7,117	–	–	78,737
Derivative financial liabilities	–	8,349	10,065	21,309	1,348	1,049	–	42,120
Due to banks and other financial institutions (**)	1,102,850	313,885	264,097	243,200	21,103	–	–	1,945,135
Certificates of deposit	–	50,770	98,307	117,404	14,450	449	–	281,380
Due to customers	11,400,958	694,147	1,189,630	4,793,308	2,557,518	11,367	–	20,646,928
Debt securities issued	–	19,536	8,320	44,808	149,606	277,021	–	499,291
Others	156,604	45,960	31,854	83,554	8,591	3,731	–	330,294
Total liabilities	12,727,669	1,132,647	1,602,273	5,307,946	2,760,143	293,617	–	23,824,295
Net liquidity gap	(11,862,183)	703,808	(582,184)	(1,741,961)	4,058,110	8,458,971	3,213,304	2,247,865

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	485,599	7,598	14,578	14,650	–	–	3,026,571	3,548,996
Due from banks and other financial institutions (*)	301,230	784,273	230,954	296,497	64,657	3,745	–	1,681,356
Financial assets held for trading	–	5,124	5,871	44,397	4,170	510	–	60,072
Financial assets designated as at FVTPL	4,786	1,630	1,715	147,805	149,146	28,554	4,621	338,257
Derivative financial assets	–	10,072	15,916	25,104	1,983	781	–	53,856
Loans and advances to customers	36,293	879,979	742,641	2,536,478	2,926,940	5,922,029	81,041	13,125,401
Financial investments	–	80,427	164,815	446,438	2,662,587	1,641,652	33,985	5,029,904
Investments in subsidiaries and associates	–	–	–	–	–	–	154,543	154,543
Property and equipment	–	–	–	–	–	–	122,387	122,387
Others	280,580	65,707	19,116	54,465	36,283	44,295	29,894	530,340
Total assets	1,108,488	1,834,810	1,195,606	3,565,834	5,845,766	7,641,566	3,453,042	24,645,112
Liabilities:								
Due to central banks	–	–	–	–	404	–	–	404
Financial liabilities designated as at FVTPL	60,175	719	46	4,825	8,087	–	–	73,852
Derivative financial liabilities	–	13,505	11,548	19,410	1,401	818	–	46,682
Due to banks and other financial institutions (**)	938,654	882,839	221,053	355,043	8,862	391	–	2,406,842
Certificates of deposit	–	44,283	72,616	92,464	11,830	296	–	221,489
Due to customers	10,505,305	841,168	1,261,067	3,745,921	2,527,671	13,315	–	18,894,447
Debt securities issued	–	6,733	8,191	14,842	132,587	273,922	–	436,275
Others	191,349	68,903	59,266	127,169	52,957	6,076	–	505,720
Total liabilities	11,695,483	1,858,150	1,633,787	4,359,674	2,743,799	294,818	–	22,585,711
Net liquidity gap	(10,586,995)	(23,340)	(438,181)	(793,840)	3,101,967	7,346,748	3,453,042	2,059,401

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(In RMB millions, unless otherwise stated)

Group

31 December 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	564,172	–	3,781	7,303	–	–	2,801,101	3,376,357
Due from banks and other financial institutions (*)	154,798	902,607	318,728	342,153	101,025	710	–	1,820,021
Loans and advances to customers (**)	22,507	988,987	801,611	3,301,244	6,077,004	11,176,249	238,194	22,605,796
Financial investments								
— Financial investments measured at FVTPL	5,844	44,867	46,378	118,910	417,216	152,175	63,225	848,615
— Financial investments measured at FVOCI	196	52,536	59,844	270,134	873,992	321,176	23,757	1,601,635
— Financial investments measured at amortised cost	106	40,020	136,471	504,023	2,904,342	1,681,478	–	5,266,440
Others	297,855	19,034	12,285	5,497	6,639	688	1,016	343,014
	1,045,478	2,048,051	1,379,098	4,549,264	10,380,218	13,332,476	3,127,293	35,861,878

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

31 December 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	69,065	484	389	5,674	13,173	1,848	–	90,633
Due to banks and other financial institutions (*)	1,129,795	514,886	310,656	321,458	36,610	61,249	–	2,374,654
Certificates of deposit	–	60,697	127,262	144,261	14,952	569	–	347,741
Due to customers	11,595,139	937,070	1,379,365	5,075,713	2,685,178	13,414	–	21,685,879
Debt securities issued	–	20,209	10,896	86,316	317,424	490,724	–	925,569
Others	270,385	11,949	1,719	2,418	15,164	6,453	–	308,088
	13,064,384	1,545,295	1,830,287	5,635,911	3,082,911	574,257	–	25,733,045
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	(1,675)	54	65	3	1,270	–	(283)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	23,964	1,825,500	1,206,634	2,562,995	182,370	38,339	–	5,839,802
Cash outflow	(18,965)	(1,786,499)	(1,188,652)	(2,547,242)	(161,666)	(37,690)	–	(5,740,714)
	4,999	39,001	17,982	15,753	20,704	649	–	99,088

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	529,507	7,598	18,692	14,650	–	–	3,047,539	3,617,986
Due from banks and other financial institutions (*)	360,594	903,213	217,389	308,631	64,958	308	–	1,855,093
Financial assets held for trading	–	7,880	6,284	52,330	12,003	12,429	8,713	99,639
Financial assets designated as at FVTPL	4,955	1,741	2,007	137,453	157,443	31,276	4,996	339,871
Loans and advances to customers (**)	40,970	974,577	943,429	3,228,857	5,408,201	9,294,094	235,552	20,125,680
Financial investments	424	109,323	197,328	631,417	3,319,794	2,012,391	23,878	6,294,555
Others	328,444	28,573	29,028	4,665	6,271	928	303	398,212
	1,264,894	2,032,905	1,414,157	4,378,003	8,968,670	11,351,426	3,320,981	32,731,036

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	22	10	21	404	–	–	457
Financial liabilities designated as at FVTPL	63,375	1,000	965	10,462	14,291	2,378	–	92,471
Due to banks and other financial institutions (*)	985,556	1,046,611	257,957	411,610	26,343	62,692	–	2,790,769
Certificates of deposit	–	49,886	96,506	103,895	12,395	323	–	263,005
Due to customers	10,711,266	1,024,078	1,430,458	3,975,296	2,646,341	15,087	–	19,802,526
Debt securities issued	–	7,536	12,946	40,985	272,959	351,122	–	685,548
Others	260,409	13,301	1,996	2,671	12,017	5,732	–	296,126
	12,020,606	2,142,434	1,800,838	4,544,940	2,984,750	437,334	–	23,930,902
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	779	141	3,780	3,098	249	–	8,047
Derivative financial instruments settled on gross basis								
— Cash inflow	10,846	1,337,254	913,371	2,032,741	151,844	48,177	–	4,494,233
— Cash outflow	(10,773)	(1,330,028)	(906,872)	(2,019,388)	(149,409)	(46,522)	–	(4,462,992)
	73	7,226	6,499	13,353	2,435	1,655	–	31,241

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

Bank

31 December 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	533,689	–	3,743	7,303	–	–	2,772,756	3,317,491
Due from banks and other financial institutions (*)	126,903	762,308	290,240	357,687	131,115	5,919	–	1,674,172
Loans and advances to customers (**)	13,262	965,693	736,487	3,131,617	5,577,768	10,684,505	234,253	21,343,585
Financial investments								
— Financial investments measured at FVTPL	5,194	41,755	45,646	104,906	399,827	140,267	35,902	773,497
— Financial investments measured at FVOCI	196	46,017	52,415	247,053	758,610	256,583	23,125	1,383,999
— Financial investments measured at amortised cost	37	30,070	109,817	464,803	2,831,131	1,648,977	–	5,084,835
Others	228,381	13,354	3,713	177	46	69	923	246,663
	907,662	1,859,197	1,242,061	4,313,546	9,698,497	12,736,320	3,066,959	33,824,242

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

31 December 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	–	–	410	–	–	410
Financial liabilities designated as at FVTPL	67,257	–	–	4,404	8,838	–	–	80,499
Due to banks and other financial institutions (*)	1,103,256	317,618	271,059	252,250	22,990	–	–	1,967,173
Certificates of deposit	–	51,316	99,198	121,031	14,952	569	–	287,066
Due to customers	11,402,025	694,898	1,219,474	4,874,953	2,656,523	12,650	–	20,860,523
Debt securities issued	–	20,064	9,548	62,251	213,718	329,271	–	634,852
Others	147,054	479	215	540	1,870	2,308	–	152,466
	12,719,592	1,084,375	1,599,494	5,315,429	2,919,301	344,798	–	23,982,989
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	(425)	16	62	6	153	–	(188)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	–	1,389,661	1,058,088	2,407,099	89,060	1,633	–	4,945,541
Cash outflow	–	(1,387,210)	(1,055,535)	(2,401,389)	(81,818)	(1,764)	–	(4,927,716)
	–	2,451	2,553	5,710	7,242	(131)	–	17,825

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	485,599	7,598	18,664	14,650	–	–	3,026,571	3,553,082
Due from banks and other financial institutions (*)	301,494	786,537	234,601	305,769	68,413	4,504	–	1,701,318
Financial assets held for trading	–	5,232	5,996	45,691	4,557	575	–	62,051
Financial assets designated as at FVTPL	4,675	1,741	2,007	127,719	154,500	28,455	3,633	322,730
Loans and advances to customers (**)	36,817	944,690	896,919	3,088,065	4,964,245	8,886,493	229,954	19,047,183
Financial investments	214	88,538	187,406	566,079	3,156,686	1,919,091	34,239	5,952,253
Others	283,889	22,566	23,444	658	304	42	300	331,203
	1,112,688	1,856,902	1,369,037	4,148,631	8,348,705	10,839,160	3,294,697	30,969,820

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	–	–	404	–	–	404
Financial liabilities designated as at FVTPL	60,175	722	51	4,948	9,991	–	–	75,887
Due to banks and other financial institutions (*)	939,006	885,647	224,426	363,811	9,084	469	–	2,422,443
Certificates of deposit	–	44,459	73,124	93,918	12,176	323	–	224,000
Due to customers	10,506,313	847,693	1,296,168	3,810,738	2,607,674	14,858	–	19,083,444
Debt securities issued	–	6,891	9,025	30,482	195,414	338,744	–	580,556
Others	132,813	3,977	427	788	1,414	2,903	–	142,322
	11,638,307	1,789,389	1,603,221	4,304,685	2,836,157	357,297	–	22,529,056
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	606	336	1,018	287	28	–	2,275
Derivative financial instruments settled on gross basis								
— Cash inflow	–	1,028,853	827,776	1,877,540	78,038	1,477	–	3,813,684
— Cash outflow	–	(1,029,218)	(822,752)	(1,867,131)	(77,407)	(1,551)	–	(3,798,059)
	–	(365)	5,024	10,409	631	(74)	–	15,625

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments will be drawn before the expiry of the commitments.

Group

31 December 2018

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,167,456	143,694	236,602	614,062	873,022	194,676	3,229,512

31 December 2017

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,043,584	123,905	281,759	649,759	1,040,917	371,012	3,510,936

Bank

31 December 2018

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,146,931	115,672	233,170	604,926	895,156	199,415	3,195,270

31 December 2017

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,038,989	97,993	283,876	657,496	1,027,429	370,334	3,476,117

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The analysis of the interest rate risk in the banking book is disclosed in note 51(d).

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

(In RMB millions, unless otherwise stated)

The Group considers the market risk arising from stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios of the parent company and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of VaR by risk type of the Bank's trading portfolios is as follows:

	2018			
	31 December 2018	**Average**	**Highest**	**Lowest**
Interest rate risk	32	28	42	15
Currency risk	66	64	115	43
Commodity risk	7	23	39	7
Total portfolio VaR	88	74	113	52

	2017			
	31 December 2017	**Average**	**Highest**	**Lowest**
Interest rate risk	25	54	120	17
Currency risk	54	111	314	49
Commodity risk	15	23	46	4
Total portfolio VaR	62	136	360	62

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaR does not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(In RMB millions, unless otherwise stated)

(ii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge currency risk, and performing currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's and the Bank's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group and the Bank to mitigate the adverse impact of this currency risk.

Group

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		2018	2017	2018	2017
USD	-1%	44	23	(332)	(297)
HKD	-1%	366	307	(1,298)	(1,026)

Bank

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		2018	2017	2018	2017
USD	-1%	56	22	(44)	(37)
HKD	-1%	66	82	(35)	(25)

While the tables above indicates the effect on profit before taxation and equity of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

A breakdown of the assets and liabilities analysed by currency is as follows:

Group

31 December 2018

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,157,631	121,780	8,121	85,044	3,372,576
Due from banks and other financial institutions (*)	990,549	621,782	26,561	57,606	1,696,498
Derivative financial assets	29,939	28,169	4,817	8,410	71,335
Loans and advances to customers	13,537,076	882,110	341,564	285,382	15,046,132
Financial investments					
— Financial investments measured at FVTPL	763,190	29,984	2,641	9,532	805,347
— Financial investments measured at FVOCI	1,112,791	253,590	4,011	59,771	1,430,163
— Financial investments measured at amortised cost	4,354,632	89,283	24,594	50,673	4,519,182
Investments in associates and joint ventures	827	1,687	–	26,610	29,124
Property and equipment	139,113	149,249	754	1,288	290,404
Others	186,738	110,120	6,360	135,561	438,779
Total assets	24,272,486	2,287,754	419,423	719,877	27,699,540
Liabilities:					
Due to central banks	2	–	–	479	481
Financial liabilities designated as at FVTPL	11,698	11,374	–	64,328	87,400
Derivative financial liabilities	32,412	31,708	1,752	7,701	73,573
Due to banks and other financial institutions (**)	1,475,121	677,109	27,341	149,725	2,329,296
Certificates of deposit	27,086	242,586	13,115	58,567	341,354
Due to customers	20,059,293	823,474	313,342	212,825	21,408,934
Debt securities issued	273,881	301,010	4,125	38,826	617,842
Others	376,027	91,201	10,143	18,406	495,777
Total liabilities	22,255,520	2,178,462	369,818	550,857	25,354,657
Net position	2,016,966	109,292	49,605	169,020	2,344,883
Credit commitments	2,476,089	551,927	65,563	135,933	3,229,512

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2017

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,354,447	161,857	18,834	78,734	3,613,872
Due from banks and other financial institutions (*)	1,302,946	474,008	12,961	44,327	1,834,242
Financial assets held for trading	66,930	4,355	–	16,052	87,337
Financial assets designated as at FVTPL	338,276	12,302	1,403	1,620	353,601
Derivative financial assets	38,019	38,278	6,828	5,888	89,013
Loans and advances to customers	12,460,372	894,502	263,423	274,669	13,892,966
Financial investments	4,921,646	280,390	26,117	87,613	5,315,766
Investments in associates and joint ventures	1,651	907	1,498	28,385	32,441
Property and equipment	134,446	111,188	736	1,374	247,744
Others	329,095	73,018	3,594	214,354	620,061
Total assets	22,947,828	2,050,805	335,394	753,016	26,087,043
Liabilities:					
Due to central banks	20	–	–	436	456
Financial liabilities designated as at FVTPL	20,895	7,314	–	61,152	89,361
Derivative financial liabilities	39,863	27,047	3,964	7,682	78,556
Due to banks and other financial institutions (**)	1,869,144	734,390	28,831	120,522	2,752,887
Certificates of deposit	20,218	164,308	11,518	64,230	260,274
Due to customers	18,377,621	722,852	262,791	199,672	19,562,936
Debt securities issued	266,870	227,961	669	31,440	526,940
Others	584,016	65,228	10,120	15,213	674,577
Total liabilities	21,178,647	1,949,100	317,893	500,347	23,945,987
Net position	1,769,181	101,705	17,501	252,669	2,141,056
Credit commitments	2,817,674	505,943	43,071	144,248	3,510,936

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

Bank

31 December 2018

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,148,061	111,034	1,860	52,793	3,313,748
Due from banks and other financial institutions (*)	1,003,670	439,972	21,196	87,957	1,552,795
Derivative financial assets	30,318	4,743	16	3,218	38,295
Loans and advances to customers	13,384,194	645,532	25,184	156,867	14,211,777
Financial investments					
— Financial investments measured at FVTPL	737,716	2,787	–	142	740,645
— Financial investments measured at FVOCI	1,063,584	152,074	–	30,179	1,245,837
— Financial investments measured at amortised cost	4,250,781	64,633	6,044	40,716	4,362,174
Investments in subsidiaries and associates	31,633	12,526	44,821	67,372	156,352
Property and equipment	124,071	208	9	260	124,548
Others	172,925	20,025	1,729	131,310	325,989
Total assets	23,946,953	1,453,534	100,859	570,814	26,072,160
Liabilities:					
Due to central banks	2	–	–	408	410
Financial liabilities designated as at FVTPL	11,482	8,582	–	58,673	78,737
Derivative financial liabilities	33,109	6,388	15	2,608	42,120
Due to banks and other financial institutions (**)	1,391,920	383,985	41,883	127,347	1,945,135
Certificates of deposit	26,178	188,586	9,026	57,590	281,380
Due to customers	19,972,116	563,297	13,428	98,087	20,646,928
Debt securities issued	264,230	206,751	1,013	27,297	499,291
Others	268,586	51,007	820	9,881	330,294
Total liabilities	21,967,623	1,408,596	66,185	381,891	23,824,295
Net position	1,979,330	44,938	34,674	188,923	2,247,865
Credit commitments	2,456,418	581,922	15,850	141,080	3,195,270

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2017

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,346,117	153,088	1,751	48,040	3,548,996
Due from banks and other financial institutions (*)	1,317,126	308,257	18,396	37,577	1,681,356
Financial assets held for trading	58,041	1,817	–	214	60,072
Financial assets designated as at FVTPL	336,128	523	–	1,606	338,257
Derivative financial assets	39,938	8,700	2	5,216	53,856
Loans and advances to customers	12,309,925	642,281	18,492	154,703	13,125,401
Financial investments	4,773,006	185,927	12,983	57,988	5,029,904
Investments in subsidiaries and associates	31,633	11,897	44,820	66,193	154,543
Property and equipment	121,972	216	10	189	122,387
Others	304,979	13,991	450	210,920	530,340
Total assets	22,638,865	1,326,697	96,904	582,646	24,645,112
Liabilities:					
Due to central banks	–	–	–	404	404
Financial liabilities designated as at FVTPL	10,757	1,950	–	61,145	73,852
Derivative financial liabilities	39,717	5,583	36	1,346	46,682
Due to banks and other financial institutions (**)	1,808,300	466,803	43,260	88,479	2,406,842
Certificates of deposit	18,973	133,840	6,854	61,822	221,489
Due to customers	18,290,868	512,443	13,431	77,705	18,894,447
Debt securities issued	265,489	149,032	667	21,087	436,275
Others	461,882	30,756	4,863	8,219	505,720
Total liabilities	20,895,986	1,300,407	69,111	320,207	22,585,711
Net position	1,742,879	26,290	27,793	262,439	2,059,401
Credit commitments	2,793,605	552,981	11,090	118,441	3,476,117

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(d) Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in interest rate and term structure, etc. This risk may occur in the following situations: when the interest rate fluctuates, because the repricing period of different financial instruments is different, the debt interest rate repricing date is earlier than the asset interest rate when interest rate rising and vice versa. The bank will face to the risk of reduced or even negative spreads over certain period of time; when the pricing benchmark interest rates are different, the changes in the benchmark interest rates are inconsistent; when there are embedded option terms or implied options in the business of holding options derivatives or banking book's on and off balance sheet business; and due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes, leading to changes in credit spreads.

The Group manages the interest rate risk of banking book through the Asset and the Liability Management Department, following methods have been adopted:

- Interest rate prediction: analysing the macroeconomic factors that may impact on the PBOC benchmark interest rates and market interest rates;
- Duration management: optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities;
- Pricing management: managing the deviation of the pricing of interest-generating assets and the benchmark interest rates or market interest rates;
- Quota management: optimising the positions of interest-generating assets and interest-bearing liabilities and control the impact on profit and loss and equity; and
- Derivative trading: using interest rate derivatives for hedging management in a timely manner.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net interest income and equity. The following table lists the data including the trading book.

The effect of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year, including the effect of hedging instruments. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at year end, including the effect of any associated hedges.

(In RMB millions, unless otherwise stated)

Group

	2018			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(3,281)	(30,513)	3,281	33,093
USD	(1,645)	(5,679)	1,645	5,683
HKD	936	–	(936)	–
Others	(59)	(690)	59	691
Total	(4,049)	(36,882)	4,049	39,467

	2017			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(2,945)	(35,901)	2,945	38,284
USD	(1,911)	(5,574)	1,911	5,578
HKD	495	–	(495)	–
Others	90	(825)	(90)	826
Total	(4,271)	(42,300)	4,271	44,688

Bank

	2018			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(3,242)	(28,174)	3,242	30,374
USD	(500)	(2,501)	500	2,502
HKD	(175)	–	175	–
Others	624	(383)	(624)	383
Total	(3,293)	(31,058)	3,293	33,259

	2017			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(2,796)	(34,021)	2,796	36,109
USD	(860)	(2,841)	860	2,842
HKD	(97)	–	97	–
Others	117	(457)	(117)	457
Total	(3,636)	(37,319)	3,636	39,408

(In RMB millions, unless otherwise stated)

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

31 December 2018

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,041,055	–	–	–	331,521	3,372,576
Due from banks and other financial institutions (*)	1,259,592	313,451	66,142	573	56,740	1,696,498
Derivative financial assets	–	–	–	–	71,335	71,335
Loans and advances to customers	10,876,334	3,723,420	207,848	181,472	57,058	15,046,132
Financial investments						
— Financial investments measured at FVTPL	115,666	109,835	382,531	127,288	70,027	805,347
— Financial investments measured at FVOCI	179,158	245,075	715,623	261,355	28,952	1,430,163
— Financial investments measured at amortised cost	239,828	421,975	2,402,746	1,454,633	–	4,519,182
Investments in associates and joint ventures	–	–	–	–	29,124	29,124
Property and equipment	–	–	–	–	290,404	290,404
Others	8,584	192	–	–	430,003	438,779
Total assets	15,720,217	4,813,948	3,774,890	2,025,321	1,365,164	27,699,540
Liabilities:						
Due to central banks	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	–	4,443	9,323	–	73,634	87,400
Derivative financial liabilities	–	–	–	–	73,573	73,573
Due to banks and other financial institutions (**)	1,943,520	306,350	20,996	44,133	14,297	2,329,296
Certificates of deposit	207,061	132,971	873	449	–	341,354
Due to customers	13,519,006	4,709,018	2,577,977	11,468	591,465	21,408,934
Debt securities issued	176,592	52,694	105,509	283,047	–	617,842
Others	7,935	354	1,452	1,467	484,569	495,777
Total liabilities	15,854,114	5,205,901	2,716,540	340,564	1,237,538	25,354,657
Interest rate mismatch	(133,897)	(391,953)	1,058,350	1,684,757	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The above table lists the data including the trading book.

(In RMB millions, unless otherwise stated)

31 December 2017

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,224,896	–	–	–	388,976	3,613,872
Due from banks and other financial institutions (*)	1,446,100	300,248	56,177	291	31,426	1,834,242
Financial assets held for trading	14,834	51,087	6,008	6,613	8,795	87,337
Financial assets designated as at FVTPL	8,572	156,503	149,682	27,917	10,927	353,601
Derivative financial assets	–	–	–	–	89,013	89,013
Loans and advances to customers	9,243,369	4,163,670	265,147	163,052	57,728	13,892,966
Financial investments	384,969	524,266	2,688,511	1,694,726	23,294	5,315,766
Investments in associates and joint ventures	–	–	–	–	32,441	32,441
Property and equipment	–	–	–	–	247,744	247,744
Others	6,277	141	–	–	613,643	620,061
Total assets	14,329,017	5,195,915	3,165,525	1,892,599	1,503,987	26,087,043
Liabilities:						
Due to central banks	32	20	404	–	–	456
Financial liabilities designated as at FVTPL	1,180	7,395	10,374	–	70,412	89,361
Derivative financial liabilities	–	–	–	–	78,556	78,556
Due to banks and other financial institutions (**)	2,283,966	433,980	13,719	6,057	15,165	2,752,887
Certificates of deposit	159,465	97,204	3,309	296	–	260,274
Due to customers	12,748,893	3,891,544	2,547,149	13,514	361,836	19,562,936
Debt securities issued	84,631	20,919	142,430	278,960	–	526,940
Others	2,218	99	406	410	671,444	674,577
Total liabilities	15,280,385	4,451,161	2,717,791	299,237	1,197,413	23,945,987
Interest rate mismatch	(951,368)	744,754	447,734	1,593,362	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The above table lists the data including the trading book.

(In RMB millions, unless otherwise stated)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities:

31 December 2018

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,987,947	–	–	–	325,801	3,313,748
Due from banks and other financial institutions (*)	1,108,681	331,360	91,203	485	21,066	1,552,795
Derivative financial assets	–	–	–	–	38,295	38,295
Loans and advances to customers	10,354,973	3,625,912	130,998	47,558	52,336	14,211,777
Financial investments						
— Financial investments measured at FVTPL	111,281	97,766	370,450	118,797	42,351	740,645
— Financial investments measured at FVOCI	145,254	225,305	634,044	213,159	28,075	1,245,837
— Financial investments measured at amortised cost	198,132	386,087	2,344,397	1,433,558	–	4,362,174
Investments in subsidiaries and associates	–	–	–	–	156,352	156,352
Property and equipment	–	–	–	–	124,548	124,548
Others	–	–	–	–	325,989	325,989
Total assets	14,906,268	4,666,430	3,571,092	1,813,557	1,114,813	26,072,160
Liabilities:						
Due to central banks	–	–	410	–	–	410
Financial liabilities designated as at FVTPL	–	4,363	7,117	–	67,257	78,737
Derivative financial liabilities	–	–	–	–	42,120	42,120
Due to banks and other financial institutions (**)	1,684,536	240,926	14,235	–	5,438	1,945,135
Certificates of deposit	169,806	110,252	873	449	–	281,380
Due to customers	13,020,881	4,523,686	2,552,657	10,777	538,927	20,646,928
Debt securities issued	151,173	32,153	38,944	277,021	–	499,291
Others	–	–	–	–	330,294	330,294
Total liabilities	15,026,396	4,911,380	2,614,236	288,247	984,036	23,824,295
Interest rate mismatch	(120,128)	(244,950)	956,856	1,525,310	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The above table lists the data including the trading book.

(In RMB millions, unless otherwise stated)

31 December 2017

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,164,066	–	–	–	384,930	3,548,996
Due from banks and other financial institutions (*)	1,343,017	296,231	36,427	–	5,681	1,681,356
Financial assets held for trading	11,678	44,397	3,639	358	–	60,072
Financial assets designated as at FVTPL	7,110	147,805	147,140	26,796	9,406	338,257
Derivative financial assets	–	–	–	–	53,856	53,856
Loans and advances to customers	8,758,429	4,091,956	165,498	58,639	50,879	13,125,401
Financial investments	347,099	460,613	2,560,880	1,627,327	33,985	5,029,904
Investments in subsidiaries and associates	–	–	–	–	154,543	154,543
Property and equipment	–	–	–	–	122,387	122,387
Others	–	–	–	–	530,340	530,340
Total assets	13,631,399	5,041,002	2,913,584	1,713,120	1,346,007	24,645,112
Liabilities:						
Due to central banks	–	–	404	–	–	404
Financial liabilities designated as at FVTPL	1,180	4,826	7,672	–	60,174	73,852
Derivative financial liabilities	–	–	–	–	46,682	46,682
Due to banks and other financial institutions (**)	2,039,083	355,697	3,936	–	8,126	2,406,842
Certificates of deposit	130,750	87,351	3,092	296	–	221,489
Due to customers	12,311,870	3,743,406	2,525,217	13,315	300,639	18,894,447
Debt securities issued	75,551	11,682	75,120	273,922	–	436,275
Others	–	–	–	–	505,720	505,720
Total liabilities	14,558,434	4,202,962	2,615,441	287,533	921,341	22,585,711
Interest rate mismatch	(927,035)	838,040	298,143	1,425,587	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The above table lists the data including the trading book.

(e) Capital management

The Group's objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, qualifying other tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is respectively filed with the CBIRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations. In April 2014, the former CBRC officially approved the Bank to adopt advanced capital management approaches. Within the scope of the approval, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

Domestic commercial banks should meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, corresponding minimum ratios should reach 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

	31 December 2018	31 December 2017
Core tier 1 capital	2,247,021	2,044,390
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,968	151,952
Surplus reserve	261,636	232,660
General reserve	278,980	264,850
Retained profits	1,205,924	1,096,868
Valid portion of minority interests	3,752	2,716
Others	(11,646)	(61,063)
Core tier 1 capital deductions	14,988	14,282
Goodwill	8,820	8,478
Other intangible assets other than land use rights	1,927	1,532
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,739)	(3,708)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,232,033	2,030,108
Additional tier 1 capital	80,110	79,952
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	735	577
Net tier 1 capital	2,312,143	2,110,060
Tier 2 capital	332,742	297,360
Valid portion of tier 2 capital instruments and related premium	202,761	222,321
Surplus provision for loan impairment	127,990	71,736
Valid portion of minority interests	1,991	3,303
Tier 2 capital deductions	–	500
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	500
Net capital base	2,644,885	2,406,920
Risk-weighted assets (i)	17,190,992	15,902,801
Core tier 1 capital adequacy ratio	12.98%	12.77%
Tier 1 capital adequacy ratio	13.45%	13.27%
Capital adequacy ratio	15.39%	15.14%

(i) Refers to risk-weighted assets after capital floor and adjustments.

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using valuation techniques consist of debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers valued by the valuation technology are mainly the bill business and the discounted cash flow model is used. For the bank acceptance bill, based on the different credit risk of the acceptor, the interest rate curve is set up with the actual transaction data in the market as the sample; for the commercial bill, based on the interbank offered rate, the interest rate curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities designated as at fair value through profit or loss

For unquoted other liabilities designated as at FVTPL, the discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.

(In RMB millions, unless otherwise stated)

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial asset				
Exchange rate contracts	590	41,264	288	42,142
Interest rate contracts	511	15,623	88	16,222
Commodity derivatives and others	3,918	8,469	584	12,971
	5,019	65,356	960	71,335
Reverse repurchase measured at FVTPL	–	174,794	–	174,794
Loans and advances to customers measured at FVTPL	–	924	444	1,368
Loans and advances to customers measured at FVOCI	11,023	349,460	–	360,483
Financial investments measured at FVTPL				
Debt securities	3,802	205,220	34,727	243,749
Equity investments	7,475	408	20,107	27,990
Funds and other investments	19,423	362,672	151,513	533,608
	30,700	568,300	206,347	805,347
Financial investments measured at FVOCI				
Debt securities	280,572	1,119,222	143	1,399,937
Equity investments	703	9,727	19,489	29,919
Other investments	–	–	307	307
	281,275	1,128,949	19,939	1,430,163
	328,017	2,287,783	227,690	2,843,490
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	851,647	–	851,647
Financial liabilities designated as at FVTPL				
Wealth management products	–	11,480	–	11,480
Financial liabilities related to precious metals	–	67,266	–	67,266
Other debt securities issued	–	2,285	–	2,285
Others	130	4,867	1,372	6,369
	130	85,898	1,372	87,400
Derivative financial liabilities				
Exchange rate contracts	235	41,713	245	42,193
Interest rate contracts	86	15,705	730	16,521
Commodity derivatives and others	3,665	9,995	1,199	14,859
	3,986	67,413	2,174	73,573
	4,116	1,004,958	3,546	1,012,620

(In RMB millions, unless otherwise stated)

31 December 2017

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Debt securities	3,033	74,868	641	78,542
Equity investments	6,582	2,213	–	8,795
	9,615	77,081	641	87,337
Financial assets designated as at FVTPL				
Debt securities	3,862	54,476	1,439	59,777
Other debt instruments	1,462	30,600	19,846	51,908
Others	–	105,902	136,014	241,916
	5,324	190,978	157,299	353,601
Derivative financial asset				
Exchange rate contracts	640	51,335	329	52,304
Interest rate contracts	493	15,424	238	16,155
Commodity derivatives and others	6,841	13,180	533	20,554
	7,974	79,939	1,100	89,013
Available-for-sale financial assets				
Debt securities	219,749	1,241,806	5,440	1,466,995
Equity investments	14,456	401	5,435	20,292
Other debt instruments	–	6,164	–	6,164
	234,205	1,248,371	10,875	1,493,451
	257,118	1,596,369	169,915	2,023,402
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	336,587	–	336,587
Financial liabilities designated as at FVTPL				
Wealth management products	–	10,758	–	10,758
Financial liabilities related to precious metals	–	60,183	–	60,183
Other debt securities issued	1,950	6,242	–	8,192
Others	563	8,316	1,349	10,228
	2,513	85,499	1,349	89,361
Derivative financial liabilities				
Exchange rate contracts	494	49,429	271	50,194
Interest rate contracts	91	14,136	728	14,955
Commodity derivatives and others	8,169	4,575	663	13,407
	8,754	68,140	1,662	78,556
	11,267	490,226	3,011	504,504

(In RMB millions, unless otherwise stated)

Bank

31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial asset				
Exchange rate contracts	818	34,565	209	35,592
Interest rate contracts	515	1,139	5	1,659
Commodity derivatives and others	–	1,044	–	1,044
	1,333	36,748	214	38,295
Loans and advances to customers measured at FVTPL	–	924	–	924
Loans and advances to customers measured at FVOCI	–	343,827	–	343,827
Financial investments measured at FVTPL				
Debt securities	2,822	185,445	30,745	219,012
Equity investments	1,018	274	–	1,292
Funds and other investments	73	386,981	133,287	520,341
	3,913	572,700	164,032	740,645
Financial investments measured at FVOCI				
Debt securities	139,361	1,078,258	143	1,217,762
Equity investments	327	5,558	22,190	28,075
	139,688	1,083,816	22,333	1,245,837
	144,934	2,038,015	186,579	2,369,528
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	848,453	–	848,453
Financial liabilities designated as at FVTPL				
Wealth management products	–	11,480	–	11,480
Financial liabilities related to precious metals	–	67,257	–	67,257
	–	78,737	–	78,737
Derivative financial liabilities				
Exchange rate contracts	732	34,812	209	35,753
Interest rate contracts	115	1,291	5	1,411
Commodity derivatives and others	–	4,956	–	4,956
	847	41,059	214	42,120
	847	968,249	214	969,310

(In RMB millions, unless otherwise stated)

31 December 2017

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Debt securities	2,031	58,041	–	60,072
	2,031	58,041	–	60,072
Financial assets designated as at FVTPL				
Debt securities	1,934	45,480	–	47,414
Other debt instruments	–	30,600	19,846	50,446
Others	–	104,455	135,942	240,397
	1,934	180,535	155,788	338,257
Derivative financial assets				
Exchange rate contracts	2,296	44,747	193	47,236
Interest rate contracts	490	807	154	1,451
Commodity derivatives and others	–	5,169	–	5,169
	2,786	50,723	347	53,856
Available-for-sale financial assets				
Debt securities	118,831	1,201,565	4,421	1,324,817
Equity investments	1,502	31,915	–	33,417
	120,333	1,233,480	4,421	1,358,234
	127,084	1,522,779	160,556	1,810,419
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	333,914	–	333,914
Financial liabilities designated as at FVTPL				
Wealth management products	–	10,758	–	10,758
Financial liabilities related to precious metals	–	60,175	–	60,175
Other debt securities issued	1,950	969	–	2,919
	1,950	71,902	–	73,852
Derivative financial liabilities				
Exchange rate contracts	460	44,079	193	44,732
Interest rate contracts	97	863	154	1,114
Commodity derivatives and others	–	836	–	836
	557	45,778	347	46,682
	2,507	451,594	347	454,448

(In RMB millions, unless otherwise stated)

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and financial liabilities which are recorded at fair value and the movement during the year:

Group

	1 January 2018	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of level 3	31 December 2018
Financial assets:								
Derivative financial assets								
Exchange rate contracts	329	(5)	–	63	(2)	(47)	(50)	288
Interest rate contracts	238	111	–	34	(77)	(176)	(42)	88
Commodity derivatives and others	533	(149)	–	226	(26)	–	–	584
Loans and advances to customers measured at FVTPL	410	44	–	–	–	(10)	–	444
Financial investments measured at FVTPL								
Debt securities	7,834	67	–	31,422	(551)	(470)	(3,575)	34,727
Equity investments	5,522	297	–	14,445	(157)	–	–	20,107
Funds and other investments	170,240	(320)	–	92,119	(98,512)	(8,759)	(3,255)	151,513
Financial investments measured at FVOCI								
Debt securities	1,853	–	–	143	–	(882)	(971)	143
Equity investments	2,627	–	649	16,232	(19)	–	–	19,489
Other investments	–	–	(32)	339	–	–	–	307
	189,586	45	617	155,023	(99,344)	(10,344)	(7,893)	227,690
Financial liabilities:								
Financial liabilities designated as at FVTPL	(1,349)	(135)	–	(193)	–	299	6	(1,372)
Derivative financial liabilities								
Exchange rate contracts	(271)	15	–	(60)	2	20	49	(245)
Interest rate contracts	(728)	(302)	–	(51)	77	191	83	(730)
Commodity derivatives and others	(663)	387	–	(1,032)	1	–	108	(1,199)
	(3,011)	(35)	–	(1,336)	80	510	246	(3,546)

	1 January 2017	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of level 3	31 December 2017
Financial assets:								
Derivative financial assets								
Exchange rate contracts	320	28	–	23	(9)	(11)	(22)	329
Interest rate contracts	412	(100)	–	1	(4)	(81)	10	238
Commodity derivatives and others	67	510	–	–	(8)	(39)	3	533
Financial assets held for trading	191	39	–	497	–	(86)	–	641
Financial assets designated as at FVTPL	157,296	9,574	–	54,382	(60,335)	(1,184)	(2,434)	157,299
Available-for-sale financial assets								
Debt securities	1,264	(35)	(1,918)	6,336	(10)	(197)	–	5,440
Equity investments	–	–	148	5,287	–	–	–	5,435
	159,550	10,016	(1,770)	66,526	(60,366)	(1,598)	(2,443)	169,915
Financial liabilities:								
Financial liabilities designated as at FVTPL	(2,101)	(81)	–	(437)	–	1,270	–	(1,349)
Derivative financial liabilities								
Exchange rate contracts	(310)	49	–	(23)	9	9	(5)	(271)
Interest rate contracts	(1,308)	451	–	(1)	4	125	1	(728)
Commodity derivatives and others	(173)	(534)	–	(42)	8	81	(3)	(663)
	(3,892)	(115)	–	(503)	21	1,485	(7)	(3,011)

(In RMB millions, unless otherwise stated)

Bank

	1 January 2018	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of Level 3	31 December 2018
Financial assets:								
Derivative financial assets								
Exchange rate contracts	193	(19)	–	55	–	(20)	–	209
Interest rate contracts	154	(1)	–	5	–	(153)	–	5
Financial investments measured at FVTPL								
Debt securities	7,073	(76)	–	27,845	(527)	–	(3,570)	30,745
Funds and other investments	155,788	(1,007)	–	84,683	(95,412)	(7,510)	(3,255)	133,287
Financial investments measured at FVOCI								
Debt securities	918	(3)	3	143	–	(270)	(648)	143
Equity investments	–	–	1,082	21,108	–	–	–	22,190
	164,126	(1,106)	1,085	133,839	(95,939)	(7,953)	(7,473)	186,579
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(193)	19	–	(55)	–	20	–	(209)
Interest rate contracts	(154)	1	–	(5)	–	153	–	(5)
	(347)	20	–	(60)	–	173	–	(214)

	1 January 2017	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of Level 3	31 December 2017
Financial assets:								
Derivative financial assets								
Exchange rate contracts	166	4	–	23	–	–	–	193
Interest rate contracts	351	(134)	–	–	–	(63)	–	154
Commodity derivatives and others	2	–	–	–	–	(2)	–	–
Financial assets designated as at FVTPL	153,792	9,319	–	52,814	(60,137)	–	–	155,788
Available-for-sale financial assets								
Debt securities	201	–	(1,919)	6,139	–	–	–	4,421
	154,512	9,189	(1,919)	58,976	(60,137)	(65)	–	160,556
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(166)	(4)	–	(23)	–	–	–	(193)
Interest rate contracts	(351)	134	–	–	–	63	–	(154)
Commodity derivatives and others	(2)	–	–	–	–	2	–	–
	(519)	130	–	(23)	–	65	–	(347)

(In RMB millions, unless otherwise stated)

Gains or losses on level 3 financial instruments included in the statement of net profit or loss for the year comprise:

	2018					
	Group			Bank		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net gains/(losses) for the year	2,015	(2,005)	10	1,932	(3,018)	(1,086)

	2017					
	Group			Bank		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net gains/(losses) for the year	10,086	(185)	9,901	9,639	(320)	9,319

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at the end of the reporting period.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at the end of the reporting period.

During the year, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(ii) Transfers between level 2 and level 3

As at the end of the reporting period, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the year, certain derivatives financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2018, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(In RMB millions, unless otherwise stated)

(e) Fair value of financial assets and liabilities not carried at fair value

No significant difference between the carrying amount and the fair value of the financial assets and financial liabilities not measured at fair value, except for the following items:

Group

	2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	4,519,182	4,560,733	67,225	4,280,407	213,101
	4,519,182	4,560,733	67,225	4,280,407	213,101
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	282,459	285,834	–	285,834	–
	282,459	285,834	–	285,834	–

	2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	3,542,184	3,453,155	52,723	3,399,055	1,377
Receivables	277,129	276,551	–	45,877	230,674
	3,819,313	3,729,706	52,723	3,444,932	232,051
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	281,108	274,307	–	274,307	–
	281,108	274,307	–	274,307	–

Bank

	2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	4,362,174	4,402,359	39,120	4,180,333	182,906
	4,362,174	4,402,359	39,120	4,180,333	182,906
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	273,299	276,512	–	276,512	–
	273,299	276,512	–	276,512	–

(In RMB millions, unless otherwise stated)

	2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	3,439,471	3,351,438	17,716	3,333,620	102
Receivables	231,631	231,129	–	49,169	181,960
	3,671,102	3,582,567	17,716	3,382,789	182,062
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	269,143	261,922	–	261,922	–
	269,143	261,922	–	261,922	–

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and financial liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these financial assets and financial liabilities:

(i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of subordinated bonds and tier 2 capital notes are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

(In RMB millions, unless otherwise stated)

53. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and balances with central banks	19	3,313,748	3,548,996
Due from banks and other financial institutions	20	1,031,402	930,593
Derivative financial assets	21	38,295	53,856
Reverse repurchase agreements	22	521,393	750,763
Loans and advances to customers	23	14,211,777	13,125,401
Financial investments	24	6,348,656	5,428,233
— Financial investments measured at FVTPL		740,645	398,329
— Financial investments measured at FVOCI		1,245,837	
— Financial investments measured at amortised cost		4,362,174	
— Available-for-sale financial assets			1,358,802
— Held-to-maturity investments			3,439,471
— Receivables			231,631
Investments in subsidiaries	25	122,110	120,301
Investments in associates	26	34,242	34,242
Property and equipment	27	124,548	122,387
Deferred income tax assets	28	56,220	47,250
Other assets	29	269,769	483,090
TOTAL ASSETS		26,072,160	24,645,112
LIABILITIES			
Due to central banks		410	404
Financial liabilities designated as at FVTPL	30	78,737	73,852
Derivative financial liabilities	21	42,120	46,682
Due to banks and other financial institutions	31	1,644,147	1,596,232
Repurchase agreements	32	300,988	810,610
Certificates of deposit	33	281,380	221,489
Due to customers	34	20,646,928	18,894,447
Income tax payable		82,946	69,344
Debt securities issued	35	499,291	436,275
Other liabilities	36	247,348	436,376
TOTAL LIABILITIES		23,824,295	22,585,711
EQUITY			
Share capital	37	356,407	356,407
Other equity instruments	38	79,375	79,375
Reserves	39	700,637	610,299
Retained profits		1,111,446	1,013,320
TOTAL EQUITY		2,247,865	2,059,401
TOTAL EQUITY AND LIABILITIES		26,072,160	24,645,112

54. AFTER THE REPORTING PERIOD EVENT

The profit distribution plan

A final dividend of RMB0.2506 per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors' meeting held on 28 March 2019, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. Based on the number of ordinary shares issued as at 31 December 2018, the final dividend amounted to approximately RMB89,315 million. The dividend payable was not recognised as a liability as at 31 December 2018.

Establishment of Wealth Management Subsidiary

The Board of Directors of the Bank reviewed and approved the Proposal on the Establishment of ICBC Wealth Management Co., Ltd. at the meeting of the Board of Directors convened on 26 November 2018. The proposal is to establish a wholly-owned subsidiary ICBC Wealth Management Co., Ltd. by contributing no more than RMB16.0 billion of the Bank's proprietary funds. On 15 February 2019, CBIRC officially approved the Bank's establishment of ICBC Wealth Management Co., Ltd.

Issuance of Tier 2 Capital Bonds

According to the capital planning and capital replenishment planning, the Bank publicly issued the tier 2 capital bonds of RMB55.0 billion in March 2019 in China's national inter-bank bond market. The funds raised will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws as approved by relevant regulators.

Issuance of Undated Additional Tier 1 Capital Bonds

On 28 March 2019, the Board of Directors of the Bank reviewed and approved the Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds. The Bank plans to issue write-down undated additional tier 1 capital bonds with the total amount up to RMB80.0 billion in China's national inter-bank bond market. All funds raised will be used to bolster the Bank's additional tier 1 capital. The undated additional tier 1 capital bonds issuance plan is still subject to the review and approval by the Shareholders' General Meeting of the Bank, after which it is further subject to the approval by the relevant regulatory authorities.

55. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

56. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2019.

(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the year ended 31 December 2018 (2017: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2018 (As at 31 December 2017: no differences).

(b) Foreign currency concentrations

	31 December 2018			
	USD	HKD	Others	Total
Spot assets	2,136,818	418,669	691,979	3,247,466
Spot liabilities	(2,133,678)	(368,795)	(550,857)	(3,053,330)
Forward purchases	3,357,899	182,036	756,539	4,296,474
Forward sales	(3,472,904)	(103,944)	(866,993)	(4,443,841)
Net option position	(11,568)	1,705	(417)	(10,280)
Net (short)/long position	(123,433)	129,671	30,251	36,489
Net structural position	106,152	(269)	27,898	133,781

	31 December 2017			
	USD	HKD	Others	Total
Spot assets	1,938,710	333,160	723,257	2,995,127
Spot liabilities	(1,915,913)	(317,406)	(500,347)	(2,733,666)
Forward purchases	2,303,473	208,462	450,962	2,962,897
Forward sales	(2,317,162)	(160,053)	(653,429)	(3,130,644)
Net option position	(40,225)	998	214	(39,013)
Net (short)/long position	(31,117)	65,161	20,657	54,701
Net structural position	78,908	1,747	29,759	110,414

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

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

(In RMB millions, unless otherwise stated)

(c) International claims

International claims refer to the sum of cross-border claims in all currencies and local claims in foreign currencies, including loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

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 claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	31 December 2018				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	762,391	205,372	954,651	111,393	2,033,807
— of which attributed to Hong Kong	76,766	15,483	251,239	54,698	398,186
North and South America	51,155	111,012	136,851	7,350	306,368
	813,546	316,384	1,091,502	118,743	2,340,175

	31 December 2017				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	449,111	200,396	1,015,836	85,642	1,750,985
— of which attributed to Hong Kong	40,545	16,143	283,624	79,305	419,617
North and South America	52,287	112,257	130,222	12,511	307,277
	501,398	312,653	1,146,058	98,153	2,058,262

(In RMB millions, unless otherwise stated)

(d) Loans and advances to customers (excludes accrued interest)

(i) Analysis by location of the counterparties

	2018	2017
Mainland China	14,411,937	13,139,958
Asia Pacific (excluding Mainland China)	629,955	673,839
— of which attributed to Hong Kong	428,442	467,601
North and South America	149,910	180,746
Europe	152,352	143,907
Africa	75,751	94,998
	15,419,905	14,233,448

(ii) Overdue loans and advances to customers

	2018	2017
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	35,323	24,122
Between 6 and 12 months	48,523	44,087
Over 12 months	94,933	110,648
	178,779	178,857
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.23%	0.17%
Between 6 and 12 months	0.31%	0.31%
Over 12 months	0.62%	0.78%
	1.16%	1.26%

The definition of overdue loans and advances to customers is set out as follows:

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

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(In RMB millions, unless otherwise stated)

(iii) Overdue loans and advances to customers by geographical distribution

	2018	2017
Head Office	35,846	28,509
Bohai Rim	57,177	56,270
Western China	39,165	49,380
Central China	39,223	39,839
Pearl River Delta	33,137	38,161
Yangtze River Delta	24,994	33,658
Northeastern China	26,474	23,596
Overseas and others	13,916	16,662
	269,932	286,075

(iv) Rescheduled loans and advances to customers

	31 December 2018		31 December 2017	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	7,211	0.05%	5,158	0.04%
Less: Rescheduled loans and advances overdue for more than three months	(1,143)	(0.01%)	(1,374)	(0.01%)
Rescheduled loans and advances overdue for less than three months	6,068	0.04%	3,784	0.03%

(e) Overdue placements with banks and other financial institutions

	2018	2017
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	16	16
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.00%	0.00%

(f) Exposures to Mainland China non-bank entities

	2018	2017
On-balance sheet exposure	18,946,049	17,106,967
Off-balance sheet exposure	2,902,524	3,220,988
	21,848,573	20,327,955
Allowance for impairment losses of lifetime ECL credit-impaired financial assets	172,719	–
Individually assessed allowance for impairment losses	–	81,707

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

(In RMB millions, unless otherwise stated)

(g) Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item		31 December 2018	31 December 2017	Reference
Core tier 1 capital:				
1	Paid-in capital	356,407	356,407	X18
2	Retained earnings	1,746,540	1,594,378	
2a	Surplus reserve	261,636	232,660	X21
2b	General reserve	278,980	264,850	X22
2c	Retained profits	1,205,924	1,096,868	X23
3	Accumulated other comprehensive income (and other public reserves)	140,322	90,889	
3a	Capital reserve	151,968	151,952	X19
3b	Others	(11,646)	(61,063)	X24
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	–	
5	Valid portion of minority interests	3,752	2,716	X25
6	**Core tier 1 capital before regulatory adjustments**	**2,247,021**	**2,044,390**	
Core tier 1 capital: Regulatory adjustments				
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of deferred tax liabilities)	8,820	8,478	X16
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	1,927	1,532	X14-X15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11	Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,739)	(3,708)	X20
12	Shortfall of provision for loan impairment	–	–	
13	Gain on sale related to asset securitisation	–	–	
14	Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	
16	Direct or indirect investments in own ordinary shares	–	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	–	
18	Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	

(In RMB millions, unless otherwise stated)

Item		31 December 2018	31 December 2017	Reference
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c	Others that should be deducted from core tier 1 capital	–	–	
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28	**Total regulatory adjustments to core tier 1 capital**	**14,988**	**14,282**	
29	**Core tier 1 capital**	**2,232,033**	**2,030,108**	
Additional tier 1 capital:				
30	Additional tier 1 capital instruments and related premium	79,375	79,375	
31	Including: Portion classified as equity	79,375	79,375	X28
32	Including: Portion classified as liabilities	–	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	735	577	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	**Additional tier 1 capital before regulatory adjustments**	**80,110**	**79,952**	
Additional tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own additional tier 1 instruments	–	–	
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–	–	
39	Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	

(In RMB millions, unless otherwise stated)

Item		31 December 2018	31 December 2017	Reference
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41c	Others that should be deducted from additional tier 1 capital	–	–	
42	Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43	**Total regulatory adjustments to additional tier 1 capital**	**–**	**–**	
44	**Additional tier 1 capital**	**80,110**	**79,952**	
45	**Tier 1 capital (core tier 1 capital + additional tier 1 capital)**	**2,312,143**	**2,110,060**	
Tier 2 capital:				
46	Tier 2 capital instruments and related premium	202,761	222,321	X17
47	Invalid instruments to tier 2 capital after the transition period	81,140	101,425	
48	Valid portion of minority interests	1,991	3,303	X27
49	Including: Invalid portion to tier 2 capital after the transition period	856	1,051	
50	Valid portion of surplus provision for loan impairment	127,990	71,736	X02+X04
51	**Tier 2 capital before regulatory adjustments**	**332,742**	**297,360**	
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in own tier 2 instruments	–	–	
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–	–	
54	Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	500	X31
56a	Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56c	Others that should be deducted from tier 2 capital	–	–	
57	**Total regulatory adjustments to tier 2 capital**	**–**	**500**	
58	**Tier 2 capital**	**332,742**	**296,860**	
59	**Total capital (tier 1 capital + tier 2 capital)**	**2,644,885**	**2,406,920**	
60	**Total risk-weighted assets**	**17,190,992**	**15,902,801**	
Requirements for capital adequacy ratio and reserve capital				
61	Core tier 1 capital adequacy ratio	12.98%	12.77%	
62	Tier 1 capital adequacy ratio	13.45%	13.27%	
63	Capital adequacy ratio	15.39%	15.14%	
64	Institution specific buffer requirement	4.0%	3.5%	
65	Including: Capital conservation buffer requirement	2.5%	2.5%	
66	Including: Countercyclical buffer requirement	–	–	

(In RMB millions, unless otherwise stated)

Item		31 December 2018	31 December 2017	Reference
67	Including: G-SIB buffer requirement	1.5%	1.0%	
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.98%	7.77%	
Domestic minima for regulatory capital				
69	Core tier 1 capital adequacy ratio	5.0%	5.0%	
70	Tier 1 capital adequacy ratio	6.0%	6.0%	
71	Capital adequacy ratio	8.0%	8.0%	
Amounts below the thresholds for deduction				
72	Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	64,004	35,059	X05+X07+X08+X09+X12+X29+X30
73	Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	32,215	28,353	X06+X10+X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	57,073	48,158	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	19,049	17,943	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	7,766	9,937	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	393,682	322,539	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	120,224	61,799	X04
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	81,140	101,425	
85	Excluded from tier 2 capital for the current period due to cap	67,102	46,822	

(In RMB millions, unless otherwise stated)

(ii) Consolidated financial statements

	31 December 2018 Consolidated Balance sheet as in published financial statements*	31 December 2018 Balance sheet under regulatory scope of consolidation*	31 December 2017 Consolidated Balance sheet as in published financial statements*	31 December 2017 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,372,576	3,372,576	3,613,872	3,613,872
Due from banks and other financial institutions	384,646	374,509	370,074	363,278
Precious metals	181,292	181,292	238,714	238,714
Placements with banks and other financial institutions	577,803	577,803	477,537	477,537
Derivative financial assets	71,335	71,335	89,013	89,013
Reverse repurchase agreements	734,049	733,460	986,631	981,553
Loans and advances to customers	15,046,132	15,045,239	13,892,966	13,892,372
Financial investments	6,754,692	6,662,605	5,756,704	5,669,906
— Financial investments measured at FVTPL	805,347	772,191	440,938	440,912
— Financial investments measured at FVOCI	1,430,163	1,408,749		
— Financial investments measured at amortised cost	4,519,182	4,481,665		
— Available-for-sale financial assets			1,496,453	1,465,021
— Held-to-maturity investments			3,542,184	3,536,757
— Receivables			277,129	227,216
Long-term equity investments	29,124	37,104	32,441	40,421
Fixed assets	253,525	253,460	216,156	216,088
Construction in progress	35,081	35,079	29,531	29,531
Deferred income tax assets	58,375	58,097	48,392	48,392
Other assets	200,910	186,769	335,012	318,891
Total assets	27,699,540	27,589,328	26,087,043	25,979,568

(*) Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

	31 December 2018 Consolidated Balance sheet as in published financial statements*	31 December 2018 Balance sheet under regulatory scope of consolidation*	31 December 2017 Consolidated Balance sheet as in published financial statements*	31 December 2017 Balance sheet under regulatory scope of consolidation*
Liabilities				
Due to central banks	481	481	456	456
Due to banks and other financial institutions	1,328,246	1,328,246	1,214,601	1,214,601
Placements from banks and other financial institutions	486,249	486,249	491,948	491,948
Financial liabilities measured at FVTPL	87,400	87,399	89,361	89,359
Derivative financial liabilities	73,573	73,573	78,556	78,556
Repurchase agreements	514,801	513,495	1,046,338	1,044,481
Certificates of deposit	341,354	341,354	260,274	260,274
Due to customers	21,408,934	21,410,976	19,562,936	19,564,945
Employee benefits payable	33,636	33,351	33,142	32,820
Taxes payable	95,678	95,318	82,550	82,502
Debt securities issued	617,842	617,842	526,940	526,940
Deferred income tax liabilities	1,217	1,024	433	233
Other liabilities	365,246	261,639	558,452	456,349
Total liabilities	25,354,657	25,250,947	23,945,987	23,843,464
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	86,051	86,051	86,051	86,051
Capital reserve	151,968	151,968	151,952	151,952
Other comprehensive income	(11,875)	(11,646)	(62,058)	(61,063)
Surplus reserve	261,720	261,636	232,703	232,660
General reserve	279,064	278,980	264,892	264,850
Retained profits	1,206,666	1,205,924	1,097,544	1,096,868
Equity attributable to equity holders of the parent company	2,330,001	2,329,320	2,127,491	2,127,725
Minority interests	14,882	9,061	13,565	8,379
Total equity	2,344,883	2,338,381	2,141,056	2,136,104

(*) Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

(iii) Description of related items

Item	31 December 2018 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	15,045,239	
Total loans and advances to customers	15,457,970	
Less: Provision for loan impairment under the weighted approach	19,049	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	7,766	X02
Less: Provision for loan impairment under the internal ratings-based approach	393,682	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	120,224	X04
Financial investments		
Financial investments measured at FVTPL	772,191	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	89	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	34	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	4,737	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	45,164	X08
Financial investments measured at FVOCI	1,408,749	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	5,845	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,883	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,963	X29
Financial investments measured at amortised cost	4,481,665	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	2,108	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	37,104	
Including: Investment in core tier1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	98	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,298	X13

(In RMB millions, unless otherwise stated)

Item	31 December 2018 Balance sheet under regulatory scope of consolidation	Reference
Other assets	186,769	
Interest receivable	2,624	
Intangible assets	19,301	X14
Including: Land use rights	17,374	X15
Other receivables	145,678	
Goodwill	8,820	X16
Long-term deferred expenses	3,484	
Repossessed assets	9,366	
Others	(2,504)	
Debt securities issued	617,842	
Including: Valid portion of tier 2 capital instruments and their premium	202,761	X17
Share capital	356,407	X18
Other equity instruments	86,051	
Including: Preference shares	79,375	X28
Capital reserve	151,968	X19
Other comprehensive income	(11,646)	X24
Reserve for changes in fair value of financial assets	15,823	
Reserve for cash flow hedging	(3,804)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,739)	X20
Changes in share of other owners' equity of associates and joint ventures	(1,150)	
Foreign currency translation reserve	(22,253)	
Others	(262)	
Surplus reserve	261,636	X21
General reserve	278,980	X22
Retained profits	1,205,924	X23
Minority interests	9,061	
Including: Valid portion to core tier 1 capital	3,752	X25
Including: Valid portion to additional tier 1 capital	735	X26
Including: Valid portion to tier 2 capital	1,991	X27

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4603	4604	84602	360011
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment						
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB339,126	RMB169,202	RMB equivalent 17,928	RMB equivalent 4,542	RMB11,958	RMB44,947
Par value of instrument (in millions)	RMB269,612	RMB86,795	USD2,940	EUR 600	RMB12,000	RMB45,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	10 December 2014	10 December 2014	18 November 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares

(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Coupons/dividends						
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.5% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	Yes	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion trigger(s)	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	The Bank	The Bank

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Write-down feature	No	No	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, pari passu with the holders of Parity Obligations
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB19,994	RMB equivalent 13,626	RMB44,000	RMB44,000
Par value of instrument (in millions)	RMB20,000	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	4 August 2014	21 September 2015	6 November 2017	20 November 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	5 August 2024	21 September 2025	8 November 2027	22 November 2027
Issuer call (subject to prior supervisory approval)	Yes	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	5 August 2019, in full amount	N/A	8 November 2022, in full amount	22 November 2022, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	5.80%	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of the Bank	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

(In RMB millions, unless otherwise stated)

(h) Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	31 December 2018	31 December 2017
1	Total consolidated assets as per published financial statements	27,699,540	26,087,043
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(110,212)	(107,475)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	68,114	61,814
5	Adjustment for securities financing transactions	35,125	57,693
6	Adjustment for off-balance sheet items	2,002,299	2,000,174
7	Other adjustments	(14,988)	(14,282)
8	Balance of adjusted on- and off- balance sheet assets	29,679,878	28,084,967

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	31 December 2018	31 December 2017
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	27,120,956	25,174,171
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(14,988)	(14,282)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	27,105,968	25,159,889
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	76,179	93,955
5	Add-on amounts for PFE associated with all derivatives transactions	63,890	63,145
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(20,180)	(25,768)
9	Effective notional amount of written credit derivatives	44,968	46,496
10	Less: Adjusted effective notional deductions for written credit derivatives	(25,408)	(27,001)
11	Total derivative exposures	139,449	150,827
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	397,037	716,384
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	35,125	57,693
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	432,162	774,077
17	Off-balance sheet exposure at gross notional amount	4,400,110	4,211,871
18	Less: Adjustments for conversion to credit equivalent amounts	(2,397,811)	(2,211,697)
19	Balance of adjusted off-balance sheet assets	2,002,299	2,000,174
20	Net tier 1 capital	2,312,143	2,110,060
21	Balance of adjusted on- and off-balance sheet assets	29,679,878	28,084,967
22	Leverage ratio	7.79%	7.51%

(In RMB millions, unless otherwise stated)

(i) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Fourth-quarter 2018 Total un-weighted value	Fourth-quarter 2018 Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		4,921,335
Cash outflows			
2	Retail deposits and deposits form small business customers, of which:	10,059,024	1,002,806
3	Stable deposits	48,891	1,793
4	Less stable deposits	10,010,133	1,001,013
5	Unsecured wholesale funding, of which:	12,018,257	3,964,817
6	Operational deposits (excluding those generated from correspondent banking activities)	6,881,028	1,669,869
7	Non-operational deposits (all counterparties)	5,061,928	2,219,647
8	Unsecured debt	75,301	75,301
9	Secured funding		25,354
10	Additional requirements, of which:	3,960,547	1,446,607
11	Outflows related to derivative exposures and other collateral requirements	1,223,431	1,223,431
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	2,737,116	223,176
14	Other contractual funding obligations	59,213	58,837
15	Other contingent funding obligations	3,183,889	127,123
16	Total cash outflows		6,625,544
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	958,599	488,036
18	Inflows from fully performing exposures	1,457,392	1,035,013
19	Other cash inflows	1,222,330	1,216,322
20	Total cash inflows	3,638,321	2,739,371
			Total adjusted value
21	Total HQLA		4,921,335
22	Total net cash outflows		3,886,173
23	Liquidity coverage ratio (%)		126.66%

Data of the above table are all the simple arithmetic means of the 92 natural days' figures of the recent quarter.

(j) Net Stable Funding Ratio (NSFR)

As at 31 December 2018, the NSFR of the Group was 126.62%, the available stable finding (ASF) was RMB18,647,495 million and the required stable finding (RSF) was RMB14,726,640 million.

2018 Ranking and Awards

2018 Ranking

Forbes

The 1st place among the Global 2000
Ranking in terms of combination of sales, profit, assets and market value

The Banker

The 1st place among the Top 1000 World Banks
Ranking in terms of tier 1 capital of a bank

Fortune

The 26th place among the Global 500
(The 1st place on the sub-list of commercial banks)
Ranking in terms of operating income

Brand Finance

The 1st place among the Top 500 Banking Brands
Ranking in terms of brand value of a bank

Millward Brown

The 22nd place among the Top 100 Most Valuable Global Brands
(The 2nd place among the brands of financial institutions)
Ranking in terms of brand value

China Enterprise Confederation

The 4th place among the Top 500 Enterprises of China
Ranking in terms of operating income

2018 Awards

OVERSEAS AWARDS

Euromoney

Best Bank in China

The Banker

Best Private Bank in China

Global Finance

Best Corporate Bank in China

The Asian Banker

Best Bank in Asia-Pacific
Bank Leadership Achievement of the Year in Asia-Pacific
The Custodian Bank of the Year in Asia-Pacific
Best (Mega) Private Bank in China
Best (Mega) Transaction Bank in China
Best (Mega) Cash Management Bank in China
Best Cloud Based Initiative Application or Programme
The Best Digital Brand Initiative, Application or Programme — ICBC Xiaobai
The Best Customer Centric Initiative, Application or Programme in China — Suijunxing
The Best Productivity, Efficiency and Automation Initiative, Application or Programme in China — GYJ Financial Service Platform
The Best Payments Initiative, Application or Programme in China — ICBC e-Payment

Finance Asia

Best Bank in China
Best Green Bond in China

The Asset

Corporate Award — Platinum Award
Best Private Bank in China
Best Wealth Management Organization in China
Best Bond Advisor — Domestic China
Best National Custodian, China
Best Insurance Custodian, China
Best Global Coordinator of Bank Capital

Asiamoney

Best Green Commercial Bank in China
Regional Bank of the Year for BRI (Central and Eastern Europe & Central and West Asia)
Regional Bank of the Year for BRI (South East Asia)
Best Bank for Infrastructure/Project Finance in the Region (Middle East and Africa)
Best Transaction Bank for Domestic Cash Management
Best Transaction Bank for Bond Financing

Project Finance International

Best Bank in Asia-Pacific
Middle East&Africa Resource Deal of the Year
Middle East&Africa Oil & Gas Deal of the Year
Global Multilateral Deal of the Year

International Card Manufacturers Association

Élan Awards

Hong Kong Call Centre Association

Bronze Award for Best Offshore Customer Center

VISA International

Excellent Risk Monitoring and Control Award of the Year
Best Business Growth Award

MasterCard Worldwide

Best Risk Monitoring and Control Award
Most Innovative Partner
Most Influential Acquiring Bank

American Express

Best Innovative Acquiring Bank

JCB Brand

Outstanding Contribution Award for Foreign Card Acquiring

DOMESTIC AWARDS

PBC

Banking Technological Development Award of PBC

CBIRC

Award for Information Technology Risk Management in Banking Industry

China Banking Association

Best Social Responsibility Financial Institution Award of the Year
The Best Effectiveness Award of China's Banking Industry in Popularizing Financial Knowledge
Advanced Unit of Legal Risk Management
Outstanding Contribution Entity of Trade and Finance Professional Committee
Outstanding Contribution Award for Civilized and Standardized Service of China Banking Industry
Comprehensive Model Entity of China Banking Industry Customer Service Center
Outstanding Award for Research Achievements of China Banking Industry Development

Insurance Association of China

Best Partner of Bank Insurance in China

National Association of Financial Market Institutional Investors

Excellent Comprehensive Market Making Institutions in the Interbank Bond Market
Excellent Market Maker of Interest Rate Bonds in the Interbank Bond Market
Excellent Market Maker of Credit Debts in the Interbank Bond Market
Excellent Credit Default Swap Tentative Quotation Institution of the Year

China Central Depository & Clearing Co., Ltd.

Excellent Financial Bond Issuer
Excellent ABS Sponsor
Excellent Proprietary Trading Institution Award
Excellent Underwriters Award for China Bond Green Index Component Securities
Excellent Institution Award for Over-the-counter Debt Business
Excellent Settlement Agent Award
Excellent Custodian Agent Award of the Year
Excellent Banking Underwriter Award

Shanghai Clearing House

Excellent Clearing Participant
Excellent Settlement Participant
Excellent Custodian Bank
Excellent Award for Proprietary Foreign Exchange Clearing

China Foreign Exchange Trading System

Best Market Maker
Best Market Making Award
Best Deal Award
Best Spot Trading Award
Best Forward Swap Transaction Award
Best Non-US Trading Award
Best Foreign Currency Pairs Market Making Award

National Interbank Funding Center

Excellent Market Trader of Bonds in the Interbank Local Currency Market
Active Trader in the Interbank Local Currency Market
Best Foreign Currency Borrowing Members in the Interbank Foreign Exchange Market
Excellent Market Trader of Derivatives in the Interbank Local Currency Market
Outstanding Contribution Award for Opening up
Contribution Award for Opening up — Excellent Settlement Agent

National Foreign Exchange Market Self-discipline Mechanism

Best Contribution Award
Pioneer Award for Self-discipline

Joint Meeting of the State Council on Anti-counterfeiting Money Work

Outstanding Collective Achievements in Anti-counterfeit Currency Work

Shanghai Stock Exchange

Excellent Underwriters of Local Government Bonds

Shenzhen Stock Exchange

Excellent Underwriters of Local Government Bonds

Shanghai Gold Exchange

Special Award for Excellent Financial Institution Members
Special Contribution Award in Bidding Market
Excellent Market Makers in the Interbank Inquiry Market
Special Contribution Award for International Business
Special Contribution Award for Personal Agency Business

Dalian Commodity Exchange

Bank with Good Futures Settlement Business
Best International Business Service Bank

China UnionPay

Contribution Award for UnionPay Technical Cooperation

China Financial Certification Authority

Golden List Award of China Electronic Banking — Best Electronic Banking Award
Golden List Award of China Electronic Banking — Best Personal Mobile Banking Award

China Securitization Forum

Outstanding Institutional Award for Asset Securitization of the Year
Cutting-edge Award for Asset Securitization of the Year

Organizing Committee of China International Financial Services Exhibition

Outstanding Financial Products Award of the Year

China Advertising Association

Advertiser Award • Brand Shaping Case Award of the Year

China Public Relations Association

Gold Award in Enterprise Product Communication of the China Golden Awards for Excellence in Public Relations
Bronze Award in Social Media Communication of the China Golden Awards for Excellence in Public Relations

International E-Commerce Innovation Association

Most Innovative Brand Award (ICBC Mobile) in the Business Innovation Industry List of ECI Award

China Electronics Chamber of Commerce

Top 10 Contact Center of the Year
Best Customer Contact Center Award for Customer Reputation of the Year

China Mergers & Acquisitions Association

China M&A Service Awards — Best M&A Transaction Award

Asia-Pacific Contact Center Association

Excellence Service Award for Asia-Pacific Contact Center Leadership Alliance

China Committee of Corporate Citizenship of China Association of Social Workers

Excellent Corporate Citizens in China

China e-Finance Union

Best Marketing Service Innovation Award of China e-Finance Union — "My Million Dreams" Theme Marketing Activities

Association of China Commercial Enterprise Management

National Commercial Enterprise Management Modernization Innovation Achievement Award

Financial Internet Branch of China Computer Users Association, China e-Finance Union

Banking e-Finance Innovation Award — Excellent Award in e-Finance Retail Business
Best Consumer Finance Risk Control Award of e-Finance Union

Internet Marketing Committee of China

Golden Web Awards

Internet Society of China Internet Finance Committee, FinTech League, China Academy of Information and Communications Technology

Excellent Examples of FinTech Innovation Application in China FinTech Innovation List — "Search by Heart"

Customer Contact Center Standard

Best Customer Contact Center in China
Best Marketing Practice Award of China Customer Contact Center
Best Employee Management Award of China Customer Contact Center

CFRI

Top 20 Bank Digital Model List

China News Service

Responsible Enterprises of the Year

21st Century Media

Consumer Financial Innovation Technology Product Award of the Year
Excellent Corporate Citizens of the Year

21st Century Annual Finance Summit of Asia

Best Commercial Bank in Asia
Corporate Business Bank of the Year

China Financial Publishing House

Chinese Financial Brand of the Year
Brand Communication Case Award of the Year
Brand Marketing Case Award of the Year
New Media Promotion Case Award of the Year

China Securities Journal

Golden Bull Investment Bank Award

Securities Times

"Jun Ding Award" for China's Private Banking Brand
"Jun Ding Award" for Comprehensive Investment Bank in China
"Jun Ding Award" for Financial Advisory Bank in China
"Jun Ding Award" for China Credit Card Brand

China Banking

Best Production Award in the First China Banking Microvideo Competition
Best Brand Publicity Award in the First China Banking Microvideo Competition
Best Performance Award
Industry Contribution Award
Best Project Award
Best Brand Publicity Award

China Business Journal

State-owned Commercial Bank with Excellent Competitiveness

China Economic Weekly

Top 100 China's Own Brands during the Last 40 Years

China Fund

"Ying Hua Award" for China Fund Industry — Best Fund Sales Bank

China Report

Outstanding Contribution Award for Overseas Image of Chinese Enterprises
Top 20 Overseas Image of Chinese Enterprises
Good News Spread Overseas Award in State-owned Enterprises

The Chinese Banker

Top 10 Financial Product Innovation Award (Corporate Business)
Top 10 Financial Product Innovation Award (Personal Business)
Top 10 FinTech Innovation Award
Top 10 Banking Intelligent Network Innovation Award

Investor Journal Weekly

Trustworthy Corporate Banks

Southern Weekly

Best Chinese State-owned Listed Companies on Corporate Social Responsibilities
Best Responsibility Report of the Year

Nanfang Metropolis Daily

"Golden Brick Award" — The Most Characteristic Credit Card

National Business Daily

"Golden Censer Prize" — Excellent Private Bank of the Year

Retail Banking

Best Digital Brand Building Products in Asia-Pacific
Best Physical Channel Operation Award

The Economic Observer

China Excellent Finance Award "Excellent Social Contribution Bank of the Year"

Financial News

Best Poverty Alleviation Bank of the Year

Financial Money

"Golden Pixiu Award" — Excellent Contribution Award for Gold Retail Banks of the Year
"Golden Pixiu Award" — Gold Innovative Financial Products Award of the Year
"Golden Pixiu Award" — Gold Brand E-Banking of the Year
"Golden Pixiu Award" — Excellent Contribution Award for Gold Custodian Banks of the Year

Financial Computerizing

Outstanding Contribution Award for Scientific and Technological Innovation in Financial Industry

Directors & Boards

Golden Round Table — Enterprise Excellent in Corporate Governance
Gold Round Table — Most Innovative Board Secretary

China Times

"Golden Cicada Award" — Mobile Banking of the Year
Social Responsibility Bank of the Year

Wealth Plus
Best Private Bank in China

Trade Finance
Best Deal Bank

CCTV Finance
Top Ten listed Company of the Year

Sina Finance.com
Best State-owned Commercial Bank
Best Brand Image Bank

The Paper
Inclusive Finance Award of the Year

Caixin Insight
Best Domestic Bond Market Bank in China

Caixin Media
Caixin — SGCX ESG50 Index Enterprise

Eastmoney.com
Best Custodian Bank
Best Private Bank
Best Mobile Banking

www.caishiv.com
Jiefu Award of ABS — Best Service Organization
Jiefu Award of ABS — Best Market-influential Housing Mortgage Loan Asset Securitization Product
Jiefu Award of ABS — Best Scale Non-performing Loan Asset Securitization Product

China Limited Partners Association
100 LP Cases for the 10th Anniversary of 2008–2018
Best M&A Service Award

www.cebnet.com.cn
Super IP Ecological Conference — Super Finance IP Top 10
Lemon Awards — Bronze Award for Super IP Business Applications Award

www.gsdata.cn
New Media Communication Award for Listed Companies

Meihua.info
Mawards

Global Compact Network China
Enterprise Best Practices of the Year of Sustainable Development Goals

Juwai.com
Best Use Award of Big Data in Electronic Commerce

Organizing Committee of ROI
Return on Investment

JRJ. com
Outstanding Chinese-funded Bank Brand
Outstanding Cash Management Bank Award
Outstanding Small and Micro Enterprise Financial Services Award
Outstanding Smart Bank Award
Outstanding Mobile Banking Award
Outstanding Popular Credit Card Brand Award
Outstanding Custodian Bank

www.51Callcenter.com
Golden Voice Prize "China Best Contact Center Award — Customer Service"

Analysys Think Tank
Best Digital Application of the Year of Analysys Star — Mobile Bank
Most Popular Digital APP of the Year

ATA
HR Selection Awards In Greater China

58 China HR
Top 50 Best Employer for Chinese College Students
Top 10 Intelligent Employer of Best Employer for Chinese College Students
Top 15 Best Employer in Financial Industry for Chinese College Students

Zhaopin.com
China Best Employer of the Year

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-62869178/62868101
Fax: 0551-62868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888/82378000
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087819/88087000
Fax: 0591-83353905/83347074

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 200 Zhonghua North Road, Yunyan District, Guiyang City, Guizhou Province, China
Postcode: 550001
Tel: 0851-88620004/88620018
Fax: 0851-85963911

HAINAN PROVINCIAL BRANCH
Address: No. 54 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65303138/65342829
Fax: 0898-65303138

HEBEI PROVINCIAL BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66001999/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH
Address: No. 99 Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888/65776808
Fax: 0371-65776889/65776988

HEILONGJIANG PROVINCIAL BRANCH
Address: No. 218 Zhongyang Street, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84668023/84668577
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH
Address: No. 31 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430071
Tel: 027-69908676/69908658
Fax: 027-69908040

HUNAN PROVINCIAL BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-84428833/84420000
Fax: 0731-84430039

JILIN PROVINCIAL BRANCH
Address: No. 9559 Renmin Avenue, Changchun City, Jilin Province, China
Postcode: 130022
Tel: 0431-89569718/89569712
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China
Postcode: 330008
Tel: 0791-86695682/86695018
Fax: 0791-86695230

LIAONING PROVINCIAL BRANCH
Address: No. 88 Nanjing North Road, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
Tel: 024-23491600
Fax: 024-23491609

INNER MONGOLIA AUTONOMOUS REGION BRANCH
Address: No. 10 East 2nd Ring Road, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, China
Postcode: 010060
Tel: 0471-6940323/6940297
Fax: 0471-6940048

NINGBO BRANCH
Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA AUTONOMOUS REGION BRANCH
Address: No. 901 Huanghe East Road, Jinfeng District, Yinchuan City, Ningxia Autonomous Region, China
Postcode: 750002
Tel: 0951-5029200
Fax: 0951-5042348

QINGDAO BRANCH
Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-85809988-621031
Fax: 0532-85814711

QINGHAI PROVINCIAL BRANCH
Address: No. 2 Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6169722/6152326
Fax: 0971-6152326

SHANDONG PROVINCIAL BRANCH
Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681622
Fax: 0531-87941749

SHANXI PROVINCIAL BRANCH
Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI PROVINCIAL BRANCH
Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI MUNICIPAL BRANCH
Address: No. 9 Pudong Avenue, Pudong New District, Shanghai, China
Postcode: 200120
Tel: 021-58885888
Fax: 021-58886888

SHENZHEN BRANCH
Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China
Postcode: 518015
Tel: 0755-82246400
Fax: 0755-82246247

SICHUAN PROVINCIAL BRANCH
Address: No. 35 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China
Postcode: 610000
Tel: 028-82866000
Fax: 028-82866025

TIANJIN MUNICIPAL BRANCH
Address: No. 123 Weidi Road, Hexi District, Tianjin, China
Postcode: 300074
Tel: 022-28400648
Fax: 022-28400123/022-28400647

XIAMEN BRANCH
Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China
Postcode: 361012
Tel: 0592-5292000
Fax: 0592-5054663

XINJIANG AUTONOMOUS REGION BRANCH
Address: No. 231 Remin Road, Tianshan District, Urumqi, Xinjiang Autonomous Region, China
Postcode: 830002
Tel: 0991-5981888
Fax: 0991-2337527

TIBET AUTONOMOUS REGION BRANCH
Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region
Postcode: 850000
Tel: 0891-6898019/6898002
Fax: 0891-6898001

YUNNAN PROVINCIAL BRANCH
Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China
Postcode: 650021
Tel: 0871-65536313
Fax: 0871-63134637

ZHEJIANG PROVINCIAL BRANCH
Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China
Postcode: 310009
Tel: 0571-87803888
Fax: 0571-87808207

ICBC Credit Suisse Asset Management Co., Ltd.
Address: Tower A, Xinsheng Plaza, No. 5 Financial Street, Xicheng District, Beijing, China
Postcode: 100033
Tel: 010-66583333
Fax: 010-66583158

ICBC Financial Leasing Co., Ltd.
Address: E5AB, Finance Street, No. 20 Plaza East Road, Economic Development Zone, Tianjin, China
Postcode: 300457
Tel: 022-66283766/010-66105888
Fax: 022-66224510/010-66105999

ICBC-AXA Assurance Co., Ltd.
Address: 19/F Mirae Asset Tower, No. 166 Lujiazui Ring Road, Pudong New Area, Shanghai, China
Postcode: 200120
Tel: 021-5879-2288
Fax: 021-5879-2299

ICBC Financial Asset Investment Co., Limited
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