China Construction Bank (Europe) S.A.

Société Anonyme

Audited annual accounts

For the year ended 31 December 2018

China Construction Bank (Europe) S.A.
1, Boulevard Royal, L-2449 Luxembourg
R.C.S. Luxembourg B 176.131
TVA LU 26022780

CONTENTS

DIRECTORS' REPORT

GENERAL INFORMATION

China Construction Bank (Europe) S.A. (including its branches, defined as the "Bank" or "CCB (Europe) S.A.") was incorporated in the Grand Duchy of Luxembourg on 14 February 2013 as a *Société Anonyme*. Its registered office is established in Luxembourg at 1, Boulevard Royal, L-2449 Luxembourg and is registered under number of B 176.131 at the RCSL (i.e. the Trade and Companies Register in Luxembourg).

The Bank received its Banking Licence from the Ministry of Finance on 11 July 2013.

Its total share capital amounts to EUR 200,000,000 and it is fully owned by China Construction Bank Corporation, Beijing, China ("CCB China"), the second largest Chinese bank and one of the largest listed banks in the world.

The Bank presents its annual accounts for year ended and as at 31 December 2018.

EVENTS IN 2018

The Bank started operating in 2013 on a stand-alone basis, then on a consolidated basis starting in 2015 with branches in Amsterdam, Barcelona and Paris. Its Milan branch started activities in early 2016. In 2017, the Bank opened its fifth branch in Warsaw, Poland.

The Bank continued its efforts in 2018 on streamlining and simplifying the operational processes, on implementing processes and systems to comply with the regulatory requirements to implement IFRS 9, MifID II, Anacredit and the (EU) general data protection regulation.

In 2018, the Bank has further enhanced the overall internal governance, and the Board of Directors of the Bank was restructured with seven members, including one Chair and non-executive director, two executive Directors, two local independent Directors, and two non-executive Directors who are employees of the Shareholder of the Bank. Additionally, the Audit Committee of the Board of Directors was reinforced to facilitate the third line of defense, chaired by one of its independent Directors.

In addition, the Bank started the preparation for the implementation of processes and systems in order to comply with the regulatory requirements regarding IFRS 16.

BUSINESS REVIEW

The corporate objects of the Bank are to receive deposits and other repayable funds from the public and to grant credits for own account as well as any other activities in the widest sense, which a credit institution may carry out pursuant to the Luxembourg law of 5 April 1993 on the financial sector, as amended. The main business activities of the Bank in 2018 have been commercial banking, products and related services to its customers - who are mainly Chinese customers investing in Europe and European customers with a business interest in China.

RESEARCH AND DEVELOPMENT

In 2018, the Bank has made the following developments:

- Automated LCR on a daily basis in core banking system to monitor liquiditiy risks;
- Implemented valuation engine by adopting automatically market value for derivatives to reduce operational and market risks.

RISK MANAGEMENT

In relation to its business activities, the Bank is mainly exposed to credit risk, compliance risk, market risk, operational risk and liquidity risk. Risk controls are performed and reported to Authorised Management on a regular basis.

In 2018, the Risk Management department concentrated its efforts mainly on strenghtening the credit monitoring process, especially with reference to the quarterly asset risk classification, enhancing the Bank's liquidity risk framework and implementing the AnaCredit reporting.

Four committees support the Authorised Management in overseeing the Bank's activities in the different areas of corporate responsibility. The Executive Committee ("ExCo") and the Credit Committee, which are management committees with decision-making powers, and the Asset & Liability Committee ("ALCO") and the Risk & Compliance Committee ("RCC"), which are advisory committees. Any proposal stemming from the ALCO and RCC has to be addressed to the ExCo and to the Boards of Directors for final approval, where needed.

The Executive Committee takes the responsibility for all the decisions related to daily management, except for those that fall under the specific competence of the Credit Committee.

The Credit Committee determines the Bank's credit policy and identifies the risks of its different types of lending. This committee oversees the credit policies and standards, credit portfolio limits and portfolio performance. It is also responsible for making final decisions on raising and using funds within its authority.

The ALCO is in charge of supervising asset and liability management activities and helps ensure the alignment of operations with the long-term strategy of the Bank. This committee ensures the proper handling of the assets and liabilities management and liquidity issues and the sound set-up of recommendations for the Treasury department in the area of liquidity and asset-liability management.

The RCC is in charge of assisting the Executive Committee in assessing the key regulatory risks to which the Bank may be exposed in order to support it in its decision-making process. During 2018, the Committee met in May, August and December.

The risk management framework is built around the "three-lines-of–defence" model and regular reviews of the Bank's exposures and limits defined either by the Head Office or internally. In addition, in order to maintain risks at an acceptable level for the Bank, the Risk Management department performs on regular basis several stress tests and simulates the additional capital requirement needs in order to cover the excess of risk, the impact on the net present value or on the Bank's income.

CREDIT RISK

Credit risk is the risk of loss due to a debtor's non-payment of obligations falling due under a loan or other line of credit. The effects of a default event can include a delay in repayments, restructuring of borrower repayments, and bankruptcy.

The Bank uses different techniques in order to mitigate its credit risk exposure. Guarantees, standby letters of credit received from CCB entities and collateral arrangements are part of these methods. The quality of the credit portfolio is reviewed on a quarterly basis. Credit risk is also considered within the stress testing framework, both at single risk (sensitivity analysis) and multifactor (scenario analysis) level. For regulatory reporting purpose, impairment are calculated according to the IFRS 9 methodologies.

As of 31 December 2018, the majority of the Bank's borrowers have an internal rating ranging from 2 to 6 and 65% of the credit portfolio is secured by some type of guarantee, most of which are granted by CCB Group entities. All facilities granted by the Bank are classified as normal except one exposure classified as Non-Performing with internal rating 19. This exposure, amounting to EUR 15 m. face value and representing 1.3% of the corporate loan portfolio of the Bank at 2018 year-end, is fully guaranteed, through a risk participation, by CCB Corporation, Luxembourg Branch. As post-closing event, during the last week of February 2019, the Bank disposed of the aforementioned exposure in the secondary market.

MARKET RISK

Market risk is the current or prospective risk to earnings and capital arising as a consequence of movements in market prices of financial assets in which the Bank invested. From a regulatory perspective, market risk stems only from open positions in foreign currencies. The Bank monitors these market risk exposures on a regular basis.

In order to ensure that the Market Risk Exposure of the Bank is in line with its risk appetite statement, the Bank establishes its control based on:

- Counterparty limits: the Bank follows the corresponding banks and financial institutions limits that are approved by the Head Office. Any excess of the limits shall be reported to Head Office in advance;
- Market risk limits: market risk limits are one of the most fundamental controls over the risks inherent in the Bank's activities. The Bank maintains its relevant market risk exposure within the approved limits.

The Bank has adopted the Standard Approach for calculating regulatory capital.

INTEREST RATE RISK

The approach used by the Bank aims at measuring interest rate risk for the purpose of ensuring that, under a reasonable worst-case scenario, the Bank is not at risk of substantial loss. All interest rate sensitive instruments present in the Bank's balance sheet are considered.

The Bank monitors on a regular basis the exposure to the interest rate risk by performing interest rate gaps for its main currencies. Sensitivity analysis and stress tests supplement the interest risk profile of the Bank.

The Bank also perform the semi-annual regulatory stress test on Interest Rate Risk in Banking Book as foreseen by the CSSF Circular 08/338, as amended and in force. No breach of the current regulation occurred in 2018.

FOREIGN EXCHANGE RISK

Foreign exchange risk corresponds to the risk of loss arising from an adverse movement in exchange rates and affecting the Bank because of an existing mismatch between currency assets, liabilities and off balance sheet transactions. Foreign exchange risk also includes the effect of unexpected and unfavourable changes in the value of future cash flows caused by currency movements.

The open positions are monitored by the Treasury and Risk Management departments and reported to the Authorised Management. The analysis is complemented by monthly foreign exchange stress tests on each currency.

CREDIT SPREAD RISK

The credit spread is the difference in the interest between different securities due to different credit quality. It reflects the additional net yield an investor can earn from a security with more credit risk relative to one with less credit risk. The risk related to the credit spread comes from the fact that a decrease of the credit quality of a customer has an impact on the price of the Bank's asset.

The Bank monitors on a regular basis the exposures to the credit spread risk through stress tests.

CONCENTRATION RISK

The Bank performs a monitoring and adequate management of concentration risk, as part of its risk management framework.

LIQUIDITY RISK

The liquidity risk is the probability of loss arising from a situation where (1) there will not be enough cash and/or cash equivalents to meet the needs of depositors and borrowers, (2) sale of illiquid assets will yield less than their fair value, and/or (3) illiquid assets will not be sold at the desired time due to lack of buyers.

The liquidity risk management at the Bank follows the three-lines-of-defence framework:

- Treasury constitutes the first line of defence to ensure that the Bank can perform all payments. It is in charge of the daily cash management, including the allocation/use of inflows, the management of announced and unannounced cash outflows and the follow-up of portfolio positions and values;
- Risk Management constitutes the second line of defence. It independently identifies all relevant aspects of liquidity risks and therefore it controls, measures and monitors liquidity risk exposures and reports to the Authorised Management;
- The third line of defence is the internal audit that undertakes, amongst others, reviews of the overall risk management and compliance function.

On a regular basis, the Risk Management department presents the liquidity situation of the Bank at ALCO to the Authorised Management, including an in-depth analysis of short and long term borrowings and lending positions, an analysis of the short and long term liquidity gap per main currencies, estimation of the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Stressed LCR (used as trigger of the Contingency

Liquidity Plan) and detailed analysis of the liquidity gap at both single entity and full configuration basis, i.e. European Branches included, as well as a detailed summary of available liquidity sources, the maturity mismatch analysis and stress tests.

OPERATIONAL RISK

For the operational risk, the Bank has adopted the Basic Indicator Approach for calculating the regulatory requirements. Operational risk is managed by the Risk Management Department, which is responsible for the registration, documentation and assessment of the impact of all operational risk events. All the operational events which occurred in 2018 had no financial impact.

COMPLIANCE RISK

Compliance risk is defined as the risk of regulatory scrutiny and/or sanctions or loss of reputation, which may result into material financial loss for the Bank as a result of its failure to comply with laws, regulations, its own code of conduct, and standards of best practice.

Compliance risk is fully managed by the Compliance department of the Bank and its branches. The Compliance department consisted of six full-time employees at Luxembourg headquarters and a total of twelve employees for the Bank's European Branches as per the end of December 2018. The objectives and responsibilities of the Compliance function are described in the Compliance Policy and in the Compliance Charter that have both been approved by the Bank's Board of Directors.

Regarding the management of Compliance risk a number of initiatives took place throughout 2018 - as summarized below:

- 4th AML Directive implementation project - updating of related policies and procedures;
- Implementation of General Data Protection Regulation; and
- The implementation of an automated AML system which supports various Bank processes such as customer risk rating, KYC, client screening, payment screening as well as transaction monitoring.

REPUTATIONAL RISK

Reputational risk is directly linked to Compliance risk because the Bank's reputation is closely connected with its adherence to principles of integrity and fair dealing. Reputational risk is defined as the risk of damage to an organisation through the loss of its reputation or standing.

The effect of a reputational risk event could be a sudden reduction in earnings, perhaps to a significant extent. Under these circumstances, it is unlikely that the Bank would be able to reduce costs to match the change. It is therefore appropriate for the Bank to calculate the additional capital to be held in respect of reputational risk with reference to projected operational expenses.

LEGAL RISK

The Legal function performs a review of legal documentation upon request of the relevant business departments in order to flag any potential legal risks. Furthermore, the Bank uses also the services of external legal providers, where required, in order to ensure that legal risk is mitigated.

APPROVAL OF THE ANNUAL ACCOUNTS AND RESULT APPROPRIATION

The gain for the year ended 31 December 2018 was EUR 2,422,932.

The Board of Directors has approved the annual accounts on the 10th of May 2019 and proposed that the net result of EUR 2,422,932 be carried forward.

OUTLOOK FOR 2019

In 2019, the Bank will still adopt a prudent but steady development strategy, while the priorty of the Bank is to be compliant with regulations. Having successfully tested its set of procedures, as well as its internal control framework, the Bank plans to move forward in 2019 with its business development across Europe by increasing its commercial banking activities, including deposit taking activities, supported by the Bank's external rating obtained at the end of 2016 and assessing the manufacturing of new banking products and services.

China Construction Bank (Europe) S.A.

Approval by the Board of Directors

Luxembourg, 10 May 2019

Jiang Liu

Zhao Rong

AUDIT REPORT

To the Board of Directors of
China Construction Bank (Europe) S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of China Construction Bank (Europe) S.A. (the "Bank") as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

What we have audited

The Bank's annual accounts comprise:

- the balance sheet as at 31 December 2018;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

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

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable for the year then ended, are disclosed in Note 24 to the annual accounts.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud).

These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment/value adjustment of doubtful loans The core business of the Bank is to grant loans to Chinese corporates located in China and investing in Europe and European corporates located in the European Union with a business interest in China. Loans to customers consist mainly of syndication loans, bilateral loans, and trade finances. The Management of the Bank ensures that the lending is made to borrowers with good credit rating and obtains guarantees for some of its loans from its parent, China Construction Bank Corporation, Beijing. The loans to customers amounted to EUR 1,013 million as at 31 December 2018 (2017: EUR 1,136 million). Historically and as of 31 December 2018, the Bank has not recognised impairment of loans. The impairment/value adjustment of loans represents Management's best estimate of the losses incurred within the loan portfolios at balance sheet date. A wrong assessment by Management and/or not having a timely monitoring of the credit risk of the loans could potentially have a significant impact on impairment/value adjustment level and could lead to a significant risk of a material misstatement in the annual accounts of the Bank as at 31 December 2018. Indeed, adverse market conditions may worsen the quality of the credit rating of loans, which might have an impact on the level of impairment/value adjustment required to be booked. Due to the magnitude of the loans to customers and the extent of Management judgement inherent in the loan provisioning, the impairment/value adjustment of loans has been identified as a key audit matter in the current year audit of the Bank's annual accounts. See Notes 3 and 30 to the annual accounts as well as section "Credit Risk" of the directors' report.	In order to mitigate the risk related to the loans provisioning, we obtained an understanding and tested the relevant controls over the credit origination, approval and monitoring processes. We further assessed the design and evaluated the operating effectiveness of the controls implemented by the Bank in relation to above processes. More specifically the controls assessed in relation to the monitoring process included: • Oversight of credit risk by the Credit Risk Committee; • Timely assessment of credit risk by the second line of defense; • Proper segregation of duties as well as the application of the "4 eyes principle"; • Timely identification of impairment events; • Identification of loans to be monitored through a watch list; and • Collateral monitoring and valuation processes. Besides, we adopted a risk-based sampling approach in our loan review procedures to check the potential need and level of impairment/value adjustment at year-end. The procedures consisted mainly of checking the risk rating of the loans, ensuring receipt of principle and interests on timely basis, checking the collateral and other indicators which may trigger impairment process and signal that an impairment/value adjustment would be required at 31 December 2018. Finally, subsequent to the year end, we audited the disposal of a non performing exposure in order to ensure that no impairment/value adjustment was required as of 31 December 2018.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the directors' report but does not include the annual accounts and our audit report thereon.

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

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts 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 Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Bank’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 Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts 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 audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The directors' report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" of the Bank by the Board of Directors on 29 March 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 13 May 2019

Julie Batsch

(expressed in EUR)

ANNUAL ACCOUNTS

Balance Sheet

ASSETS	Notes	2018	2017
		EUR	**EUR**
Cash, balances with central bank and post office	**3,5**	**155,357,532**	**196,065,176**
Loans and Advances to Credit Institutions	**3,8**	**48,977,769**	**53,767,912**
Repayable on Demand		*22,380,760*	*53,767,912*
Other loans and advances		*26,597,009*	-
Loans and Advances to Customers	**3**	**1,013,230,324**	**1,135,584,429**
Intangible Assets	**4**	**388,871**	**511,463**
Tangible Assets	**4**	**2,121,868**	**3,656,493**
Other Assets	**6,8**	**15,695,973**	**12,740,221**
Prepayments and Accrued Income	**7,8**	**7,209,610**	**8,442,245**
Total Assets		**1,242,981,947**	**1,410,767,939**

China Construction Bank (Europe) S.A.

BALANCE SHEET
As at 31 December 2018
(expressed in EUR)

LIABILITIES	**Notes**	**2018**	**2017**
		EUR	**EUR**
Amounts Owed to Credit Institutions	**3,8**	**72,199,788**	**421,520,801**
Repayable on Demand		*1,468,842*	*-*
with agreed maturity dates or periods of notice		*70,730,946*	*421,520,801*
Amounts Owed to Customers	**3,9**	**466,449,923**	**283,409,505**
Repayable on Demand		*28,521,360*	*21,472,373*
with agreed maturity dates or periods of notice		*437,928,562*	*261,937,132*
Debt evidenced by certificates		***499,455,173***	***498,977,291***
Debt securities in issue	**10**	*499,455,173*	*498,977,291*
Other Liabilities	**11,8**	**1,637,259**	**2,053,642**
Accruals and deferred income	**7,8**	**17,200,239**	**21,546,736**
Provisions	**12**	**6,092,765**	**5,736,096**
Provisions for Taxes		*3,392,379*	*3,380,341*
Other Provisions		*2,700,386*	*2,355,755*
Subscribed Capital	**13**	**200,000,000**	**200,000,000**
Reserves	**13,14**	**900,000**	**900,000**
Free reserve		*800,000*	*800,000*
Legal reserve		*100,000*	*100,000*
Profit or loss brought forward	**13**	**(23,376,132)**	**(17,995,348)**
Profit or loss for the financial year	**13**	**2,422,932**	**(5,380,784)**
Total Liabilities		**1,242,981,947**	**1,410,767,939**

The accompanying notes form an integral part of these annual accounts.

OFF - BALANCE SHEET

As at 31 December 2018
(expressed in EUR)

OFF - BALANCE SHEET	Notes	2018	2017
		EUR	EUR
Contingent Liabilities	25	2,320,293	1,032,000
Commitments	25	124,072,268	169,844,282

The accompanying notes form an integral part of these annual accounts.

PROFIT AND LOSS ACCOUNT
For the Year ended 31 December 2018
(expressed in EUR)

PROFIT AND LOSS ACCOUNT	**Notes**	**2018**	**2017**
		EUR	**EUR**
Interest Receivable and Similar Income	**16**	**24,451,350**	**18,202,661**
of which arising fixed-income transferable securities		-	-
Interest payable and similar charges		**(12,945,152)**	**(7,913,179)**
Commissions Receivable	**16**	**18,894,840**	**12,806,438**
Commissions Payable		**(1,203,818)**	**(1,957,440)**
Net Profit or loss on Financial Operations	**16,17**	**(13,517)**	**82,488**
Other Operating income	**16,18**	**13,916,622**	**10,721,243**
General Administrative expenses		**(37,776,264)**	**(32,402,327)**
Staff costs	**20**	*(25,953,047)*	*(22,376,232)*
of which:			
Wages and salaries		*(21,864,083)*	*(17,274,489)*
Social security costs		*(3,225,608)*	*(4,302,095)*
Other Administrative expenses	**19**	*(11,823,217)*	*(10,026,095)*
Value adjustments in respect of intangible and tangible assets	**4**	**(1,932,437)**	**(1,981,832)**
Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	**21**	**(939,758)**	**(2,294,791)**
Other Taxes not shown in the preceding items	**22**	**(28,933)**	**(644,045)**
Profit or loss for the financial year		**2,422,932**	**(5,380,784)**

The accompanying notes form an integral part of these annual accounts.

NOTES TO THE ANNUAL ACCOUNTS

NOTE 1 - GENERAL INFORMATION

China Construction Bank (Europe) S.A. (the “Bank” or “CCB (Europe) S.A.”) was incorporated in the Grand Duchy of Luxembourg on 14 February 2013 as a Société Anonyme. Its registered office is established in Luxembourg at 1, Boulevard Royal, L-2449 Luxembourg and has the company’s register number of B 176.131 at the RCSL (i.e. the Trade and Companies Register in Luxembourg).

The Bank received its Banking Licence from the Ministry of Finance on 11 July 2013.

Its total share capital amounted to EUR 200,000,000 and it is fully owned by China Construction Bank, Beijing, China (“CCB China”). As at 31 December 2018, the Bank’s share capital consists of 100,000 shares (fully paid up) with a nominal value of EUR 2,000 for an aggregate subscription price of EUR 200,000,000.

The annual accounts of the Bank are included in the consolidated accounts of China Construction Bank Corporation, Beijing. The consolidated accounts are available at its registered office N° 25, Finance Street, Xicheng District, Beijing 100033, China.

As of 31 December 2018, the Board of Directors of the Bank is composed of three Non Executives directors, two independent Directors and of two directors who are also authorised managers of the Bank in charge of its daily business.

The Bank prepares its annual accounts in Euro currency (EUR), the currency in which its capital is expressed.

The Bank’s accounting year coincides with the calendar year.

The Bank has 5 branches in Europe located in Paris, Barcelona, Milan, Amsterdam and Warsaw.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND VALUATION RULES

2.1 BASIS OF PRESENTATION

These annual accounts have been prepared in conformity with accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. The accounting policies and the valuation principles are determined and applied by the Board of Directors, except those which are defined by Law and by the regulations in Luxembourg.

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

2.1 BASIS OF PRESENTATION (continued)

The Board of Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The figures for the year ended 31 December 2017 relating to items “other operating income”, “commission receivable” and “remuneration of members of the administration, managerial and supervisory bodies” have been reclassified to ensure comparability with the figures for the year ended 31 December 2018.

2.2 FOREIGN CURRENCY

The Bank uses the multi-currency accounting system which records all assets and liabilities in their original currencies. For the preparation of the annual accounts which are expressed in Euros, amounts in foreign currencies are translated as follows:

2.2.1 SPOT TRANSACTIONS

All assets and liabilities are translated into EUR at the balance sheet date spot exchange rate.

However, assets held as financial fixed assets and tangible assets, which are not hedged in either the spot or forward markets are translated into EUR at the rates prevailing on their acquisition dates.

Revenues and expenses in foreign currencies are recorded in their original currencies and translated into EUR at the rate of exchange prevailing on the date of the transaction.

Spot foreign exchange transactions are translated into EUR at the spot rate of exchange prevailing on the balance sheet date. Foreign exchange gains and losses resulting from spot transactions not hedged by forward transactions are accounted for in the profit and loss account for the year.

Foreign exchange gains and losses resulting from spot transactions hedged by forward transactions (“swap”) are neutralised through “prepayments and accrued income” and “accruals and deferred income” accounts. Differences arising due to the difference between spot and forward exchange rates are amortised in the profit and loss account on a prorata basis (the report/deport method).

2.2.2 FORWARD TRANSACTIONS

Forward transactions (FX Swaps) are accounted for using the report deport accounting method. Where the difference between the future and spot price of a forward transaction is positive a report is recognised and where the difference between the future and spot price of a forward transaction is negative a deport is recognised.

The report or deport recognised due to the difference between the future and spot price of a forward transaction is amortised in the profit and loss account on a prorata basis over the life of transaction.

2.2.3 INTEREST RATE SWAPS

The derivatives on interest rates, mainly IRS ("Interest Rate Swaps"), traded over the counter and unallocated to given assets or liabilities, are marked-to-market. The unrealised losses are booked in the profit and loss account whereas unrealised gains are ignored.

IRS traded over the counter for hedging purposes of the Bank's interest rate positions are not marked-to-market unless they are hedging fixed-income transferable securities included in the investment porffolio valued at the "lower of cost or market".

2.3 RECEIVABLES

At balance sheet date, debtors are recorded at their nominal value less value adjustments.

2.4 INTANGIBLE AND TANGIBLE FIXED ASSETS

Fixed assets other than financial fixed assets are valued at historical acquisition cost. The acquisition cost includes the costs to purchase the assets. The acquisition costs of intangible and tangible assets whose use is limited in time are amortised/depreciated on a straight-line basis over the estimated useful life or at the rates specified below.

In the case of durable reduction in value, intangible and tangible assets are subject to value adjustments, regardless of whether their utilisation is limited.

The valuation at the inferior value is not maintained if the reasons for which the value adjustments were made no longer exist.

2.4.1 INTANGIBLE ASSETS

Amortisation is provided for on a straight line basis over the remaining useful lives of the assets.

The amortisation rate and methods applied are as follows:

- Licences	3/5 Yrs	20% / 33.3%

2.4.2 TANGIBLE ASSETS

Tangible assets are used by the Bank for its own operations and are depreciated on a straight line basis over the estimated remaining useful lives of the assets. The depreciation rate and methods applied are as follows:

- Computer equipment	3 Yrs	33.3%
- Furniture and office equipment	3/5 Yrs	20% / 33.3%
- Building improvement	5 Yrs	20%

2.5 LOANS AND ADVANCES

Loans and advances are stated at their acquisition price. The policy of the Bank is to establish specific impairment/value adjustment for doubtful loans in accordance with the circumstances and for amounts specified by the Board of Directors. The provisions are deducted from the appropriate asset account balances and shall not be maintained if the reasons for which they were recorded no longer exist. Accrued Interest is recorded in the balance sheet caption prepayments and accrued income.

2.6 PAYABLES

At the balance sheet date, creditors are stated at the amount of reimbursement.

2.7 PROVISIONS

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges that have originated in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

2.8 LUMP-SUM PROVISIONS

A general reserve for potential risks on balance sheet and off balance sheet items has been booked. This tax-deductible provision is deducted from the corresponding assets; the portion of the provision relating to the off balance sheet items is included in the caption: “Other provisions”.

This provision is recorded at profit and loss level through the caption “Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments”.

The reversal of this provision is done at profit and loss level through the caption “Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments”.

NOTE 3 - INFORMATION ON FINANCIAL INSTRUMENTS

3.1 INFORMATION ON PRIMARY FINANCIAL INSTRUMENTS

The tables below analyse the level of primary instruments of the Bank with respect to their remaining maturities. Financial instruments of the Bank are disclosed at the carrying amount. As at 31 December 2018 and 31 December 2017, the Bank held no primary trading financial instruments.

ANALYSIS OF FINANCIAL INSTRUMENT - PRIMARY NON - TRADING INSTRUMENTS (AT CARRYING AMOUNT - EUR) AS AT 31 DECEMBER 2018

2018	Less than 3 months	> 3 months to 1 year	> 1 year to 5 years	> 5 years	Total
Financial assets					
Cash and assets at central banks	155,357,532	-	-	-	155,357,532
Loans and advances to credit institutions	22,741,379	-	26,236,390	-	48,977,769
Loans and advances to customers	135,854,800	77,325,000	704,761,650	95,288,874	1,013,230,324
Total financial assets	**313,953,711**	**77,325,000**	**730,998,040**	**95,288,874**	**1,217,565,625**
Non-financial assets	-	-	-	-	25,416,322
Total assets	**313,953,711**	**77,325,000**	**730,998,040**	**95,288,874**	**1,242,981,947**
Financial liabilities					
Amounts owed to credit institutions	72,199,788	-	-	-	72,199,788
Amounts owed to customers	46,409,923	400,000,000	20,040,000	**-**	466,449,923
Debts evidenced by certificates	-	-	499,455,173	-	499,455,173
Total financial liabilities	**118,609,711**	**400,000,000**	**519,495,173**	**-**	**1,038,104,884**
Non-financial liabilities	-	-	-	-	204,877,063
Total liabilities	**118,609,711**	**400,000,000**	**519,495,173**	**-**	**1,242,981,947**

3.1 INFORMATION ON PRIMARY FINANCIAL INSTRUMENTS (continued)

ANALYSIS OF FINANCIAL INSTRUMENT - PRIMARY NON - TRADING INSTRUMENTS (AT CARRYING AMOUNT - EUR) AS AT 31 DECEMBER 2017

2017	Less than 3 months	> 3 months to 1 year	> 1 year to 5 years	> 5 years	Total
Financial assets					
Cash and assets at central banks and post offices	196,065,176	-	-	-	196,065,176
Loans and advances to credit institutions	28,763,745	-	25,004,167	-	53,767,912
Loans and advances to customers	119,065,364	130,786,181	763,749,744	121,983,140	1,135,584,429
Total financial assets	**343,894,285**	**130,786,181**	**788,753,911**	**121,983,140**	**1,385,417,517**
Non-financial assets	-	-	-	-	25,350,422
Total assets	**343,894,285**	**130,786,181**	**788,753,911**	**121,983,140**	**1,410,767,939**
Financial liabilities					
Amounts owed to credit institutions	314,593,682	106,927,119	-	-	421,520,801
Amounts owed to customers	38,177,505	225,100,000	20,000,000	132,000	283,409,505
Total financial liabilities	-	-	498,977,291	-	498,977,291
Non-financial liabilities	**352,771,187**	**332,027,119**	**518,977,291**	**132,000**	**1,203,907,597**
Total liabilities	-	-	-	-	206,860,342
	352,771,187	**332,027,119**	**518,977,291**	**132,000**	**1,410,767,939**

3.2 INFORMATION ON FINANCIAL DERIVATIVES

ANALYSIS OF FINANCIAL INSTRUMENTS - DERIVATIVE NON - TRADING INSTRUMENTS (NOTIONAL / FAIR VALUE - EUR) AS AT 31 DECEMBER 2018

The following table shows the non-trading derivative financial instruments linked to foreign exchange and interest rates, broken down by type of instrument and remaining maturity.

Instrument class	**less than 3 months**		**> 3 months to 1 year**		**> 1 year to 5 years**		**> 5 years**		**Total**			
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**	**Financial assets**		**Financial liabilities**	
	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Fair value	Notional amount	Fair value
OTC IRS	-	-	-	-	-	230,000,000	-	-	-	-	230,000,000	1,028,676
OTC FX Swaps	214,263,851	-	-	-	-	-	-	-	214,263,851	117,762	-	-
Total	**214,263,851**	-	**-**	**-**	**-**	**230,000,000**	**-**	**-**	**214,263,851**	**117,762**	**230,000,000**	**1,028,676**

As at 31 December 2018, the Bank does not hold any derivative financial instruments held for trading.

3.2 INFORMATION ON FINANCIAL DERIVATIVES (continued)

ANALYSIS OF FINANCIAL INSTRUMENTS - DERIVATIVE NON - TRADING INSTRUMENTS (NOTIONAL / FAIR VALUE - EUR) AS AT 31 DECEMBER 2017

The following table shows the non-trading derivative financial instruments linked to exchange rates, broken down by type of instrument and remaining maturity.

Instrument class	less than 3 months		> 3 months to 1 year		> 1 year to 5 years		> 5 years		Total			
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets		Financial liabilities	
	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Notional amount	Fair value	Notional amount	Fair value
OTC IRS	-	-	-	-	-	150,000,000	-	-	-	-	150,000,000	544,818
OTC FX Swaps	150,025,005	-	8,334,723	-	-	-	-	-	158,359,728	1,178,734	-	-
Total	**150,025,005**	-	**8,334,723**	**-**	**-**	**150,000,000**	**-**	**-**	**158,359,728**	**1,178,734**	**150,000,000**	**544,818**

As at 31 December 2017, the Bank did not hold any derivative financial instruments held for trading.

3.3 CREDIT RISK

MEASUREMENT OF CREDIT RISK EXPOSURE

Information on the client credit risk linked to primary financial instruments is disclosed on the basis of the carrying amount, after the deduction of any value adjustments. In the following tables (Concentration of credit risk by geographical location/economic sector), Guarantees received, which reduce credit risk exposure, are not splitted by geographical location.

INFORMATION ON CREDIT RISK CONCENTRATION

The table below discloses the concentration of the credit risk linked to financial instruments, from both on and off-balance sheet exposure, by geographical location and economic sector.

Geographical location	**Credits and other balance sheet items**	**Contingent liabilities and commitments**	**OTC derivatives**
	2018	**2018**	**2018**
	EUR	**EUR**	**EUR**
Asia	**15,167,912**	**1,324,257**	**8,885,277**
Corporates	14,666,712	1,324,257	-
Financial institutions	501,200	-	8,885,277
EU	**1,172,415,566**	**125,068,304**	**-**
Corporates	852,438,880	125,068,304	-
Financial institutions	319,976,686	-	-
Others	**29,982,147**	**-**	**-**
Corporates	-	-	-
Financial institutions	29,982,147	-	-
TOTAL	**1,217,565,625**	**126,392,561**	**8,885,277**
Guarantees received	(394,829,707)	-	-
Net exposure	822,735,918	-	-

Concentration of credit risk by economic sector

Economic sector	Credits and other balance sheet items	Contingent liabilities and commitments	OTC Derivatives
	2018	**2018**	**2018**
	EUR	**EUR**	**EUR**
Mining industry	14,620,010	12,243,648	-
Manufacturing	322,054,751	34,096,042	-
Electricity, gas and water production and supply industry	7,000,000	96,036	-
Construction	16,300,405	34,737,000	-
Transportation, storage and postal services	121,018,074	-	-
Information transmission, computer services and software industry	11,000,000	-	-
Wholesale and retail trade	36,118,195	900,000	-
Accommodation and catering industry	18,383,231	-	-
Financial industry	350,460,033	1,324,257	8,885,277
Real estate	66,570,842	95,578	-
Leasing and business services	53,988,941	-	-
Scientific, technical services and geological prospecting	91,969,231	40,100,000	-
Health, social security and social welfare	88,415,200	2,800,000	-
Cultural, sports and entertainment	14,666,712	-	-
Agriculture	5,000,000	-	-
Total	**1,217,565,625**	**126,392,561**	**8,885,277**

Accrued interest receivable of EUR 3,337,374 is not included in the above risk tables.

Credit risk for OTC derivatives

The below table shows the non-trading derivatives notional and risk equivalent amounts using the original risk method:

	Notional amounts	Risk-equivalent amounts	Collateral/ Guarantees	Net risk exposure
IRS	230,000,000	4,600,000	-	4,600,000
Swaps	214,263,851	4,285,277	-	4,285,277

3.4 MARKET RISK

The Bank takes on exposure to market risk. Market risks arise from open positions in interest rate and currency, both of which are exposed to general and specific market movements. The Bank monitors these market risk exposures on a regular basis.

In order to ensure that the Market Risk Exposure of the Bank is in line with its risk appetite statement, the Bank establishes its control based on:

- Counterparty limits: the Bank follows the corresponding banks and financial institutions limits that are approved by the Head Office. Any excess of the limits shall be reported to Head Office in advance;
- Market risk limits: market risk limits are one of the most fundamental controls over the risks inherent in the Bank’s trading activities. The Bank maintains its relevant market risk exposure within the limits.

The Bank has adopted the Standard Approach for calculating regulatory capital.

NOTE 4 - FIXED ASSETS

	Gross value at beginning of the year	FX	Additions	Disposals	Gross value at the end of the year	Cumulative Value Adjustments at the start of the year	FX	Value adjustments	Disposals	Cumulative Value Adjustments at the end of the year	Net book value at the end of year
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Intangible assets	**1,488,796**	**-**	**129,328**	**-**	**1,618,124**	**(977,333)**	**-**	**(251,920)**	**-**	**(1,229,253)**	**388,871**
of which:											
Licences	1,488,796	-	129,328	-	1,618,124	(977,333)	-	(251,920)	-	(1,229,253)	388,871
Property, plant and equipment	**8,661,535**	**(12,127)**	**156,709**	**(3,018)**	**8,803,099**	**(5,005,042)**	**1,310**	**(1,680,518)**	**3,018**	**(6,681,232)**	**2,121,868**
of which:											
Renovation of Building	5,084,227	(3,114)	64,957	-	5,146,071	(2,807,707)	262	(1,027,832)	-	(3,835,277)	1,310,793
Furniture, Office Equipment	1,633,111	(5,870)	30,785	(3,018)	1,655,008	(870,192)	637	(300,334)	3,018	(1,166,872)	488,137
IT equipment (hardware)	1,944,197	(3,143)	60,967	-	2,002,020	(1,327,143)	411	(352,351)	-	(1,679,083)	322,938
Total	**10,150,331**	**(12,127)**	**286,037**	**(3,018)**	**10,421,223**	**(5,982,375)**	**1,310**	**(1,932,437)**	**3,018**	**(7,910,484)**	**2,510,739**

NOTE 5 - CASH IN HAND, BALANCES WITH CENTRAL BANKS AND POST OFFICES

In accordance with the requirements of the European Central Bank, the Central Bank of Luxembourg has implemented a system of mandatory minimum reserves which applies to all Luxembourg credit institutions. The total balance in 2018 of the Central Bank of Luxembourg and Central Banks of EU branches is EUR 155,357,532 (2017: EUR 196,062,800) of which the minimum reserve balance as at 31 December 2018 amounted to EUR 3,529,458 (2017: EUR 1,975,447).

NOTE 6 - OTHER ASSETS

	2018	2017
	EUR	**EUR**
Due from Group Companies	15,364,071	12,374,932
Other	331,902	365,289
Total	**15,695,973**	**12,740,221**

The amount due from group companies is mainly composed of EUR 4,241,521 (2017: EUR 4,320,853) in relation to the Cost Sharing Agreement, applicable since 1 January 2015 between China Construction Bank Corporation Luxembourg Branch and China Construction Bank (Europe) S.A.. Based on this agreement both entities can share support services free from VAT using the provisions of the Luxembourg VAT Law in relation to the Independent Group of Persons (IGP).

In 2017, the Bank implemented a new Transfer Pricing (“TP”) with respect to the allocation of cost, which relates to the services performed between the Bank (including its branches) and China Construction Bank Corporation, Luxembourg Branch. The TP encompasses the following:

- Cost allocation related to back office support services;
- Clients referrals; and
- Funded/unfunded risk participation agreements.

As at 31 December 2018, the amount due from China Construction Bank Corporation, Luxembourg Branch in relation to the Transfer Pricing (TP) flow amounted to EUR 11,122,550 (2017: EUR 7,838,995).

NOTE 7 - PREPAYMENTS AND ACCRUED INCOME / ACCRUALS AND DEFERRED INCOME

Prepayments and accrued income are composed of the following:

	2018	2017
	EUR	**EUR**
Accrued income	5,414,958	5,884,970
Other	1,794,652	2,557,275
Total	**7,209,610**	**8,442,245**

Accrued income mainly derives from accrued interest of loans and advances with an amount of EUR 4,519,451 and foreign exchanged deals realised accrued income with an amount of EUR 845,268.

Accruals and deferred income are composed of the following:

	2018	2017
	EUR	**EUR**
Accrued expenses	4,343,217	3,899,721
Deferred fees	12,857,022	17,647,015
Total	**17,200,239**	**21,546,736**

Accrued expenses mainly derives from accrued interest of loans and advances with an amount of EUR 4,343,217 and deferred fees (commitment and upfront fees) with an amount of EUR 12,857,022.

NOTE 8 - RELATED PARTY BALANCES

The following balances with related parties are included on the assets side of the balance sheet.

	2018	2017
	EUR	**EUR**
Loans and Advances to Credit Institutions	17,859,919	24,684,823
Other Assets	15,364,071	12,374,932
Prepayments and Accrued Income	1,175,741	2,196,275
Total	**34,399,731**	**39,256,030**

The amount of prepayments and accrued income came from accrued interests related to derivatives transactions and money market transctions with related parties while the amount of other assets refers to cost sharing and transfer pricing profit sharing with related parties.

NOTE 8 - RELATED PARTY BALANCES (continued)

The following balances with related parties are included on the liability side of the balance sheet.

	2018	2017
	EUR	**EUR**
Amounts owed to Credit Institutions	56,335,518	403,435,037
Accruals and Deferred Income	1,384,806	2,578,701
Other Liabilities	175,649	720,000
Total	**57,895,973**	**406,733,738**

The amount of accruals and deferred income mainly came from accrued interests related to derivative transactions and money market transactions with related parties.

NOTE 9 - AMOUNTS OWED TO CUSTOMERS

	2018	2017
	EUR	**EUR**
Term deposits or with agreed periods of notice	466,449,923	283,409,505
Accruals	173,789	133,995
Total	**466,623,712**	**283,543,500**

NOTE 10 - DEBT EVIDENCED BY CERTIFICATES

On 15 February 2017, the Bank (the “Issuer”) established a Medium Term Note programme (the “Programme”) of EUR 3 billion which is guaranteed by China Construction Bank Corporation, Luxembourg Branch (the “Guarantor”). During 2017, the Issuer issued EUR 500 Million under the Programme. As at 31 December 2018, the notes outstanding amounted to EUR 499,455,173 and mature in February 2020 (2017: EUR 498,977,291). The notes issued under the program are denominated in EUR.

NOTE 11 - OTHER LIABILITIES

	2018	2016
	EUR	**EUR**
Sundry creditors	1,634,415	2,051,146
VAT Payable	2,844	2,496
Total	**1,637,259**	**2,053,642**

Sundry creditors is mainly composed of payroll taxes of EUR 881,317 (2017: EUR 777,510). In 2017, it included also an upfront risk participation fee of EUR 720,000 related to a guarantee received on a specific loan granted by the Bank.

NOTE 12 - PROVISIONS

	2018	2017
	EUR	EUR
Provision for Taxes	3,392,379	3,380,341
Other Provisions	2,700,386	2,355,755
Total	**6,092,765**	**5,736,096**

The tax provision consists of the 0.5% net wealth tax (see Note 22) and the minimum corporate income tax due for the years 2014 to 2017. The other provisions are mainly composed of provision on salaries and general professional service fees.

NOTE 13 - CHANGES IN SHAREHOLDERS EQUITY

	Subscribed Capital	Reserves	Profit or loss brought forward	Result for the year
	EUR	EUR	EUR	EUR
Balance at 31 December 2017	**200,000,000**	**900,000**	**(17,995,348)**	**(5,380,784)**
Allocation of the loss of the previous year	-	-	(5,380,784)	5,380,784
Current year Profit	-	-	-	2,422,932
Balance at 31 December 2018	**200,000,000**	**900,000**	**(23,376,132)**	**2,422,932**

The allocation of the prior year result was approved by the annual shareholders' meeting on 18 May 2018.

NOTE 14 - RESERVES

As at 31 December 2018, Reserves contains:

- Legal reserve is amounting to EUR 100,000;
- Free reserve is amounting to EUR 800,000.

In accordance with the Luxembourg law, the Bank must transfer at least 5% of its annual profit to the legal reserve until this reserve reaches 10% of the subscribed capital. The legal reserve cannot be distributed.

Free reserve represents the profit of prior years, which were appropriated by the Annual General Meetings of shareholders to a specific reserve referred to as "free reserve". The Annual General Meeting may approve the distribution of this reserve.

NOTE 15 - POSITIONS IN FOREIGN CURRENCIES

	2018	2017
	EUR	**EUR**
Total amount of assets in foreign currencies	285,008,168	237,189,945
Total amount of liabilities in foreign currencies	64,621,323	109,714,680

NOTE 16 - BREAKDOWN OF INCOME BY GEOGRAPHIC MARKETS

	2018	2017
	EUR	**EUR**
ASIA	984,277	1,285,200
EU	55,616,156	39,615,752
Rest of the World	662,379	911,878
Total	**57,262,812**	**41,812,830**

As at 31 December 2018, the above income includes interest receivable of EUR 24,451,350, commissions receivable of EUR 18,894,840 which is mainly composed of an amount of EUR 11,121,541 (2017: EUR 7,838,418) linked to the transfer pricing agreement entered into between the Bank and China Construction Bank Corporation, Luxembourg Branch in 2017 and other operating income of EUR 13,916,622.

NOTE 17 - NET PROFIT OR LOSS ON FINANCIAL OPERATIONS

	2018	2017
	EUR	**EUR**
Foreign exchange trading (Loss) or Profit	**(13,517)**	**82,488**

This amount mainly resulting from the revaluation of foreign currency assets and liabilities.

NOTE 18 - OTHER OPERATING INCOME

The other operating income is composed mainly of an amount of EUR 13,164,603 (2017: EUR 10,662,964) due from China Construction Bank Corporation, Luxembourg Branch for the allocation of costs between both entities as per the IGP agreement dated 1 January 2015 (see note 28).

NOTE 19 - OTHER ADMINISTRATIVE EXPENSE

Included in other administrative expenses is EUR 3,861,565 (2017: EUR 3,802,985) which represents office rent relating to 2018.

NOTE 20 - STAFF

The average number of employees (full time equivalent) employed by the Bank (included 5 branches) at 31 December 2018 can be broken down as follows:

	2018	**2017**
Senior Management	13	13
Employees	142	152

NOTE 21 - VALUE ADJUSTMENTS IN RESPECT OF LOANS AND ADVANCES AND PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS

During the course of 2018, the Bank has booked a lump-sum provision (see Note 2.8) amounting to EUR 939,758 (2017: EUR 2,294,791). This provision has been deducted from the corresponding assets.

NOTE 22 - OTHER TAXES

In 2018 Net Wealth tax was nil following the affectation to a special reserve of EUR 3,700,000 done at China Construction Bank Corporation Luxembourg Branch level (as per the article 164bis L.I.R., the Bank constitutes one single fiscal entity together with China Construction Bank Corporation, Luxembourg Branch).

NOTE 23 - MEMBERS OF THE ADMINISTRATION, MANAGERIAL AND SUPERVISORY BODIES

As at 31 December 2018, there were no loans and advances or pension commitments granted to members of the administration, managerial and supervisory bodies.

The remuneration of the members of the administration, managerial and supervisory bodies is as follows:

	Board of Directors		**Managerial bodies**	
	2018	**2017**	**2018**	**2017**
	EUR	**EUR**	**EUR**	**EUR**
Remuneration	262,010	226,162	1,618,354	1,077,601

NOTE 24 - INDEPENDENT AUDITOR'S FEES

	2018	2017
	EUR (*)	**EUR** (*)
Audit	311,401	207,954
Other assurance services	39,975	55,715
Total	**351,376**	**263,669**

(*) Excluding VAT.

NOTE 25 - CONTINGENT LIABILITIES AND COMMITMENTS

The committed credit lines amounts to EUR 124,072,268 (2017: EUR 169,844,282) and contingent liabilities amount to EUR 2,320,293 (2017: EUR 1,032,000).

NOTE 26 - DEPOSIT GUARANTEE AND INVESTOR COMPENSATION SCHEME

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (“the Law”), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

The deposit guarantee and investor compensation scheme which was in place through the “Association pour la Garantie des Dépôts Luxembourg” (AGDL) is replaced by a new contribution based system of deposit guarantee and investor compensation. This new system will cover eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

NOTE 26 - DEPOSIT GUARANTEE AND INVESTOR COMPENSATION SCHEME (continued)

The provisions which have been created in the past by credit institutions for the purpose of AGDL in their annual accounts will be used / released (depending on the accounting treatment chosen) according to the contributions of the banks to the new Luxembourg banking resolution fund “Fonds de resolution Luxembourg” (FRL), respectively to the new Luxembourg deposit guarantee fund “Fonds de garantie des dépôts Luxembourg” (FDGL).

The funded amount of the FRL shall reach by the end of 2024 at least 1% of covered deposits, as defined in Article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount will be collected from the credit institutions through annual contributions during the years 2016 to 2024.

The target level of funding of the FGDL is set at 0.8% of covered deposits, as defined in Article 163, number 8, of the law of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are to be made in the form of annual payments.

NOTE 27 - TAXATION

The Bank is fully taxable as per the fiscal regulation in force in the Grand-Duchy of Luxembourg.

As per the article 164bis L.I.R., the Bank constitutes one single fiscal entity together with China Construction Bank Corporation, Luxembourg Branch.

NOTE 28 - INDEPENDENT GROUPS OF PERSONS (IGP)

As per a cost sharing association called CCB-IGP, entered into force on the 1 January 2015, the Bank is providing services to China Construction Bank Corporation, Luxembourg Branch such as:

- Back Office Operations services;
- Legal services;
- I.T. services;
- Administration services (Facility management, HR and Reception).

CCB-IGP is invoicing the said services to its members on a quarterly basis.

As for Treasury services, China Construction Bank Corporation, Luxembourg Branch is providing such services to the Bank.

This IGP cost sharing structure will be remplaced by the VAT Group in 2019.

NOTE 29 - RETURN ON ASSETS

The return on assets of the Bank for the year ended 31 December 2018 was 0.19% (2017: (0.38)%).

NOTE 30 - SUBSEQUENT EVENTS

During the last week of February 2019, the Bank disposed of the Non Performing exposure, fully guaranteed, through a risk participation by CCB Corporation, Luxembourg Branch in the secondary market.