中信银行
CHINA CITIC BANK

# 中 信 銀 行 股 份 有 限 公 司
# China CITIC Bank Corporation Limited

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*
**(Stock Code: 998)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR 2016

## CHAIRPERSON'S LETTER TO SHAREHOLDERS

Dear Shareholders,

This is my first time writing to you in the annual report as chairperson of the board. Before this, I was president and executive director of China CITIC Bank. In the middle of last year, the board, driven by its goal to improve the corporate governance structure of this listed company, elected me as chairperson of the Bank in succession to Mr. Chang Zhenming. This marks the first time for the Bank to have an executive director chair the board. I feel the full weight of responsibility on my shoulders, which I carry by constantly reminding myself to build upon the good foundation laid by Mr. Chang, and lead the board to perform with due diligence and strive to create value for shareholders.

In recent years, I have frequently met with investors and analysts. Your care and concern about the Bank's business touches me profoundly. The annual report is one of the major channels to communicate with you. Right now the Bank is at the critical stage of implementing its 2015-2017 three-year strategy. I know you are all very concerned about the Bank's performance, strategic transformation, risk control and financial innovation. Let me highlight these areas in this letter so that you will get a better understanding of the Bank.

## Financial performance and dividend distribution

2016 was a year of overlapping conflicts and entangling risks both at home and abroad. The situations were grim and complicated. At home, the Chinese economy entered the "new normal"; deleveraging and tightening regulation became a marked trend for the financial sector. Despite all these, the Bank maintained a momentum of healthy continuous growth. At this point, I would like to report to our shareholders that the Bank realized RMB41.629 billion net profit attributable to shareholders for the whole year of 2016, a growth of 1.14% over last year. Our board recommends a cash dividend of RMB2.15 (pre-tax) per 10 shares to shareholders, giving a total dividend of RMB10.521 billion for the year 2016, a growth of 1.4% over last year. The board proposes this dividend distribution plan in the interests of all shareholders with consideration to the Bank's sustainable development and compliance with the regulatory requirements on capital adequacy.

Our board pay heeds to concerns of the shareholders on capital management and return on capital. This February, with strong support from our shareholders, the general meeting approved the Bank's proposal on an offering of RMB40 billion convertible bonds, the implementation of which will take place upon regulatory approval. The issuance of convertible bonds is the best choice to raise capital under the current market environment. It is conducive to raising capital adequacy and profit levels in the long run and a win-win choice for the Bank and its investors. The board has noted the considerable pressure on the Bank's ROA, ROE and other indicators. It is also fully aware that the "capital-high asset-heavy" development pattern of the banking industry is increasingly ill suited to the requirements on reforming the financial industry and difficult to be accepted by the market and shareholders. Therefore, we highlight value creation and light-style development and a " capital-light, asset-light, cost-light " transformation more than ever. The board and the management have reached high consensus on this. As transformation is a progressive process, the board will continue to guide and supervise so that capital will be used more efficiently and the interests of the shareholders safeguarded.

## Strategic transformation

Strategy is fundamental to corporate development. Unlike large state-owned banks, medium-sized joint-stock commercial banks are not competitive in terms of the numbers of outlets and employees. This is an objective fact. Therefore, it is important for us to take the path of business development with our own unique advantages. Only in this way may we be better positioned to cope with the highly competitive market. This is the very reason and purpose behind the formulation and execution of our strategic vision to become "the bank offering the best comprehensive financing services" in the recent years.

We put forward this strategic vision mainly because of the disintermediation trend in corporate financing. If we continue to rely exclusively on bank loans, our market competitiveness will be increasingly weakened. The new trend is to provide customers with comprehensive market-oriented financing solutions. This is precisely the advantages of the Bank. CITIC Group, the controlling shareholder of the Bank, is the largest comprehensive conglomerate in China. It not only has a full capital market services (CMS) license, but also places financial and non-financial businesses on an equal footing. CITIC Bank is the largest subsidiary of CITIC Group. We put forward the strategic vision of becoming "the bank offering the best comprehensive financing services" for the very purpose of fully leveraging on CITIC Group's unique competitive edges. We not only offer systematic solutions to meet complex customer needs, but also integrate financial and non-financial resources to launch new product and service portfolios and create new business models.

This strategic vision conforms to the Bank's actual situation and increasingly exhibits its unique competitive edges. Our practice has proved this. Last year, the strategic vision guided many branches of the Bank to find the direction for making breakthroughs in offering unique differentiated products and services in alignment with their own specific conditions. The branches explored numerous novel products and models for comprehensive financing. For example, we created the "Keqiao model" in Hangzhou. In this model, our outlets worked as the CITIC "combined corps". They provided the local governments with consultancy services and tailor-made financing solution packages with the use of the non-financial resources of CITIC Group. Their practices gave rise to a brand new pattern of bank-government cooperation and won a high degree of recognition among customers. In the future, we will continue to follow the guidance of our strategic vision, i.e., to become "the bank offering the best comprehensive financing services". Specifically, we will do our best to produce more innovative products and services and create greater value for our customers.

**Risk prevention and control**

Commercial banks cherish healthy continuous development. History has shown us shocking case studies of well-known international banks making huge losses or or even collapsed due to the absence of risk controls or problematic internal control compliance. Sun Tzu advised in his *Art of War* that "*good fighters of old times first put themselves beyond the possibility of defeat, and then waited for an opportunity of defeating the enemy*". This means that we must make ourselves invincible in the first place and then when for the right opportunity to win the competition by outperforming our competitors. At such a time when the Chinese government puts more importance on financial risk control, the banking industry will be exposed to growingly stringent regulation and increasingly high non-compliance cost. Competition between banks is as much a competition in operation as a competition in risk control.

The board is fully aware of the extreme importance of risk control under the current circumstances. I myself have always been highly concerned about risk control. Like many of our peers in China, our bank is under ongoing pressure on asset quality in recent years. There is of course the impact of the overall environment. However, it is also crucial that we ourselves are good at detecting the underlying reasons from within and improve our risk control as an "internal strength". Last year, we developed a three-year plan for building our risk culture. Our hope is to build a deeply rooted risk culture and a solid conceptual basis for risk control at the Bank. To this end, we have strengthened prevention of operational risk in all aspects and increased interaction among the front, middle and back offices. As a result, our risk control capability escalated and stood the test of time. In particular, we increased allowances and write-offs, which may erode profit in the short run but will further consolidate the foundation for healthy continuous development. According to an old Chinese saying, "*He who wants to accomplish big undertakings makes sure that all details are attended to*". In the future, we will hold firm to the spirit of this saying and make constant efforts to fight this "protracted war" of risk control.

**Financial innovation**

In an era of change, our need for innovation is more urgent than ever before. We simply cannot make it without innovation. Even slow innovation won't do. In a complex ever-changing environment, banks can only survive and thrive through innovation and with wisdom. Our own development history proves that innovation is the DNA and the soul of CITIC. When Mr. Deng Xiaoping inscribed the words "*Be Brave in Innovation, Be Generous in Contribution*" for CITIC, he ardently expected CITIC to follow the path of innovation.

The board believes that it takes a better organizational structure and management mechanism to inspire innovative vitality. Last year, the Bank upgraded the Product Innovation Committee to Innovation Management Committee, and I personally chair the committee. We set up the financial products IT innovation laboratory at the Head Office and innovation bases in some branches, rapidly releasing the vim and vigor for innovation. Among others, the regulator approved the Bank's application to set up Baixin Bank in partnership with Baidu. Baixin Bank will be the first independent legal entity in China to do direct banking business, a milestone progress in the Bank's "Internet + Finance" innovation. Meanwhile, the Bank played the role of lead bank and alliance chair bank in the initiative of setting up the "Online Finance Alliance of Commercial Banks" together with 11 joint-stock commercial banks. The alliance is expected to realize system interconnection, mutual recognition of accounts, mutual financing and joint risk control between member banks, and gradually make uniform rules and orders that will influence development of the banking industry.

We know well that there is no end to innovation. In the future, the Bank will plan our innovation and development with a grander layout and broader perspectives. We will not only reinforce product and service innovation, but also dedicate the Bank to institutional innovation, business model innovation, management innovation and technology innovation. We hope that through these initiatives, we will create a vibrant and fruitful new situation and push forward transformation of the Bank to a new level. In these innovative practices, we will, as always, improve compliance management.

**Hold firm to our initial aspirations**

This year marks the 30th anniversary of CITIC Bank. For three decades, we have always kept in mind our responsibilities and obligations as a corporate citizen. We supported the implementation of the "the Belt and Road Initiative" with enthusiasm. Our "Belt and Road" fund helped economic development in areas along the "Belt and Road". At the same time, we made great efforts to promote precision poverty alleviation. The Bank sent staffs to poor areas in Sichuan, Tibet and Guangxi for targeted poverty alleviation in the form of infrastructure construction and education assistance. Not long ago, I received a letter of thanks from Sichuan. The letter was written by a female college student. She thanked us for building roads for her home mountain village and assisting poor students like her to pursue the "college dream". More than 50 young employees of our Haikou branch have volunteered to donate blood, and some of them have done it for eight years. They are practicing our corporate culture of selfless dedication with a grateful heart. I am proud of these young colleagues. In them, I see the future of China CITIC Bank. Our staff is invaluable to our bank. I would like to thank our staff whole-heartedly for their good hard efforts!

This year is also the 10th anniversary of CITIC Bank's listing. I have met our Hong Kong and mainland shareholders on different occasions. They have high expectations for the Bank and are optimistic about the long-term investment value of the Bank. We would like to thank each and every shareholder for your support to the long-term development of the Bank and for your confidence in the board and the management team. It is your trust and support that drive us to do a better job. We will, as always, make relentless efforts and work with perseverance to create value for our shareholders.

**Li Qingping**
*Chairperson*
*Executive Director*
22 March 2017

# PRESIDENT'S LETTER TO SHAREHOLDERS

Dear Shareholders,

In the middle of last year, the board engaged me to be president of China CITIC Bank in succession to Ms. Li Qingping. Before that, I worked closely with President Li Qingping as executive director and first-vice president of the Bank. The two of us fought side by side. Jointly we took part in the development of China CITIC Bank in recent years and witnessed its entire process. In the past year, economic and financial situations were complex and grim. We the management, however, successfully stood the test. We carefully implemented the board's decisions and deployments, and pushed business transformation in all aspects.

During the reporting period, the Group realized RMB154.159 billion operating income, a year-on-year growth of 5.92%, and RMB41.629 billion net profit attributable to the Bank's shareholders, a year-on-year growth of 1.14%; its total assets recorded RMB5,931.050 billion, a year-on-year growth of 15.79%, and NPL ratio stood at 1.69%, a rise of 0.26 percentage point from last year. The Group maintained healthy continuous development in the overall sense.

**Ride on the trend and capture opportunities**

Commercial banks are in an era of endless challenges. Global economic growth remains weak. Series of "black swan" incidents have exposed economic development to enormous uncertainties. At home, there is a clear trend of deleveraging and tightening regulation for the financial sector. What tests the management of a commercial bank most in harsh times is its ability to "*ride on the trend and capture opportunities*". We did so last year. In response to the new situation and new development, we focused our efforts on stabilizing growth and making progress amid stability. We also captured opportunities and remained proactive in fierce market competition.

As the market conditions were favorable, we issued RMB35 billion domestic preference shares, improving the Bank's tier-one capital adequacy ratio by about 1 percentage point, and hitting a new record of large-scale low-cost issuance by joint-stock banks. Last year we rolled out a suite of highly influential projects in close connection with the implementation of the "Belt and Road initiative", Beijing-Tianjin-Hebei coordinated development, "Made in China 2025" and other national strategies, further cementing our status as an industry leader. Riding on the trend of the "Internet +" boom, we promoted the establishment of Baixin Bank in partnership with Baidu, and led 11 joint-stock commercial banks in setting up "Online Finance Alliance of Commercial Banks". Both helped maintain our strategic advantage in this area.

**Focus on customers for mutual benefit and win-win**

China CITIC Bank places in the middle of its peers in terms of asset size and outlet quantity. Our customer positioning reflects our strategy for differentiated development. A bank may only capture the market by precise capture of the right customers. In recent years, we worked hard to attain the strategic vision to become the "the bank offering the best comprehensive financing services". In this very process, we clearly focused our customer positioning on "large industries, large customers, large projects, and high-end customers" ("Three Large and One High"). In our view, this positioning fits the overall situation of economic development, and at the same time reflects the Bank's own advantages and business characteristics.

Our relentless efforts paid off when we made delightful progress in building a platform for our strategic customers. At the time of this letter, we have strategic customers from the world's Top 500, China's Top 500 and leading enterprises in the mainstream industries. Our offer of comprehensive package solutions to our customers brought about a win-win situation of mutual benefit. It created greater value for our customers, enhanced customer stickiness and increased the Bank's comprehensive revenue. To develop more medium to high-end retail customers, we segmented the market, focusing on finding out the actual managers of family wealth and providing them with exclusive financial products. High growth was recorded in both the number of medium to high-end and private banking customers and the scale of their assets under our management.

With the "Three Large and One High" customer positioning, the Bank not only serves large customers but also attaches equal attention to fostering future industry leaders and key enterprises. From growing together with our customers, we build relationships that are of mutual trust and mutual support. Last year, we relied on "large industries, large customers, large projects, and high-end customers" to batch acquire those small and medium enterprises (SME) dependent on these business chains. We even developed a total-industry-chain model for the management of SME customers and used the industrial chain relations to effectively control customer risk.

**Build optimal structures for balanced development**

As we all know, corporate banking is both a tradition and an advantage of our bank. We, however, have never been complacent. Rather we worked hard to maintain this traditional advantage, and at the same time strove to develop retail banking as a breakthrough point for business transformation and build financial markets business as a new growth point. Last year, the Bank continued to reduce the cost of corporate deposits and topped all joint-stock banks in both balance and increment of corporate deposits. Our leading position in corporate banking got a further boost. Meanwhile, we pushed forward the "second transformation" of retail banking. With the release of production capacity, retail banking rapidly escalated its value contribution. In the financial markets business segment, we developed a more optimal bill management model, improved unified management, and built capacity for risk control.

Last year, we achieved satisfactory results in comprehensive development. Our four subsidiaries increased their net profit by more than 30% over last year, steadily improving their profit contribution. CITIC Bank International boosted its interaction with both its parent company and CITIC Group, hitting a record in cross-border business development. CNCB Investment obtained the overseas investment banking license, made ongoing innovation in cross-border investment and financing, and doubled its net profit growth. CITIC Financial Leasing stood out in areas such as clean energy, energy conservation and environmental protection with distinctive characteristics. In short, the management hoped to have the Head Office, branches and subsidiaries better complement each other, leverage on the Group's capital and treasury advantages, upgrade the level of cross-business cross-industry cross-border operation, and provide customers with full-range financial solutions both onshore and offshore.

**Speed up transformation and create greater value**

Narrowing interest spread and financial disintermediation are some of the new challenges that the banking sector has to face up to. We therefore are more than ever aware of the necessity and urgency to pursue "capital-light, asset-light and cost-light" development. To achieve continuous stable returns, the banking industry is bound to go for the model of less capital consumption and more intensive operation in its future development.

Last year, we applied the multiple financing approaches to address customer financing needs and at the same time reduce excessive reliance on capital. The reward was efficient capital-light business development. Meanwhile, we focused more on low-capital personal loans, increased efforts to promote fee-based business and accelerated the development of high-yield asset business. We also tried all possible means to save operating cost, control personnel growth, and optimize outlet structure, leading to a steady decline of the cost to income ratio. By improving the remote authorization system, we realized the historic transformation from traditional face-to-face authorization at outlets to remote centralized authorization. This led to much higher efficiency and saved manpower in business operation by nearly one thousand people.

Of course, we are also somberly aware that transformation is never easy and will inevitably encounter tons of difficulties and even pains. For long-term healthy development of the Bank, however, the transformation is worth it and absolutely necessary. We will proceed with neither hesitation nor fear of hardships, and carry the transformation through unswervingly.

**Tighten risk control and improve management**

Risk management is always the lifeline of commercial banks. Last year, the banking industry in general faced a complex risk control situation. In particular, monetary policy adjustment, deleveraging in the financial sector, grim situation of case prevention and in-depth regulation of the bond market combined to test the ability of commercial banks for total risk management. We were very clear of that. Accordingly, we strengthened risk control in key areas, closely monitored key indicators, and improved risk screening and emergency drills. We also strictly controlled access to credit extension, and implemented new regulations and processes for loan disbursement. All these efforts paid off. In the hope of "reaping gains from problem assets", we disposed problem assets by innovative ways and over-fulfilled the disposal plan for the whole year. Shareholder interests were thus more effectively safeguarded.

In terms of management, I very much endorse the "management for development" philosophy. We increased organic coordination of the different operation and management aspects to gain more benefits from refined management. Our centralized management model had assets and liabilities as the core factors. Its "centralized + authorization" in the form of uniform management, uniform pricing and uniform allocation of resources gave a strong boost to input-output efficiency. To pick up the pace of centralized operation, we built a big-operation pattern characterized by complete functions, state-of-the-art technology, stringent internal control and efficient operation. We are pleased to see that the Bank has greatly improved management efficiency through such unremitting efforts. Management, however, is never an overnight exercise. We therefore will persevere in refined management for even better improvement.

Dear Shareholders, 2017 marks the 30th anniversary of CITIC Bank and the 10th anniversary of its listing. Each and every progress made by CITIC Bank along the way is inseparable from your care and support. On behalf of the management I would like to express our heartfelt gratitude to you. At the intersection of past and future, we remain committed to sustainable development of the Bank. We will continue to pursue healthy and sustainable development with unremitting efforts. We hope for your continuing care and support.

**Sun Deshun**
*Executive Director*
*President*
22 March 2017

# SUMMARY OF RESULTS

The Board of Directors of China CITIC Bank Corporation Limited is pleased to announce the audited consolidated results of the Bank and its subsidiaries for the year ended 31 December 2016, which have been prepared in accordance with the applicable disclosure requirements under the Hong Kong Listing Rules and the International Financial Reporting Standards. The annual results have been reviewed by the Audit and Related Party Transactions Control Committee of the Board of Directors.

# FINANCIAL HIGHLIGHTS

### Operating Performance

*Unit: RMB million*

| **Item** | **2016** | 2015 | Growth rate *(%)* | 2014 |
|---|---|---|---|---|
| Operating income | **154,159** | 145,545 | 5.92 | 124,839 |
| Profit before tax | **54,608** | 54,986 | (0.69) | 54,574 |
| Net profit attributable to equity holders of the Bank | **41,629** | 41,158 | 1.14 | 40,692 |
| Net cash flow from/(used in) operating activities | **218,811** | (20,835) | – | 34,150 |
| Per share | | | | |
| Basic earnings per share *(RMB)* | **0.85** | 0.88 | (3.41) | 0.87 |
| Diluted earnings per share *(RMB)* | **0.85** | 0.88 | (3.41) | 0.87 |
| Net cash flow from/(used in) operating activities per share *(RMB)* | **4.47** | (0.43) | – | 0.73 |

| **Item** | **For the year 2016** | | | |
|---|---|---|---|---|
| | **1st Quarter** | **2nd Quarter** | **3rd Quarter** | **4th Quarter** |
| Operating income | 40,624 | 37,758 | 37,224 | 38,553 |
| Net profit attributable to equity holders of the Bank | 11,200 | 12,400 | 10,943 | 7,086 |
| Net cash flow from/(used in) operating activities | 53,508 | (3,876) | (78,874) | 248,053 |

## Profitability Indicators

| Item | 2016 | 2015 | Increase/ (decrease) in percentage point | 2014 |
|---|---|---|---|---|
| Return on average assets (ROAA)[(1)] | **0.76%** | 0.90% | (0.14) | 1.07% |
| Return on average equity (ROAE, excluding minority interest)[(2)] | **11.95%** | 14.26% | (2.31) | 16.77% |
| Cost-to-income ratio (excluding business tax and surcharges)[(3)] | **27.75%** | 27.87% | (0.12) | 30.41% |
| Credit cost[(4)] | **1.67%** | 1.51% | 0.16 | 1.06% |
| Net interest spread[(5)] | **1.89%** | 2.13% | (0.24) | 2.19% |
| Net interest margin[(6)] | **2.00%** | 2.31% | (0.31) | 2.40% |

*Notes:* (1) Net profit divided by the average of total assets at the beginning and end of the period.

(2) Net profit attributable to the shareholders of the Bank divided by the average of total equity attributable to the Bank's shareholders at the beginning and end of the period.

(3) Operating expense less tax and surcharges divided by operating income.

(4) Current-year allowances for impairment loss on loans and advances to customers divided by average balance of loans and advances to customers.

(5) Average yield on total interest-earning assets minus average cost rate of total interest-bearing liabilities.

(6) Net interest income divided by average balance of total interest-earning assets.

## Scale Indicators

*Unit: RMB million*

| Item | **31 December 2016** | 31 December 2015 | Growth rate (%) | 31 December 2014 |
|---|---|---|---|---|
| Total assets | **5,931,050** | 5,122,292 | 15.79 | 4,138,815 |
| Total loans and advances to customers | **2,877,927** | 2,528,780 | 13.81 | 2,187,908 |
| – Corporate loans | **1,846,274** | 1,767,422 | 4.46 | 1,565,318 |
| – Discounted loans | **75,047** | 92,745 | (19.08) | 68,043 |
| – Personal loans | **956,606** | 668,613 | 43.07 | 554,547 |
| Total liabilities | **5,546,554** | 4,802,606 | 15.49 | 3,871,469 |
| Total deposits from customers | **3,639,290** | 3,182,775 | 14.34 | 2,849,574 |
| – Corporate demand deposits (Note) | **1,691,065** | 1,194,486 | 41.57 | 969,511 |
| – Corporate time deposits | **1,390,212** | 1,446,939 | (3.92) | 1,365,914 |
| – Personal demand deposits | **232,960** | 178,917 | 30.21 | 147,658 |
| – Personal time deposits | **325,053** | 362,433 | (10.31) | 366,491 |
| Placements from banks and non-bank financial institutions | **83,723** | 49,248 | 70.00 | 19,648 |
| Total equity attributable to the shareholders of the Bank | **379,224** | 317,740 | 19.35 | 259,677 |
| Net asset per share attributable to the shareholders of the Bank *(RMB)* | **7.75** | 6.49 | 19.35 | 5.55 |
| Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)* | **7.04** | 6.49 | 8.47 | 5.55 |

*Note:* Including demand deposits from corporate customers and outward remittance and remittance payables.

## Asset Quality Indicators

*Unit: RMB million*

| Item | **31 December 2016** | 31 December 2015 | Growth rate(%)/ *increase (decrease)* | 31 December 2014 |
|---|---|---|---|---|
| Performing loans[1] | **2,829,347** | 2,492,730 | 13.50 | 2,159,454 |
| Non-performing loans (NPLs)[2] | **48,580** | 36,050 | 34.76 | 28,454 |
| Allowance for impairment of loans | **75,543** | 60,497 | 24.87 | 51,576 |
| NPL ratio[3] | **1.69%** | 1.43% | 0.26 | 1.30% |
| Allowance coverage ratio[4] | **155.50%** | 167.81% | (12.31) | 181.26% |
| The ratio of allowance for impairment of loans to total loans[5] | **2.62%** | 2.39% | 0.23 | 2.36% |

*Notes:* (1) Include pass and special mention loans.

(2) Include substandard, doubtful and loss loans.

(3) Balance of NPLs divided by total loans and advances to customers.

(4) Balance of allowance for impairment of loans divided by balance of NPLs.

(5) Balance of allowance for impairment of loans divided by total loans and advances to customers.

## Other Main Regulatory Indicators

| **Item**[1] | Regulatory value | **31 December 2016** | 31 December 2015 | Increase (%)/ (decrease) | 31 December 2014 |
|---|---|---|---|---|---|
| **Capital adequacy profile** | | | | | |
| Core tier-one capital adequacy ratio | 7.50% | **8.64%** | 9.12% | (0.48) | 8.93% |
| Tier-one capital adequacy ratio | 8.50% | **9.65%** | 9.17% | 0.48 | 8.99% |
| Capital adequacy ratio | 10.50% | **11.98%** | 11.87% | 0.11 | 12.33% |
| **Leverage profile** | | | | | |
| Leverage ratio | 4% | **5.47%** | 5.26% | 0.21 | 5.19% |
| **Liquidity risk profile** | | | | | |
| Liquidity coverage ratio[2] | 100% | **91.12%** | 87.78% | 3.34 | 111.64% |
| **Liquidity ratio** | | | | | |
| Including: Renminbi | 25% | **40.98%** | 42.48% | (1.50) | 52.59% |
| Foreign currencies | 25% | **63.37%** | 89.27% | (25.90) | 40.45% |

*Notes:* (1) The figures were calculated in accordance with the regulatory standards of the Chinese banking industry. Except for the liquidity coverage ratio, all other indicators were Group data.

(2) As per the requirements of the Rules on Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks should reach 100% by the end of 2018 and shall, during the transition period, reach 60%, 70%, 80% and 90% at the end of 2014, the end of 2015, the end of 2016 and the end of 2017, respectively.

## Differences between IFRS and PRC Accounting Standards

There is no difference between the 2016 year-end net assets and the net profit for the reporting period calculated by the Group according to the PRC Accounting Standards and those calculated by the Group as per the International Financial Reporting Standards.

## Five-Year Financial Summary

*Unit: RMB million*

| Item | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Operating performance** | | | | | |
| Operating income | **154,159** | 145,545 | 124,839 | 104,813 | 89,711 |
| Profit before tax | **54,608** | 54,986 | 54,574 | 52,549 | 41,609 |
| Net profit attributable to the shareholders of the Bank | **41,629** | 41,158 | 40,692 | 39,175 | 31,032 |
| Net cash flow from/(used in) operating activities | **218,811** | (20,835) | 34,150 | (136,228) | (55,426) |
| **Per share** | | | | | |
| Basic earnings per share *(RMB)* | **0.85** | 0.88 | 0.87 | 0.84 | 0.66 |
| Diluted earnings per share *(RMB)* | **0.85** | 0.88 | 0.87 | 0.84 | 0.66 |
| Net cash flow from/(used in) operating activities per share *(RMB)* | **4.47** | (0.43) | 0.73 | (2.91) | (1.18) |
| **Scale indicators** | | | | | |
| Total assets | **5,931,050** | 5,122,292 | 4,138,815 | 3,641,193 | 2,959,939 |
| Total loans and advances to customers | **2,877,927** | 2,528,780 | 2,187,908 | 1,941,175 | 1,662,901 |
| Total liabilities | **5,546,554** | 4,802,606 | 3,871,469 | 3,410,468 | 2,756,853 |
| Total deposits from customers | **3,639,290** | 3,182,775 | 2,849,574 | 2,651,678 | 2,255,141 |
| Total equity attributable to the shareholders of the Bank | **379,224** | 317,740 | 259,677 | 225,601 | 198,356 |
| Net asset per share attributable to the shareholders of the Bank *(RMB)* | **7.75** | 6.49 | 5.55 | 4.82 | 4.24 |
| Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)* | **7.04** | 6.49 | 5.55 | 4.82 | 4.24 |
| **Profitability indicators** | | | | | |
| Return on average assets (ROAA) | **0.76%** | 0.90% | 1.07% | 1.20% | 1.10% |
| Return on average equity (ROAE) | **11.95%** | 14.26% | 16.77% | 18.48% | 16.65% |
| Cost-to-income ratio (excluding business tax and surcharges) | **27.75%** | 27.87% | 30.41% | 31.43% | 31.58% |
| Credit cost | **1.67%** | 1.51% | 1.06% | 0.62% | 0.84% |
| Net interest spread | **1.89%** | 2.13% | 2.19% | 2.40% | 2.61% |
| Net interest margin | **2.00%** | 2.31% | 2.40% | 2.60% | 2.81% |
| **Asset quality indicators** | | | | | |
| NPL ratio | **1.69%** | 1.43% | 1.30% | 1.03% | 0.74% |
| Allowance coverage ratio | **155.50%** | 167.81% | 181.26% | 206.62% | 288.25% |
| The ratio of allowance for impairment of loans to total loans | **2.62%** | 2.39% | 2.36% | 2.13% | 2.12% |
| **Capital adequacy ratio** | | | | | |
| Core tier-one capital adequacy ratio | **8.64%** | 9.12% | 8.93% | 8.78% | 9.29% |
| Tier-one capital adequacy ratio | **9.65%** | 9.17% | 8.99% | 8.78% | 9.29% |
| Capital adequacy ratio | **11.98%** | 11.87% | 12.33% | 11.24% | 12.42% |

# BUSINESS SUMMARY

## I. Main Business of the Company

The Bank aspires to become "the bank offering the best comprehensive financing services". To attain this vision, the Bank fully leverages on the unique competitive advantages of CITIC Group in placing financial and non-financial businesses on an equal footing, exerts, the best of its efforts to create a comprehensive service platform, and at the same time holds firm to its business concept of "customer focus" and "compliance, smart, teamwork and efficiency". To corporate customers and institutional customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, factoring business, and custody business, etc. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts. Please refer to "Management Discussion and Analysis" of this announcement for details.

## II. Note on Material Changes in the Company's Main Assets

The Group's main assets include loans and advances to customers and inter-bank business assets (including deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreement and investments classified as receivables). As at the end of the reporting period, these aforementioned assets took up 73.9% of the Group's total assets, a decline of 2.6 percentage points from the end of the previous year. Please refer to "Management Discussion and Analysis – Analysis of the Financial Statements" of this announcement for information on changes in the Group's main assets.

## III. Core Competitiveness Analysis

2016 was a critical year for the Bank to deepen the implementation of its 2015-2017 three-year strategic plan. During the reporting period, the Bank maintained its strategic strength and pioneered with an enterprising spirit. With its asset structure transforming from on-to off-balance sheet and its service model from credit intermediary to financial service intermediary, and with better application of financing product portfolios and better program customization, the Bank developed a stronger brand image and greater core competitiveness. Particulars include the following:

- The "One Body Two Wings" structure developed in harmony. The Bank adhered to the business positioning of "One Body Two Wings" with corporate banking as the main body and retail banking and financial markets business as the two wings. In corporate banking business, the Bank consolidated its market status. It remained a leader of all joint-stock banks in terms of both balance and increment of Renminbi denominated corporate deposits. Deposits from institutional customers stabilized above the RMB1 trillion threshold, making greater contribution to the Bank. Incremental finance for investment banking and mergers & acquisitions registered more than RMB90 billion, a growth of nearly 6.2 times over last year. The Bank successfully assisted a group of mainstream market projects relating to mergers and acquisitions and privatization of listed companies, thus continuously cementing its market position. Custody business grew to a new level, hitting the record of more than RMB6.5 trillion in scale. In retail banking, the Bank stepped up the second transformation. Thanks to expansion of key businesses and better business management, value contribution of retail banking increased rapidly, taking up more than one fourth of the Bank's operating income and 50% of the Bank's intermediary business income. Personal loans achieved a record growth of 43.9% for the whole year. With faster release of production capacity, credit card business increased its contribution to net profit by 77%. "Going abroad finance" benefited from a full-scale upgrading, cumulatively serving customers by 1.40 million person-times and recording RMB233.60 billion assets under management. The financial markets business segment continued to enhance its competitive edges. The Bank led all joint-stock banks in terms of spot foreign exchange market making, international balance of payment, asset management scale of commercial drafts, and transaction volume of electronic bills. In transforming and upgrading its inter-bank business, the Bank reshaped the "customer focus" service concept and built an inter-bank marketing channel that integrated online and offline operations.

- The "Three-Large and One-High" strategy yielded remarkable results. The Bank upheld the "Three-Large and One-High" ("large industries, large customers, large projects and high-end individuals") customer positioning. During the reporting period, the Bank concluded strategic cooperation agreements with 18 strategic customers including China Aerospace Science and Industry Corporation, established key funds and completed restructuring projects of listed companies with an aggregate value of more than RMB200 billion, and developed a group of key strategic customers covering large Chinese state-owned enterprises and private companies. In addition, the Bank expanded its high-end retail customers base at a faster pace. Its end-of-period records included 504,700 mid-and-high-end retail customers and 21,600 private banking customers, a growth of 20.51% and 31.35% over the end of the previous year, respectively. In both growth rates, the Bank was a leader among peers.

- Business integration and internationalization both achieved breakthroughs. The four subsidiaries of the Bank realized RMB2.63 billion net profit attributable to the equity shareholder of the Bank for the reporting period, a growth of 36.7% over last year, making greater contribution to the whole Bank. CNCBI continued to improve its cross-border interaction with the Bank and CITIC Group, hitting new records in its cross-border business. CNCB Investment successfully obtained the overseas investment banking license and kept innovating its cross-border investment and finance business, recording doubled increase in net profit. CITIC Financial Leasing registered total release of RMB27.602 billion leased assets for the reporting period and built up its "Green Lease" brand in the market. In the reporting period, the regulator approved the Bank's application for setting up Baixin Bank as an independent legal entity to do direct banking business, an initiative jointly sponsored by the Bank and Baidu. Moreover, the Bank made further strides in internationalization. Its London Representative Office acquired the administrative approval from the CBRC for its upgrade to London Branch. Its Sydney Representative Office officially started business operation. Establishment of its Hong Kong Branch was prepared gradually. With the conclusion of a memorandum of understanding with Kazakhstan's Halyk Bank, the Bank is expected to become the first Chinese joint-stock bank to acquire a bank in Kazakhstan.

- Risk prevention and control stood the test. The Bank started to develop a risk culture on all fronts. Nearly 5,000 sessions for training and publicity, risk whistleblowing and knowledge competition were organized. Risk self-examination and risk screening plans covered approximately 2,000 items. These led to growing risk and compliance awareness at the Bank. For more stringent control over access to credit approval, the Bank restructured the "grand centralized" credit review system, whereby final-review mandates of tier-two branches were fully taken back by the Head Office. In a continuous bid to mitigate risk, the Bank proactively exited from 4,079 corporate loan customers with total exit amount standing at RMB141.7 billion. In addition, the Bank enriched asset disposal means and expanded disposal channels, disposing RMB67.28 billion principal of non-performing loans in accumulation by means such as collection and write-offs.

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. Overview of the External Macro Environment and the Bank's Operating Results

### *(I) Economic, Financial and Regulatory Environments*

In 2016, the world economy lingered on in weak recovery, with the recovery of major economies remaining uneven and their monetary policies continuing to divide. Brexit and other "black swan" incidents added to the vulnerability of the world economic and financial systems. Trade protectionism was on the rise. Emerging markets confronted greater uncertainties. The Chinese economy showed more obvious characteristics of the "new normal", i.e., change of pace in economic growth, transformation of the growth driving forces, and optimization of structure. Gross domestic product (GDP) grew by 6.7% year on year; consumer price index (CPI) rose by 2.0% and producer price index (PPI) dropped by 1.4%. In particular, since the second half of 2016, China's economic growth continued to show more positive signs. The economy has reached a steady state after a period of slowing down; and manufacturing enterprises saw their profitability turning for the better. However, a more solid foundation was needed for economic stabilization; private investment remained low; and the Chinese economy still faced relatively high risk of external impact and policy adjustment.

The Chinese regulators rendered active support to "cutting overcapacity and excess inventory, deleveraging, reducing costs and strengthening areas of weakness", promoted inclusive finance, and deepened reform to build capacity of the financial sector to serve the real economy. The People's Bank of China made flexible use of the deposit reserve ratio and many other monetary policy tools such as open market operation to maintain an appropriate monetary liquidity, issued the guidance on financial support for economic growth and structural adjustment together with other ministries, and began to conduct macro prudential assessment (MPA). China Banking Regulatory Commission attached more importance to risk prevention. It released numerous work guidelines and notices to further regulate the banking sector's total risk management and financial institutions' transfer of the right to yield on credit assets. At the same time, CBRC continuously published new policies on debt for equity swap, investment-finance interaction and asset securitization, providing opportunities for banks to mobilize available assets and speed up the transaction and circulation of financial assets.

### *(II) Overview of the Bank's Operating Results*

The reporting period witnessed grim and complex economic and financial situations both at home and abroad. In response, the Group tried its best to focus on profit growth, implement strategy, innovate with a pioneering spirit, intensify internal control, deepen business transformation, and speed up light-style development. The result was sound stable development of the Group as a whole.

Profit grew modestly. For the reporting period, the Group realized RMB41.629 billion net profit attributable to the shareholders of the Bank, a growth of 1.14% over last year; RMB106.896 billion pre-allowance profit, an increase of 12.49% over last year; net interest income of RMB106.138 billion, up 1.63% from last year; and net non-interest income of RMB48.021 billion, an increase of 16.81% over last year.

Business scale increased steadily. As at the end of the reporting period, the Group's total assets recorded RMB5,931.050 billion, an increase of 15.79% over the end of the previous year; its total loans to customers and total deposits from customers stood at RMB2,877.927 billion and RMB3,639.290 billion, growing by 13.81% and 14.34% over the end of last year, respectively.

Asset quality was controllable in general. As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) recorded RMB48.580 billion, an increase of RMB12.53 billion or 34.76% over the end of the previous year, corresponding to an NPL ratio of 1.69%, a rise of 0.26 percentage point from the end of the previous year. The Group's allowance coverage ratio stood at 155.50%, a drop of 12.31 percentage points from the end of the previous year; and the ratio of allowance for impairment of loans to total loans was 2.62%, a rise of 0.23 percentage point from the end of the previous year.

## II. Analysis of the Financial Statements

### *(I) Consolidated Statement of Profit or Loss Analysis*

*Unit: RMB million*

| Item | **2016** | 2015 | Increase/ (decrease) | Growth rate *(%)* |
|---|---|---|---|---|
| Net interest income | **106,138** | 104,433 | 1,705 | 1.63 |
| Net non-interest income | **48,021** | 41,112 | 6,909 | 16.81 |
| Operating income | **154,159** | 145,545 | 8,614 | 5.92 |
| Operating expenses | **(47,272)** | (50,602) | (3,330) | 6.58 |
| Total impairment losses | **(52,288)** | (40,037) | 12,251 | 30.60 |
| Profit before tax | **54,608** | 54,986 | (378) | (0.69) |
| Income tax | **(12,822)** | (13,246) | (424) | (3.20) |
| Net profit | **41,786** | 41,740 | 46 | 0.11 |
| Including: Net profit attributable to the shareholders of the Bank | **41,629** | 41,158 | 471 | 1.14 |

*Operating Income*

For the reporting period, the Group realized operating income of RMB154.159 billion, up 5.92% over last year, of which net interest income accounted for 68.8%, a drop of 3.0 percentage points from last year, and net non-interest income accounted for 31.2%, a rise of 3.0 percentage points over last year.

| Item | **2016** *(%)* | 2015 *(%)* | 2014 *(%)* |
|---|---|---|---|
| Net interest income | **68.8** | 71.8 | 75.9 |
| Net non-interest income | **31.2** | 28.2 | 24.1 |
| **Total** | **100.0** | 100.0 | 100.0 |

*Net Interest Income*

For the reporting period, the Group realized net interest income of RMB106.138 billion, an increase of RMB1.705 billion or 1.63% over last year. The growth in net interest income was mainly attributable to the continuous increase of interest-earning assets.

The table below sets out average balances and average interest rates of the Group's interest-earning assets and interest-bearing liabilities. Average balances of assets and liabilities are on daily basis.

*Unit: RMB million*

| | **2016** | | | 2015 | | |
|---|---|---|---|---|---|---|
| **Item** | **Average balance** | **Interest** | **Average yield/cost rate (%)** | Average balance | Interest | Average yield/cost rate (%) |
| **Interest-earning assets** | | | | | | |
| Loans and advances to customers | **2,741,863** | **132,218** | **4.82** | 2,327,333 | 136,077 | 5.85 |
| Investments classified as receivables | **1,142,552** | **45,820** | **4.01** | 878,034 | 45,638 | 5.20 |
| Investments[1] | **631,763** | **21,567** | **3.41** | 479,516 | 18,196 | 3.79 |
| Deposits and placements with central banks | **496,305** | **7,566** | **1.52** | 510,289 | 7,502 | 1.47 |
| Deposits and placements with banks and non-bank financial institutions | **268,567** | **5,446** | **2.03** | 221,356 | 4,250 | 1.92 |
| Financial assets held under resale agreements | **37,212** | **857** | **2.30** | 102,603 | 3,998 | 3.90 |
| **Subtotal** | **5,318,262** | **213,474** | **4.01** | 4,519,131 | 215,661 | 4.77 |
| **Interest-bearing liabilities** | | | | | | |
| Deposits from customers | **3,303,483** | **55,630** | **1.68** | 3,003,860 | 64,749 | 2.16 |
| Deposits and placements from banks and non-bank financial institutions | **1,233,287** | **34,099** | **2.76** | 981,227 | 36,534 | 3.72 |
| Interbank certificates of deposit | **276,925** | **8,313** | **3.00** | 71,480 | 2,957 | 4.14 |
| Debt securities payable | **108,242** | **5,586** | **5.16** | 101,304 | 5,304 | 5.24 |
| Borrowings from central banks | **89,099** | **2,686** | **3.01** | 28,375 | 994 | 3.50 |
| Financial assets sold under repurchase agreements | **35,619** | **861** | **2.42** | 23,057 | 561 | 2.43 |
| Debt securities issued | **10,319** | **153** | **1.48** | 7,365 | 121 | 1.64 |
| Others | **299** | **8** | **2.68** | 174 | 8 | 4.60 |
| **Subtotal** | **5,057,273** | **107,336** | **2.12** | 4,216,842 | 111,228 | 2.64 |
| Net interest income | | **106,138** | | | 104,433 | |
| Net interest spread[2] | | | **1.89** | | | 2.13 |
| Net interest margin[3] | | | **2.00** | | | 2.31 |

*Notes:* (1) Including investment in debt securities, certificates of deposit, interbank certificates of deposit, investment funds and wealth management products.

(2) Representing the difference between the average yield on total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(3) Calculated by dividing net interest income by average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income resulting from changes in the scale and interest rate factors:

*Unit: RMB million*

| | **2016 compared with 2015** | | |
|---|---|---|---|
| **Item** | **Scale factor** | **Interest rate factor** | **Total** |
| **Assets** | | | |
| Loans and advances to customers | 24,250 | (28,109) | (3,859) |
| Investments classified as receivables | 13,755 | (13,573) | 182 |
| Investments | 5,770 | (2,399) | 3,371 |
| Deposits and placements with central banks | (206) | 270 | 64 |
| Deposits and placements with banks and non-bank financial institutions | 906 | 290 | 1,196 |
| Financial assets held under resale agreements | (2,550) | (591) | (3,141) |
| **Changes in interest income** | 41,925 | (44,112) | (2,187) |
| **Liabilities** | | | |
| Deposits from customers | 6,472 | (15,591) | (9,119) |
| Deposits and placements from banks and non-bank financial institutions | 9,377 | (11,812) | (2,435) |
| Interbank certificates of deposit | 8,505 | (3,149) | 5,356 |
| Debt securities payable | 364 | (82) | 282 |
| Borrowings from central banks | 2,125 | (433) | 1,692 |
| Financial assets sold under repurchase agreements | 305 | (5) | 300 |
| Debt securities issued | 48 | (16) | 32 |
| Others | 6 | (6) | – |
| **Changes in interest expense** | 27,202 | (31,094) | (3,892) |
| **Changes in net interest income** | 14,723 | (13,018) | 1,705 |

*Net Interest Margin and Net Interest Spread*

For the reporting period, the Group's net interest margin and net interest spread registered 2.00% and 1.89%, a drop of 0.31 and 0.24 percentage point from last year, respectively. Due to impacts of interest rate liberalization, price-tax separation as the result of replacing business tax with VAT and other factors, the Group's yield on interest-earning assets and cost rate of interest-bearing liabilities recorded 4.01% and 2.12%, a drop of 0.76 and 0.52 percentage point from the previous year, respectively. The cost rate of interest-bearing liabilities declined less than the yield on interest-earning assets, leading to the decline in both net interest margin and net interest spread.

*Interest Income*

For the reporting period, the Group realized an interest income of RMB213.474 billion, a decrease of RMB2.187 billion or 1.01% over last year. The decrease in interest income was primarily due to the 0.76 percentage point drop in average yield on interest-earning assets, which was the result of re-pricing interest-earning assets after interest rate cut and price-tax separation as the result of replacing business tax with VAT. Interest income from loans and advances to customers was a main component of interest income.

*Interest Income from Loans and Advances to Customers*

The Group recorded RMB132.218 billion interest income from loans and advances to customers for the reporting period, a decline of RMB3.859 billion or 2.84% from last year, primarily because of the impacts of interest rate cut and price-tax separation as the result of replacing business tax with VAT, interest rates of new loans and re-priced existing loans in the reporting period both being lower than those of last year, and the 1.03 percentage point drop in average yield on loans and advances to customers.

**Classification by Maturity Structure**

*Unit: RMB million*

| Item | **2016** Average balance | **2016** Interest income | **2016** Average yield (%) | 2015 Average balance | 2015 Interest income | 2015 Average yield (%) |
|---|---|---|---|---|---|---|
| Short-term loans | **1,245,091** | **55,807** | **4.48** | 1,178,627 | 65,540 | 5.56 |
| Medium to long-term loans | **1,496,772** | **76,411** | **5.11** | 1,148,706 | 70,537 | 6.14 |
| **Total** | **2,741,863** | **132,218** | **4.82** | 2,327,333 | 136,077 | 5.85 |

**Classification by Business**

*Unit: RMB million*

| Item | **2016** Average balance | **2016** Interest income | **2016** Average yield (%) | 2015 Average balance | 2015 Interest income | 2015 Average yield (%) |
|---|---|---|---|---|---|---|
| Corporate loans | **1,860,308** | **92,655** | **4.98** | 1,630,940 | 97,956 | 6.01 |
| Discounted loans | **87,753** | **2,705** | **3.08** | 89,753 | 3,214 | 3.58 |
| Personal loans | **793,802** | **36,858** | **4.64** | 606,640 | 34,907 | 5.75 |
| **Total** | **2,741,863** | **132,218** | **4.82** | 2,327,333 | 136,077 | 5.85 |

*Interest Income from Investments classified as receivables*

For the reporting period, the Group's interest income from investments classified as receivables stood at RMB45.820 billion, a growth of RMB182 million or 0.40% over last year, mainly because the negative impact on interest income (the 1.19 percentage point fall in average yield on investments classified as receivables) offset the positive impact on interest income (the RMB264.518 billion increase in the average balance of such investments).

*Interest Income from Investments*

The Group recorded RMB21.567 billion interest income from investments for the reporting period, a growth of RMB3.371 billion or 18.53% over last year, mainly because the average balance of investments went up from RMB479.516 billion in 2015 to RMB631.763 billion in 2016, an increase of 31.75%.

*Interest Income from Deposits and Placements with Central Banks*

The Group's interest income from deposits and placements with central banks for the reporting period stood at RMB7.566 billion, an increase of RMB64 million or 0.85% over last year.

*Interest Income from Deposits and Placements with Banks and Non-Bank Financial Institutions*

The Group registered RMB5.446 billion interest income from deposits and placements with banks and non-bank financial institutions for the reporting period, an increase of RMB1.196 billion or 28.14% over last year, mainly because the average balance of such deposits and placements increased by RMB47.211 billion.

*Interest Income from Financial Assets held under Resale Agreements*

The Group recorded RMB857 million interest income from financial assets held under resale agreements for the reporting period, a decrease of RMB3.141 billion or 78.56% from last year, primarily due to the RMB65.391 billion decrease in the average balance of financial assets held under resale agreements and a drop of 1.6 percentage points in the average yield thereon.

*Interest Expense*

The Group's interest expense for the reporting period was RMB107.336 billion, a decrease of RMB3.892 billion or 3.50% from last year. The decrease in interest expense was primarily due to the 0.52 percentage point drop in the average cost rate of interest-bearing liabilities, which was the result of re-pricing interest-bearing liabilities after interest rate cut. Interest expense on deposits from customers was a main component of interest expense.

*Interest Expense on Deposits from Customers*

For the reporting period, the Group's interest expense on deposits from customers was RMB55.630 billion, a drop of RMB9.119 billion or 14.08% from last year, primarily because the average cost rate of customer deposits went down by 0.48 percentage point as a result of interest rate cut and a higher proportion of low-cost demand deposits.

*Unit: RMB million*

| Item | 2016 Average balance | 2016 Interest expense | 2016 Average cost rate (%) | 2015 Average balance | 2015 Interest expense | 2015 Average cost rate (%) |
|---|---|---|---|---|---|---|
| **Corporate deposits** | | | | | | |
| Time and call deposits | **1,483,786** | **38,033** | **2.56** | 1,499,194 | 46,324 | 3.09 |
| Demand deposits | **1,281,695** | **9,029** | **0.70** | 999,091 | 7,454 | 0.75 |
| **Subtotal** | **2,765,481** | **47,062** | **1.70** | 2,498,285 | 53,778 | 2.15 |
| **Personal deposits** | | | | | | |
| Time and call deposits | **343,475** | **8,028** | **2.34** | 352,878 | 10,453 | 2.96 |
| Demand deposits | **194,527** | **540** | **0.28** | 152,697 | 518 | 0.34 |
| **Subtotal** | **538,002** | **8,568** | **1.59** | 505,575 | 10,971 | 2.17 |
| **Total** | **3,303,483** | **55,630** | **1.68** | 3,003,860 | 64,749 | 2.16 |

*Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions*

For the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions was in the amount of RMB34.099 billion, a decline of RMB2.435 billion or 6.67% from last year, primarily because the average cost rate of such deposits and placements went down by 0.96 percentage point as a result of descending money market interest rates.

*Interest Expense on Interbank Certificates of Deposit*

For the reporting period, the Group's interest expense on interbank certificates of deposit recorded RMB8.313 billion, an increase of RMB5.356 billion or 181.13% over last year, mainly because the balance of interbank certificates of deposit increased by RMB205.445 billion over last year.

*Interest Expense on Debt Securities Payable*

For the reporting period, the Group's interest expense on debt securities payable recorded RMB5.586 billion, an increase of RMB282 million or 5.32% over last year, mainly because of the RMB6.938 billion increase in the average balance of debt securities payable.

*Interest Expense on Borrowings from Central Banks*

For the reporting period, the Group's interest expense on borrowings from central banks was RMB2.686 billion, an increase of RMB1.692 billion or 170.22% over last year, mainly due to the RMB60.724 billion increase in the average balance of such borrowings.

*Interest Expense on Financial Assets Sold under Repurchase Agreements*

For the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB861 million, an increase of RMB300 million or 53.48% over last year, primarily due to the RMB12.562 billion increase in the average balance of financial assets sold under repurchase agreements.

*Interest Expense on Debt Securities Issued*

For the reporting period, the Group's interest expense on debt securities issued stood at RMB153 million, an increase of RMB32 million or 26.44% over last year, primarily because of the RMB2.954 billion increase in the average balance of debt securities.

*Net Non-Interest Income*

For the reporting period, the Group realized net non-interest income of RMB48.021 billion, a growth of RMB6.909 billion or 16.81% over last year.

*Unit: RMB million*

| **Item** | **2016** | 2015 | Increase/ (decrease) | Growth Rate *(%)* |
|---|---|---|---|---|
| Net fee and commission income | **42,280** | 35,674 | 6,606 | 18.52 |
| Net trading gain | **3,547** | 3,635 | (88) | (2.42) |
| Net gain from investment securities | **1,682** | 1,192 | 490 | 41.11 |
| Net hedging gain | **–** | 1 | (1) | (100.00) |
| Other net operating income | **512** | 610 | (98) | (16.07) |
| **Total net non-interest income** | **48,021** | 41,112 | 6,909 | 16.81 |

*Net Fee and Commission Income*

During the reporting period, the Group realized RMB42.280 billion net fee and commission income, an increase of RMB6.606 billion or 18.52% over last year. Fee and commission income recorded RMB45.360 billion, up 20.51% from last year. This increase was primarily due to the relatively rapid growth in bank card fees, agency fees and commission, and commission for wealth management services, etc.

*Unit: RMB million*

| Item | 2016 | 2015 | Increase/ (decrease) | Growth rate *(%)* |
|---|---|---|---|---|
| Bank card fees | **19,324** | 13,419 | 5,905 | 44.00 |
| Commission for wealth management services | **7,114** | 5,808 | 1,306 | 22.49 |
| Agency fees and commission | **6,128** | 3,711 | 2,417 | 65.13 |
| Consultancy and advisory fees | **5,777** | 6,972 | (1,195) | (17.14) |
| Commission for custodian business and other fiduciary | **2,566** | 2,228 | 338 | 15.17 |
| Guarantee fees | **2,384** | 3,131 | (747) | (23.86) |
| Settlement and clearance fees | **1,396** | 1,747 | (351) | (20.09) |
| Others | **671** | 623 | 48 | 7.70 |
| **Subtotal** | **45,360** | 37,639 | 7,721 | 20.51 |
| **Fee and commission expense** | **(3,080)** | (1,965) | (1,115) | 56.74 |
| **Net fee and commission income** | **42,280** | 35,674 | 6,606 | 18.52 |

Bank card fees recorded a growth of RMB5.905 billion or 44.0% over the previous year, mainly due to the increase in credit card fees and income from acquiring business.

Commission for wealth management services grew by RMB1.306 billion or 22.49% over last year, mainly because of the increase in sales and service commission of wealth management products.

Agency fees and commission recorded an increase of RMB2.417 billion or 65.13% over last year, primarily because of the increase in income from agency insurance, fund, trust and precious metal businesses.

*Net trading gain*

For the reporting period, the Group registered RMB3.547 billion net trading gain, a decrease of RMB88 million from last year, mainly due to the reduction in realized income of debt securities and interbank certificates of deposit.

*Unit: RMB million*

| **Item** | **2016** | 2015 | Increase/ (decrease) | Growth rate *(%)* |
|---|---|---|---|---|
| Foreign exchange | **2,311** | 2,300 | 11 | 0.48 |
| Debt securities and interbank certificates of deposit | **894** | 1,531 | (637) | (41.61) |
| Financial instruments designated at fair value through profit or loss | **265** | 240 | 25 | 10.42 |
| Derivatives and related exposure | **77** | (436) | 513 | 117.66 |
| **Net trading gain** | **3,547** | 3,635 | (88) | (2.42) |

*Operating Expense*

For the reporting period, the Group incurred RMB47.272 billion operating expense, a decrease of RMB3.33 billion or 6.58% over last year, of which other general administrative expenses went down by 2.94% year on year.

The Group reinforced its efforts to manage and control cost, optimized resource allocation, continued to improve refined management, focused on profit orientation, and strengthened the guidance for capital-light development. For the reporting period, the Group recorded a cost-to-income ratio of 30.66%, a drop of 4.11 percentage points from last year.

*Unit: RMB million*

| **Item** | **2016** | 2015 | Increase/ (decrease) | Growth rate *(%)* |
|---|---|---|---|---|
| Staff cost | **24,418** | 22,387 | 2,031 | 9.07 |
| Property and equipment expenses and amortization | **9,225** | 8,763 | 462 | 5.27 |
| Other general administrative expenses | **9,142** | 9,419 | (277) | (2.94) |
| **Subtotal** | **42,785** | 40,569 | 2,216 | 5.46 |
| **Business tax and surcharges** | **4,487** | 10,033 | (5,546) | (55.28) |
| **Total operating expense** | **47,272** | 50,602 | (3,330) | (6.58) |
| Cost-to-income ratio | **30.66%** | 34.77% | down 4.11 percentage points | |
| Cost-to-income ratio (excluding business tax and surcharges) | **27.75%** | 27.87% | down 0.12 percentage point | |

*Loss on Asset Impairment*

The Group's asset impairment loss for the reporting period stood at RMB52.288 billion, increasing by RMB12.251 billion or 30.60% over last year. This amount included RMB45.715 billion impairment loss on loans and advances to customers, an increase of RMB10.595 billion or 30.17% over last year. Asset impairment loss increased primarily because the Group made more allowances for underlying assets with customer credit risks as a proactive response to the risks of the economic downturn.

*Unit: RMB million*

| **Item** | **2016** | 2015 | Increase/ (decrease) | Growth rate *(%)* |
|---|---|---|---|---|
| Loans and advances to customers | **45,715** | 35,120 | 10,595 | 30.17 |
| Interest receivable | **5,033** | 2,941 | 2,092 | 71.13 |
| Investments classified as receivables | **871** | 729 | 142 | 19.48 |
| Others (Note) | **669** | 1,247 | (578) | (46.35) |
| **Total loss on asset impairment** | **52,288** | 40,037 | 12,251 | 30.60 |

*Note:* Including the impairment losses of placements with banks and non-bank financial institutions, available-for-sale financial assets, held-to-maturity investments, repossessed assets, other assets, and off-balance sheet items.

*Income Tax*

The Group's income tax expense for the reporting period recorded RMB12.822 billion, a decrease of RMB424 million or 3.20% from last year, and its effective tax rate stood at 23.48%, a drop of 0.61 percentage point from last year.

### *(II) Balance Sheet Analysis*

*Assets*

As at the end of the reporting period, the Group recorded total assets of RMB5,931.050 billion, a growth of 15.79% over the end of the previous year, mainly due to the increase in the Group's loans and advances to customers, investment in debt securities and equity instruments, and deposits and placements with banks and non-bank financial institutions.

*Unit: RMB million*

| Item | **31 December 2016** Balance | **31 December 2016** Proportion (%) | 31 December 2015 Balance | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Total loans and advances to customers | **2,877,927** | **48.5** | 2,528,780 | 49.4 |
| Allowance for impairment losses for loans and advances to customers | **(75,543)** | **(1.3)** | (60,497) | (1.2) |
| Net loans and advances to customers | **2,802,384** | **47.2** | 2,468,283 | 48.2 |
| Investments classified as receivables | **1,035,728** | **17.5** | 1,112,207 | 21.7 |
| Investment in debt securities and equity instruments[(1)] | **818,053** | **13.8** | 580,896 | 11.3 |
| Cash and deposits with central banks | **553,328** | **9.3** | 511,189 | 10.0 |
| Deposits and placements with banks and non-bank financial institutions | **375,849** | **6.3** | 199,579 | 3.9 |
| Financial assets held under resale agreements | **170,804** | **2.9** | 138,561 | 2.7 |
| Others [(2)] | **174,904** | **3.0** | 111,577 | 2.2 |
| **Total assets** | **5,931,050** | **100.0** | 5,122,292 | 100.0 |

*Notes:* (1) Including financial assets measured at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments and investments in associates.

(2) Including precious metal, derivative financial assets, interest receivables, fixed assets, intangible assets, investment properties, goodwill, deferred income tax assets and other assets.

1 Loans and advances to customers

As at the end of the reporting period, the Group recorded RMB2,877.927 billion total loans and advances to customers, up 13.81% over the end of the previous year. Net loans and advances to customers accounted for 47.2% of total assets, a drop of 1.0 percentage point from the end of the previous year. The Group's balances of corporate loans (excluding discounted bills) stood at RMB1,846.274 billion, growing by RMB78.852 billion or 4.46% over the end of the previous year; and its balance of personal loans recorded RMB956.606 billion, a growth of RMB287.993 billion or 43.07% over the end of the previous year. In addition, the balance of personal loans took up 33.2% of the Group total, a rise of 6.8 percentage points from the end of the previous year.

*Unit: RMB million*

| Item | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | Balance | Proportion *(%)* |
| Corporate loans | **1,846,274** | **64.2** | 1,767,422 | 69.9 |
| Discounted loans | **75,047** | **2.6** | 92,745 | 3.7 |
| Personal loans | **956,606** | **33.2** | 668,613 | 26.4 |
| Total loans and advances to customers | **2,877,927** | **100.0** | 2,528,780 | 100.0 |
| Impairment allowance for loans and advances to customers | **(75,543)** | | (60,497) | |
| Net loans and advances to customers | **2,802,384** | | 2,468,283 | |

Please refer to "Risk Management" of this chapter for risk analysis of loan business.

## 2 Investments Classified as Receivables

As at the end of the reporting period, the Group's investments classified as receivables recorded RMB1,037.484 billion, a decrease of RMB75.608 billion or 6.79% from the end of the previous year. Of this amount, investments classified as rediscounted bills went down by RMB176.974 billion or 41.79%. The table below sets out the classification of Group's investments classified as receivables by underlying asset.

*Unit: RMB million*

| Item | **31 December 2016** Balance | **31 December 2016** Proportion (%) | 31 December 2015 Balance | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Interbank assets and wealth management products issued by other banks | **480,630** | **46.3** | 396,247 | 35.6 |
| Credit assets | **310,361** | **29.9** | 293,378 | 26.4 |
| Rediscounted bills | **246,493** | **23.8** | 423,467 | 38.0 |
| Total | **1,037,484** | **100.0** | 1,113,092 | 100.0 |
| Allowance for impairment losses | **(1,756)** | | (885) | |
| Net balance | **1,035,728** | | 1,112,207 | |

## 3 Investment in Debt Securities and Equity Instruments

As at the end of the reporting period, the Group had RMB818.217 billion total investment in debt securities and equity instruments, an increase of RMB237.120 billion or 40.81% from last year. Classification of the Group's investment in debt securities and equity instruments by item is set out in the following table.

*Unit: RMB million*

| Item | **31 December 2016** Value | **31 December 2016** Proportion (%) | 31 December 2015 Value | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | **64,911** | **8.0** | 26,220 | 4.5 |
| Available-for-sale financial assets | **534,695** | **65.3** | 373,930 | 64.3 |
| Held-to-maturity investment | **217,500** | **26.6** | 179,971 | 31.0 |
| Investments in associates | **1,111** | **0.1** | 976 | 0.2 |
| Total investment in debt securities and equity instruments | **818,217** | **100.0** | 581,097 | 100.0 |
| Allowance of impairment losses for investment in debt securities and equity instruments | **(164)** | | (201) | |
| Net investment in debt securities and equity instruments | **818,053** | | 580,896 | |

Classification of the Group's investment in debt securities and equity instruments by product is set out in the following table.

*Unit: RMB million*

| Item | **31 December 2016** Value | **31 December 2016** Proportion (%) | 31 December 2015 Value | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Investment in debt securities | **628,389** | **76.8** | 488,544 | 84.1 |
| Certificates of deposit | **166,749** | **20.4** | 90,540 | 15.5 |
| Investment funds | **20,767** | **2.5** | 447 | 0.1 |
| Equity instruments | **2,290** | **0.3** | 1,556 | 0.3 |
| Wealth management products | **22** | **–** | 10 | – |
| Total | **818,217** | **100.0** | 581,097 | 100.0 |

4 Investment in debt securities

As at the end of the reporting period, the Group had RMB628.389 billion investment in debt securities, an increase of RMB139.845 billion or 28.62% over the end of the previous year, primarily because the Group made optimal adjustments to the investment structure and allocation of debt securities in line with market changes, the liquidity management requirements and growth profiles of other financial institutions.

i Classification of Debt Securities Investment by Issuing Institution

*Unit: RMB million*

| Item | **31 December 2016** Value | **31 December 2016** Proportion (%) | 31 December 2015 Value | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Banks and non-bank financial institutions | **132,073** | **21.0** | 162,834 | 33.3 |
| Government | **230,511** | **36.7** | 165,203 | 33.8 |
| Policy banks | **164,608** | **26.2** | 50,994 | 10.4 |
| Public entities | **3** | **–** | 4 | – |
| Others (Note) | **101,194** | **16.1** | 109,509 | 22.5 |
| **Total debt securities** | **628,389** | **100.0** | 488,544 | 100.0 |

*Note:* Primarily corporate bonds.

ii Domestic and Overseas Debt Securities Investment

*Unit: RMB million*

| Item | **31 December 2016** Value | Proportion (%) | 31 December 2015 Value | Proportion (%) |
|---|---|---|---|---|
| In mainland China | **593,257** | **94.4** | 460,526 | 94.3 |
| Outside mainland China | **35,132** | **5.6** | 28,018 | 5.7 |
| **Total debt securities** | **628,389** | **100.0** | 488,544 | 100.0 |

iii Holding of Foreign Currency Denominated Debt Securities

As at the end of the reporting period, the Group held a total of USD9.059 billion worth of foreign currency denominated debt securities (equivalent to RMB62.949 billion), of which the Bank held USD1.694 billion, accounting for 18.70% of the total. The Group's impairment allowance for foreign currency denominated debt securities investment was USD19 million (equivalent to RMB131 million), all being impairment allowance accrued for debt securities held by the Bank.

iv Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 31 December 2016.

*Unit: RMB million*

| **Name of Debt Securities** | **Book value** | **Maturity Date (DD/MM/YY)** | **Annual interest rate (%)** | **Impairment allowance** |
|---|---|---|---|---|
| Debt Securities 1 | 5,064 | 18/02/2021 | 2.96% | – |
| Debt Securities 2 | 4,825 | 04/03/2019 | 2.72% | – |
| Debt Securities 3 | 4,000 | 28/02/2017 | 4.20% | – |
| Debt Securities 4 | 4,000 | 18/08/2029 | 5.98% | – |
| Debt Securities 5 | 3,334 | 27/02/2023 | 3.24% | – |
| Debt Securities 6 | 3,138 | 24/04/2017 | 4.11% | – |
| Debt Securities 7 | 3,000 | 22/03/2017 | 3.50% | – |
| Debt Securities 8 | 2,997 | 08/03/2021 | 3.25% | – |
| Debt Securities 9 | 2,879 | 27/07/2021 | 2.96% | – |
| Debt Securities 10 | 2,751 | 25/08/2026 | 3.05% | – |
| **Total debt securities** | 35,988 | | | |

v Investments in associates

*Unit: RMB million*

| Item | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Investments in associates | **1,111** | 976 |
| Allowance of impairment losses | **–** | – |
| Net investments in associates | **1,111** | 976 |

vi Investments in subsidiaries and associates

The table below sets out the Bank's investment in subsidiaries and associates as at the end of the reporting period.

*Unit: RMB1,000*

| No. | Company name | Shareholding percentage | Book value at the end of the reporting period | Gain or loss during the reporting period | Book value at the beginning of the reporting period | Changes in shareholder's interest during the reporting period | Accounting item | Source of investment |
|---|---|---|---|---|---|---|---|---|
| 1 | CIFH | 100.00 | 16,569,226 | – | 16,569,226 | – | Investment in subsidiary | Cash purchase |
| 2 | CNCB Investment | 100.00 | 1,578,732 | – | 1,578,732 | – | Investment in subsidiary | Cash purchase |
| 3 | Lin'an CITIC Rural Bank | 51.00 | 102,000 | 10,200 | 102,000 | – | Investment in subsidiary | Sponsorship |
| 4 | CITIC Financial Leasing | 100.00 | 4,000,000 | – | 4,000,000 | – | Investment in subsidiary | Sponsorship |
| 5 | CIAM | 40.00 | 1,010,424 | 776 | 975,633 | – | Investment in associate | Equity investment |
| 6 | BFAE | 20.00 | 100,234 | – | – | – | Investment in associate | Equity investment |
| 7 | Others(Note) | – | 104 | – | 104 | – | Investment in associate | Equity investment |
| **Total** | | | **23,360,720** | **10,976** | **23,225,695** | | | |

*Note:* Mainly equity interests in limited partnerships held by the Bank's subsidiary CNCB Investment.

## vii Holdings of Shares and Securities in Other Listed Companies

As at the end of the reporting period, the Group's holding of shares and securities in other listed companies are set out in the table below.

*Unit: RMB thousand*

| No. | Stock code | Stock name | Initial investment amount | Shareholding percentage | Book value at the end of the reporting period | Gain or loss during the reporting period | Book value at the beginning of the reporting period | Changes in shareholder's interest during the reporting period | Accounting item | Source of investment |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 00762 | China Unicom (HK) | 7,020 | – | 3,237 | – | 3,167 | 70 | Available-for-sale financial assets | Cash purchase |
| 2 | V | Visa Inc. | 7,510 | – | 110,348 | 145 | 103,321 | 7,027 | Available-for-sale financial assets | Gift/Bonus share |
| 3 | MA | MasterCard International | 202 | – | 5,438 | 27 | 4,793 | 645 | Available-for-sale financial assets | Bonus share |
| 4 | 03996 | CEEC (HK) | 324,699 | 0.82% | 301,388 | – | 334,909 | (33,522) | Available-for-sale financial assets | Cash purchase |
| **Total** | | | **339,431** | | **420,411** | **172** | **446,190** | **(25,780)** | | |

As at the end of the reporting period, the Group's holding of shares in non-listed financial enterprises other than its associates are set out in the table below.

*Unit: RMB thousand*

| No. | Name of Company | Initial investment amount | Number of shares held (share) | Shareholding percentage | Book value at the end of the reporting period | Gain or loss during the reporting period | Changes in shareholder's equity during the reporting period | Accounting item | Source of investment |
|---|---|---|---|---|---|---|---|---|---|
| 1 | China UnionPay Co., Ltd. | 113,750 | 87,500,000 | 2.99% | 113,750 | 5,688 | – | Available-for-sale financial assets | Cash purchase |
| 2 | SWIFT | 161 | 35 | – | 432 | – | (16) | Available-for-sale financial assets | Bonus share |
| 3 | Joint Electronic Teller Services | 4,535 | 16 (Class B) | – | 4,616 | – | – | Available-for-sale financial assets | Bonus share |
| 4 | Electronic Payment Services Company (HK) Ltd. | 14,264 | 2 | – | 14,517 | – | – | Available-for-sale financial assets | Bonus share |
| 5 | Halti S.A. | 347,450 | 50,000.00 | 1.56% | 347,450 | – | – | Available-for-sale financial assets | Cash purchase |
| 6 | Shanghai Rong Yu Investment Management Center (limited partnership) | 239,776 | – | 10% | 225,000 | – | – | Available-for-sale financial assets | Cash purchase |
| 7 | Shanghai Bills Exchange Co., Ltd. | 50,000 | 50,000,000 | 2.71% | 50,000 | – | – | Available-for-sale financial assets | Cash purchase |
| 8 | Hunan Xin Yin Zhen Hui Technology Co., Ltd. | 1,400 | 1,400,000 | 14% | 1,400 | – | – | Available-for-sale financial assets | Cash purchase |
| 9 | Others[1] | 774 | – | – | 774 | – | – | Available-for-sale financial assets | Cash purchase |
| Total | | 772,110 | | | 757,939 | 5,688 | (16) | | |

*Notes:* (1) Mainly equity interests in limited partnerships held by the Bank's subsidiary CNCB Investment.

(2) Apart from the equity investment set out in the table above, CNCB Investment, a subsidiary of the Bank, also held private equity fund with net value of RMB777 million as at the end of the reporting period.

### viii Changes in Allowances for Investment Impairment

*Unit: RMB million*

| Item | As at 31 December 2016 | As at 31 December 2015 |
|---|---|---|
| **Beginning balance** | **201** | 138 |
| Accruals during the year[1] | **45** | 53 |
| Transfer (out)/in[2] | **(82)** | 10 |
| **Ending balance** | **164** | 201 |

*Notes:* (1) Equal to the net allowance for impairment losses recognized in the consolidated statement of profit or loss of the Group.

(2) Transfer (out)/in includes the amount transferred from the allowances for impairment losses on investment in overdue debt securities to the allowances for bad debt, the transfer of sale of impaired investments to impairment allowances and impacts due to changes in exchange rate.

## 4 Derivatives

*Unit: RMB million*

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Nominal** | **Fair value** | | Nominal | Fair value | |
| **Item** | **principal** | **Assets** | **Liabilities** | principal | Assets | Liabilities |
| Interest rate derivatives | **856,455** | **3,365** | **2,813** | 604,523 | 1,291 | 995 |
| Currency derivatives | **2,612,557** | **42,232** | **40,045** | 1,600,764 | 11,489 | 10,119 |
| Other derivatives | **77,385** | **1,769** | **2,201** | 23,985 | 1,008 | 304 |
| **Total** | **3,546,397** | **47,366** | **45,059** | 2,229,272 | 13,788 | 11,418 |

5 On-Balance Sheet Interest Receivables

*Unit: RMB million*

| **Item** | 31 December 2015 | Increase during the current period | Decrease during the current period | **31 December 2016** |
|---|---|---|---|---|
| Loan interest receivable | 10,343 | 132,218 | (128,079) | **14,482** |
| Interest receivable for debt securities | 7,882 | 21,567 | (19,841) | **9,608** |
| Interest on investments classified as receivables | 12,963 | 45,820 | (47,832) | **10,951** |
| Other interest receivables | 1,458 | 13,869 | (13,540) | **1,787** |
| **Total** | 32,646 | 213,474 | (209,292) | **36,828** |
| Allowances for impairment losses on interest receivables | (2,134) | (5,033) | 3,261 | **(3,906)** |
| **Net interest receivable** | 30,512 | 208,441 | (206,031) | **32,922** |

6 Repossessed Assets

*Unit: RMB million*

| **Item** | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Original value of repossessed assets | | |
| – Land, premises and buildings | **1,836** | 1,045 |
| – Others | **196** | 85 |
| Allowances for impairment of repossessed assets | | |
| – Land, premises and buildings | **(145)** | (137) |
| – Others | **(73)** | (33) |
| **Total book value of repossessed assets** | **1,814** | 960 |

*Liabilities*

As at the end of the reporting period, the Group recorded total liabilities of RMB5,546.554 billion, an increase of 15.49% from the end of last year, primarily due to growth in deposits from customers and issued debt certificates.

*Unit: RMB million*

| Item | **31 December 2016** Balance | **31 December 2016** Proportion (%) | 31 December 2015 Balance | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Deposits from customers | **3,639,290** | **65.6** | 3,182,775 | 66.3 |
| Deposits and placements from banks and non-bank financial institutions | **1,065,169** | **19.2** | 1,117,792 | 23.3 |
| Financial assets sold under repurchase agreements | **120,342** | **2.2** | 71,168 | 1.5 |
| Debt securities issued | **386,946** | **7.0** | 289,135 | 6.0 |
| Others[1] | **334,807** | **6.0** | 141,736 | 2.9 |
| **Total liabilities** | **5,546,554** | **100.0** | 4,802,606 | 100.0 |

*Note:* (1) Including borrowings from central banks, derivative financial liabilities, staff remunerations payable, tax and fee payables, interest payables, estimated liabilities, deferred income tax liabilities, other liabilities, etc.

1 Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers recorded RMB3,639.290 billion, an increase of RMB456.515 billion or 14.34% over the end of the previous year; it accounted for 65.6% of total liabilities, a drop of 0.7 percentage point from the end of the previous year. The Group's balance of corporate deposits was RMB3,081.277 billion, a growth of RMB439.852 billion or 16.65% over the end of the previous year; and that of personal deposits stood at RMB558.013 billion, increasing by RMB16.663 billion or 3.08% over the end of the previous year. The proportion of the Group's demand deposits was 52.9%, a rise of 9.8 percentage points from the end of the previous year.

*Unit: RMB million*

| Item | 31 December 2016 Balance | 31 December 2016 Proportion (%) | 31 December 2015 Balance | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| **Corporate deposits** | | | | |
| Demand deposits | **1,691,065** | **46.5** | 1,194,486 | 37.5 |
| Time and call deposits | **1,390,212** | **38.2** | 1,446,939 | 45.5 |
| Including: negotiated deposits | **69,012** | **1.9** | 101,333 | 3.2 |
| **Subtotal** | **3,081,277** | **84.7** | 2,641,425 | 83.0 |
| **Personal deposits** | | | | |
| Demand deposits | **232,960** | **6.4** | 178,917 | 5.6 |
| Time and call deposits | **325,053** | **8.9** | 362,433 | 11.4 |
| **Subtotal** | **558,013** | **15.3** | 541,350 | 17.0 |
| **Total deposits from customers** | **3,639,290** | **100.0** | 3,182,775 | 100.0 |

i Breakdown of Deposits from Customers by Currency

*Unit: RMB million*

| Item | 31 December 2016 Balance | 31 December 2016 Proportion (%) | 31 December 2015 Balance | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Renminbi | **3,304,504** | **90.8** | 2,854,718 | 89.7 |
| Foreign currencies | **334,786** | **9.2** | 328,057 | 10.3 |
| **Total** | **3,639,290** | **100.0** | 3,182,775 | 100.0 |

ii Breakdown of Deposits by Geographical Location

*Unit: RMB million*

| Item | **31 December 2016** Balance | **31 December 2016** Proportion (%) | 31 December 2015 Balance | 31 December 2015 Proportion (%) |
|---|---|---|---|---|
| Head Office | **26,999** | **0.7** | 28,201 | 0.9 |
| Bohai Rim | **889,591** | **24.4** | 781,559 | 24.6 |
| Yangtze River Delta | **828,014** | **22.8** | 730,304 | 22.9 |
| Pearl River Delta and West Strait | **653,838** | **18.0** | 498,538 | 15.7 |
| Central | **528,599** | **14.5** | 472,675 | 14.9 |
| Western | **434,248** | **11.9** | 408,822 | 12.8 |
| Northeastern | **68,361** | **1.9** | 77,792 | 2.4 |
| Overseas | **209,640** | **5.8** | 184,884 | 5.8 |
| **Total deposits from customers** | **3,639,290** | **100.0** | 3,182,775 | 100.0 |

iii Breakdown of Deposits by Remaining Maturity

*Unit: RMB million*

| Item | Repayable-on-demand Amount | Repayable-on-demand Proportion (%) | Within 3 months Amount | Within 3 months Proportion (%) | Within 3-12 months Amount | Within 3-12 months Proportion (%) | Within 1-5 years Amount | Within 1-5 years Proportion (%) | After 5 years Amount | After 5 years Proportion (%) | Total Amount | Total Proportion (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Corporate deposits | 1,878,541 | 51.6 | 461,667 | 12.7 | 474,021 | 13.0 | 265,410 | 7.3 | 1,638 | 0.1 | 3,081,277 | 84.7 |
| Personal deposits | 323,690 | 8.8 | 122,909 | 3.4 | 65,184 | 1.8 | 45,989 | 1.3 | 241 | – | 558,013 | 15.3 |
| Total | 2,202,231 | 60.4 | 584,576 | 16.1 | 539,205 | 14.8 | 311,399 | 8.6 | 1,879 | 0.1 | 3,639,290 | 100.0 |

### *(III) Shareholders' Equity*

The table below sets out the changes in shareholders' equity in the Group during the reporting period.

*Unit: RMB million*

| | For the year 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Item | Share Capital | Preference Share | Capital Reserve | Other comprehensive income/(loss) | Surplus Reserve and General Reserve | Retained earnings | Non-controlling Interest | Total Equity |
| 1 January 2016 | 48,935 | – | 58,636 | 3,584 | 87,917 | 118,668 | 1,946 | 319,686 |
| 1. Net profit | – | – | – | – | – | 41,629 | 157 | 41,786 |
| 2. Other comprehensive (loss)/income | – | – | – | (4,726) | – | – | 1 | (4,725) |
| 3. Proceeds from issuance of preference shares[1] | – | 34,955 | – | – | – | – | – | 34,955 |
| 4. Proceeds from other equity instruments holders[2] | – | – | – | – | – | – | 3,324 | 3,324 |
| 5. Profit appropriation | – | – | – | – | 13,257 | (23,631) | (156) | (10,530) |
| 31 December 2016 | 48,935 | 34,955 | 58,636 | (1,142) | 101,174 | 136,666 | 5,272 | 384,496 |

*Notes:* (1) The Bank made the private offering of no more than RMB35.0 billion preference shares to no more than 200 qualified investors that were compliant with provisions of the Measures for the Administration of the Pilot Program of Preference Shares at RMB100.00 par value per share. The shares were issued at par with a 3.80% initial coupon rate. The above issuance of preference shares raised net proceeds of RMB34.955 billion after deduction of the issuance costs, and was fully used to replenish other tier-one capital of the Bank in order to raise the Bank's tier-one capital adequacy ratio. These preference shares shall apply a nominal dividend yield subject to phase-specific adjustments. Dividends shall be non-cumulative and paid once every five years. The nominal dividend yield shall be adjusted once every five years, with reference made to the yield to maturity of outstanding five-year government bonds, and include a 1.3% fixed premium.

(2) CNCBI, a subsidiary of the Group, issued perpetual non-cumulative extra tier-one capital securities at total par value of USD500 million on 11 October 2016. The nominal annual yield was set at 4.25% prior to the first advance redemption date which falls on 11 October 2021. In the event where the redemption right is not exercised by that date, the nominal annual yield shall be re-set once every five years at the yield of five-year US government bond plus 3.107%.

### *(IV) Major Off-Balance Sheet Items*

The table below sets out the major off-balance sheet items and their balances as at the end of the reporting period.

*Unit: RMB million*

| Item | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Credit commitments | | |
| – Banker's Acceptance bills | **535,313** | 631,431 |
| – Letters of guarantee issued | **163,157** | 133,567 |
| – Letters of credit issued | **86,499** | 92,164 |
| – Irrevocable loan commitments | **74,936** | 77,038 |
| – Credit card commitments | **215,845** | 149,138 |
| **Subtotal** | **1,075,750** | 1,083,338 |
| Operating leasing commitments | **13,348** | 14,799 |
| Capital commitments | **10,045** | 7,232 |
| Pledged assets | **353,567** | 143,182 |
| **Total** | **1,452,710** | 1,248,551 |

### *(V) Cash Flow Statement Analysis*

*Net Cash Flows from Operating Activities*

Net cash inflows from operating activities registered RMB218.811 billion, primarily because the cash inflow due to the increase in deposits from customers and decrease in investments classified as receivables offset the cash outflow used to grant loans and advances to customers and increase interbank business.

*Net Cash Flows Used in Investing Activities*

Net cash flows used in investing activities recorded RMB176.451 billion, an increase of RMB33.897 billion over last year, mainly due to the year-on-year increase in cash flows used in debt securities investment.

*Net Cash Flows Generated from Financing Activities*

Net cash inflow generated from financing activities registered RMB110.123 billion, primarily because the cash inflow in the form of proceeds from issuance of interbank deposit certificates and bonds, preference shares and perpetual debts offset the cash outflow used to repay matured interbank deposit certificates and bonds.

*Unit: RMB million*

| Item | 2016 | Year-on-Year Increase *(%)* | Main reason |
|---|---|---|---|
| **Operating Cash Flow** | **218,811** | – | |
| Including: Cash inflow due to increase in deposits from customers | **443,232** | 37.16 | Increase in corporate deposits |
| Cash inflow due to decrease in investments classified as receivables | **75,619** | – | Decrease in investment management products managed by securities companies |
| Cash outflow due to increase in loans and advances to customers | **(369,112)** | 2.83 | Increase in various loans |
| Net cash outflow due to increase in interbank business (Note) | **(79,859)** | – | |
| **Cash Flow Used in Investing Activities** | **(176,451)** | 23.78 | |
| Including: Proceeds from redemption of investments | **545,658** | (14.60) | Disposal and decrease in repayment of debt securities |
| Payments on acquisition of investments | **(714,490)** | (7.82) | Decrease in debt securities investments |
| **Cash Flow Generated from Financing Activities** | **110,123** | (28.60) | |
| Including: Proceeds from Issuance of debt certificates | **604,406** | 94.36 | Issuance of inter-bank deposit certificates and bonds |
| Proceeds from issuance of other equity instruments | **38,279** | – | Offering of preference shares and perpetual debts |
| Principal repayment for issued debt certificates | **(507,840)** | 231.28 | Repayment of matured inter-bank deposit certificates and bonds |

*Note:* Including deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, deposits and placements from banks and non-bank financial institutions, and financial assets sold under repurchase agreements.

### *(VI) Major Accounting Estimates and Assumptions*

The preparation of the financial statements in conformity with the International Financial Reporting Standards required the Group to make certain accounting estimates and assumptions when applying its accounting policies to determine the amounts of assets and liabilities as well as profits and losses during the reporting period. The accounting estimates and assumptions made by the Group were based on its historical experience and other factors such as reasonable expectations of future events. The key assumptions involved in such estimates and the judgment on uncertainties were reviewed on an on-going basis. Such accounting estimates and assumptions made by the Group have all been appropriately recognized during the current period of the concerned changes and during subsequent periods of any impacts resulting from such changes.

The basis for preparation of the Group's financial statements was influenced by estimates and judgments in the following main aspects: loans and advances, impairment losses on available-for-sale financial assets and held-to-maturity investments, impairment of available-for-sale equity investments, fair value of financial instruments, classification of held-to-maturity investments, income tax, retirement welfare liabilities, and judgment on degree of control over investment targets.

### *(VII) Items Measured at Fair value*

*Unit: RMB million*

| **Item** | **31 December 2016** | 31 December 2015 | Current-year profit or loss due to changes in fair value | Current-year changes in fair value recorded in shareholders' equity |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | **64,911** | 26,220 | 54 | |
| Derivative financial assets (Note) | **47,366** | 13,788 | (1,130) | – |
| Available-for-sale financial assets | **534,122** | 373,636 | – | (8,815) |
| Investment properties | **305** | 325 | 8 | – |
| **Total financial assets measured at fair value** | **646,704** | 413,959 | (1,068) | (8,815) |
| Derivative financial liabilities | **45,059** | 11,418 | – | – |
| **Total financial liabilities measured at fair value** | **45,059** | 11,418 | – | – |

*Note*: The current year profit or loss due to changes in fair value is the total of current-year profit or loss due to changes in fair value of derivative financial assets and derivative financial liabilities.

### *(VIII) Major Financial Statement Items with More than 30% Changes*

*Unit: RMB million*

| Item | 2016 | Increase over previous year-end/previous year *(%)* | Main Reason |
|---|---|---|---|
| Deposits with banks and non-bank financial institutions | **208,641** | 158.21 | Increase in deposits with other domestic banks |
| Precious metal | **3,372** | 183.12 | Increase in precious metal |
| Placements with banks and non-bank financial institutions | **167,208** | 40.78 | Increase in placements with domestic non-bank financial institutions |
| Financial assets measured at fair value through profit or loss for the current period | **64,911** | 147.56 | Increase in investment in interbank deposit certificates |
| Derivative financial assets | **47,366** | 243.53 | Increase in currency derivative financial instrument business |
| Available-for-sale financial assets | **534,533** | 43.01 | Increase in available-for-sale debt securities and inter-bank certificates of deposit |
| Other assets | **58,654** | 46.12 | Increase in precious metal leasing |
| Borrowings from central banks | **184,050** | 390.80 | Increase in borrowings from central banks |
| Placements from other banks and non-bank financial institutions | **83,723** | 70.00 | Increase in placements from other domestic banks and non-bank financial institutions |
| Derivative financial liabilities | **45,059** | 294.63 | Increase in currency derivative financial instrument business |
| Financial assets sold under repurchase agreements | **120,342** | 69.10 | Increase in domestic interbank debt securities sold under repurchase agreements |
| Debt securities issued | **386,946** | 33.83 | Increase in inter-bank certificates of deposit |
| Other comprehensive income | **(1,142)** | – | Decrease in investment revaluation reserve for available-for-sale financial assets |
| Non-controlling interest | **5,272** | 170.91 | Issuance of perpetual debts by subsidiary |
| Net gain from investment securities | **1,682** | 41.11 | Increase in revaluation net gain from disposing available-for-sale financial assets |
| Allowance for impairment loss | **(52,288)** | 30.60 | Increase in allowances for impairment of credit assets |

## *(IX) Segment Report*

*Business Segments*

Major business segments of the Group cover corporate banking, retail banking and financial markets business. In 2016, the Group shifted international business and investment banking departments out of the financial markets business segment and placed them under the corporate banking business segment to meet the requirements on business management and redid the figures for the comparison periods in the financial statements.

*Unit: RMB million*

| | **2016** | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| **Business Segment** | **Segment Operating Income** | **Proportion** | **Segment Profit before tax** | **Proportion** | Segment Operating Income | Proportion | Segment Profit before tax | Proportion |
| | | *(%)* | | *(%)* | | *(%)* | | *(%)* |
| Corporate banking | **85,639** | **55.6** | **22,679** | **41.5** | 85,314 | 58.6 | 30,214 | 54.9 |
| Retail banking | **40,175** | **26.1** | **10,848** | **19.9** | 33,333 | 22.9 | 4,725 | 8.6 |
| Financial markets business | **16,109** | **10.4** | **13,786** | **25.2** | 18,359 | 12.6 | 16,218 | 29.5 |
| Other and unallocated | **12,236** | **7.9** | **7,295** | **13.4** | 8,539 | 5.9 | 3,829 | 7.0 |
| **Total** | **154,159** | **100.0** | **54,608** | **100.0** | 145,545 | 100.0 | 54,986 | 100.0 |

*Geographical Segments*

The table below lists the operating results of the Group for the reporting period by geographical segment.

*Unit: RMB million*

| | **31 December 2016** | | | | **For the year 2016** | |
|---|---|---|---|---|---|---|
| | **Total assets** (1) | | **Total liabilities** (2) | | **Profit before tax** | |
| **Geographical Segments** | **Amount** | **Proportion** | **Amount** | **Proportion** | **Amount** | **Proportion** |
| | | *(%)* | | *(%)* | | *(%)* |
| Head Office | **1,010,909** | **17.1** | **723,128** | **13.0** | **19,801** | **36.3** |
| Yangtze River Delta | **1,143,563** | **19.3** | **1,134,943** | **20.5** | **9,710** | **17.8** |
| Pearl River Delta and West Strait | **887,856** | **15.0** | **883,235** | **15.9** | **6,698** | **12.3** |
| Bohai Rim | **1,273,550** | **21.5** | **1,258,132** | **22.7** | **9,181** | **16.8** |
| Central | **657,675** | **11.1** | **656,226** | **11.8** | **2,143** | **3.9** |
| Western | **573,399** | **9.7** | **568,835** | **10.3** | **4,222** | **7.7** |
| Northeastern | **85,967** | **1.5** | **85,161** | **1.5** | **80** | **0.1** |
| Overseas | **285,434** | **4.8** | **236,883** | **4.3** | **2,773** | **5.1** |
| Total | **5,918,353** | **100.0** | **5,546,543** | **100.0** | **54,608** | **100.0** |

*Notes:* (1) Excluding deferred tax assets.

(2) Excluding deferred tax liabilities.

*Unit: RMB million*

| Geographical Segments | 31 December 2015 Total assets (1) Amount | Proportion (%) | Total liabilities (2) Amount | Proportion (%) | For the year 2015 Profit before tax Amount | Proportion (%) |
|---|---|---|---|---|---|---|
| Head Office | 639,057 | 12.5 | 396,293 | 8.3 | 17,819 | 32.4 |
| Yangtze River Delta | 1,099,638 | 21.5 | 1,090,233 | 22.7 | 9,427 | 17.2 |
| Pearl River Delta and West Strait | 752,930 | 14.7 | 750,275 | 15.6 | (157) | (0.3) |
| Bohai Rim | 1,114,437 | 21.8 | 1,098,983 | 22.9 | 11,354 | 20.6 |
| Central | 617,426 | 12.1 | 609,982 | 12.7 | 8,280 | 15.1 |
| Western | 557,507 | 10.9 | 551,901 | 11.5 | 5,855 | 10.6 |
| Northeaster | 93,262 | 1.8 | 92,311 | 1.9 | 198 | 0.4 |
| Overseas | 240,054 | 4.7 | 212,618 | 4.4 | 2,210 | 4.0 |
| **Total** | 5,114,311 | 100.0 | 4,802,596 | 100.0 | 54,986 | 100.0 |

*Notes:* (1) Excluding deferred tax assets.

(2) Excluding deferred tax liabilities.

## III. Business Overview

### *(I) Corporate Banking Business*

The 2015-2017 three-year strategic plan set the Bank's vision, which is to become the "bank offering the best comprehensive finance services". To attain this vision, the Bank regarded meeting customer needs as the first and foremost objective. In order to address customer demand for financing, the Bank tapped customer needs for financial services in their industrial chains, fund chains and product chains. With the use of the "combined corps" model, i.e., "CNCB + subsidiaries of CITIC Group + subsidiaries of CNCB", the Bank provided customers with not only traditional and extended banking services such as deposits, loans, transaction settlement, wealth management and financial consultancy, but also pan-financial products such as securities, trust, fund and leasing. As such, the Bank transformed from the model of providing financing services only to that of providing comprehensive one-stop financial service packages.

Despite the complicated and grim external business environment, the Bank realized RMB81.076 billion operating income from corporate banking business for the reporting period, on par with that of the previous year, accounting for 55.14% of its total operating income. This amount included RMB14.224 billion net non-interest income from corporate banking, amounting to 31.34% of the Bank's net non-interest income.

*Corporate Customer Management*

In its customer positioning, the Bank focused on "large industries, large customers, large projects and high-end customers" (Three-Large and One-High). For corporate banking business, large industries include advanced manufacturing and strategic emerging industries that are consistent with the government industrial policy orientation plus key industries, emerging industries and pillar industries that are priority targets of national economic development. Large customers refer to big enterprises including group companies with headquarters, central state-owned enterprises, leading enterprises of niche industries and leading enterprises of emerging industries, institutional customers such as government departments at all levels, administrative agencies and civil society organizations, and large-scale foreign invested enterprises including operations of multinationals and the world's Top 500 in China. Large projects refer to projects that make profit and are influential on implementation of national and regional strategies and local development.

The Bank provided its customers with comprehensive customized services based on CITIC Group synergy and its own full-range product and business systems. At the same time, the Bank relied on "Three-Large and One-High" customers to expand its customer base among small and medium-sized enterprises (SMEs) that were dependent on the business chains of large industries, large customers and large projects. Its SME customer management model ran through the entire industrial chain and promoted its SME business by leveraging on service provision for large companies. As at the end of the reporting period, the Bank recorded 589,900 corporate customers[1], up 6.50% from the end of the previous year.

1 Management of Strategic Customers

Under the "Three-Large and One-High" customer strategy, the Bank finalized the list of 200 Head Office strategic customers (including over 14,112 member enterprises) and 2,237 branch strategic customers (including 5,150 member enterprises), covering leading enterprises in the world's Top 500, China's Top 500 and pillar industries of China's national economy. For Head Office strategic customers, the Head Office led unified marking, adopting six major marketing approaches (i.e., head office to head office marketing, marketing core enterprises in the same ecosystem, collaborative marketing with CITIC Group associates, unified marketing between cooperate banking business and retail banking business, etc.). Therefore, the Bank achieved one policy for one customer, one target for one customer, and one team for one customers by pooling resources of the whole bank to provide comprehensive financing services to customers. For branch strategic customers, the Bank adopted unified marketing at the branch level to offer services to customers with the pooling of branch resources.

1 Covering all types of customers within the corporate banking segment, including corporate customers and institutional customers

During the reporting period, the Bank concluded strategic cooperation agreements with 18 strategic customers including China Aerospace Science and Industry Corporation, China Merchants Group Co., Ltd., China Shipbuilding Industry Corporation. Such partnership comprehensively deepened "head-office to head-office" cooperation between the Bank and its strategic customers. Daily average balance of deposits from strategic customers stood at RMB593.323 billion, an increase of RMB148.361 billion or 33.34% over the end of the previous year. Net operating income from strategic customers for the reporting period reached RMB23.455 billion, an increase of RMB6.705 billion or 40.03% over last year. The Bank underwrote RMB295.1 billion debt financing instruments for its strategic customers, taking up 78.19% of the Bank's total. The NPL ratios of the strategic customers were markedly lower than the average level of the Bank's corporate customers as at the end of the reporting period.

2 Management of Institutional Customers

The Bank attached great importance to its institutional customers, including government departments, undertakings and civil society organizations. It made use of professional smart customer management models to continuously enhance unique competitiveness of its institutional banking business. During the reporting period, the Bank deepened partnership with its institutional customers in the government sector. The Head Office signed strategic cooperation agreements with the Ministry of Industry and Information Technology, the Ministry of Transport and the National Agricultural Credit Guarantee Union. The branches entered into nearly 100 strategic cooperation agreements with local governments or competent governmental departments. Closely following the government strategy on new-type urbanization and smart city development, the Bank integrated its competitive resources and leveraged multiple channels to address customer needs for finance, and established over 20 government investment funds of market influence. In its enthusiastic practice of inclusive finance, the Bank launched the "Smart Payment" service system and operated online innovative products for institutional customers, such as "Tobacco Business Loan", "Payment At Home All In One" and "Smart-e". These offered payment management and online lending services to institutional customers in the areas of public finance, social security, housing provident funds and education, and also to the general public these customers served, resulting in greater customer viscosity.

As at the end of the reporting period, the Bank recorded 30,200 accounts of institutional customers in total, and RMB301.780 billion balance of on-balance sheet loans for these customers, an increase of 9.87% over the end of the previous year. Such loans were mainly invested in urban construction, land and housing, transportation, and education, science, culture and health. The Bank's institutional customers had an NPL ratio of 0.01%, much lower than the average level of its corporate customers. For the reporting period, these institutional customers registered RMB962.176 billion average daily balance of deposits, an increase of 13.61% over the previous year, taking up 36.21% of the Bank's balance of corporate deposits, up 0.93 percentage point from last year.

3 Management of Small Business Customers

The Bank developed its small business finance in a prudent manner. It focused on developing high-quality small business customer groups at the upper and lower reaches of the supply chains of the "Three-Large and One-High" customers, so that its large corporate customers would give a boost to its small enterprise business. Based on the "credit factory" business model, the Bank built a service system for small enterprises that featured "special operation units, special processes, special teams, special products, special systems, and special resources". As a prudential measure, the Bank made proactive exit from risky small business customers, and carried out risk screening of guarantee companies and their businesses for better business risk control.

As at the end of the reporting period, the Bank registered RMB478.861 billion balance of loans to small and micro enterprises[1], an increase of 8.34% over the end of the previous year; and 59,154 accounts of small and micro enterprise customers, an increase of 3,128 accounts over the end of the previous year. The approval rate of loan applications by small and micro enterprise customers stood at 82.95%, a growth of 13.77 percentage points over the end of the previous year; and the balance of non-performing loans (NPLs) of such customers was RMB13.896 billion, corresponding to an NPL rate of 2.90%.

*Corporate Deposit Business*

In the face of the trend of interest rate liberalization and the new development situation of internet finance, the Bank pooled resources to promote transaction banking, develop the trade finance platform, asset custody platform, cash management platform, e-commerce service platform and internet financial service platform, and provide full-range products and services to its corporate customers. As a result, the Bank achieved a faster growth in corporate deposits, laying a solid foundation for asset scale expansion and liquidity management of the whole bank. For the reporting period, the Bank's average daily balance of corporate deposits recorded RMB2,656.895 billion, a growth of 10.67% over last year, leading all joint-stock banks in terms of both balance and increment[2]. At the same time, the Bank boosted the development of transaction banking by acquiring low-cost settlement deposits via multiple channels, so that its liability cost continued to go down. As at the end of the reporting period, the Bank recorded a 1.73% cost rate for corporate deposits, a drop of 0.46 percentage point from the end of the previous year. Of the total balance of corporate deposits, 55.78% were demand deposits, an increase of 9.8 percentage points over the end of the previous year. For the reporting period, the Bank's daily average balance of corporate settlement deposits stood at RMB1,257.366 billion, taking up 47.32% of the Bank's total, an increase of 6.65 percentage points over last year.

1 Refer to loans to small and micro enterprises as defined by the CBRC, i.e., loans to small businesses, loans to micro enterprises, loans to industrial and commercial households and loans to small and micro business owners.

2 Including the balance and increment of Renminbi denominated corporate deposits that excluded active liabilities (including structured deposits, negotiated deposits and central treasury cash management deposits, etc.).

*Corporate Loan Business*

With regard to corporate loans, the Bank captured opportunities brought about by government strategies such as Beijing-Tianjin-Hebei Coordinated Development, "the Belt and Road Initiative", and the Yangtze River Economic Belt. It regarded the "4 municipalities and 11 provinces"[1] as its priority geographical targets for loan grant. Meanwhile, more loans were given to 18 key industries in the 4 major areas of urbanization, infrastructure, high-end manufacturing and modern services. The Head Office intensified its uniform allocation of credit resources. The Bank used multiple financing channels such as granting loans, underwriting bonds, offering wealth management products, and linking with inter-bank funds to address customer financing needs and at the same time reduce excessive reliance on capital. The reward was efficient capital-light business development.

As at the end of the reporting period, the Bank's balance of corporate loans recorded RMB1,731.370 billion, a growth of 0.97% over the end of the previous year. This amount included RMB1,659.817 billion balance of general corporate loans, up 1.98% from the end of the previous year. Of the new corporate loans granted in the reporting period, loans to the "Three-Large and One-High" customers took up 35.58% and those to the "4 municipalities and 11 provinces" 79.17%.

*Key Businesses*

1 Transaction Banking Business

The Bank was the first in China to launch an exclusive brand for transaction banking: "Transaction +". The philosophy of the brand is to "build transaction capability, extend the business chain, integrate commercial resources and make use of the Internet business ecosphere". It leverages on the unique competitiveness of CITIC Group in placing financial and non-financial businesses on an equal footing to provide enterprise transactions and the entire transaction chain with "whole-process, multi-channel, one-stop and smart" transaction banking services. The "Transaction+" brand covers 6 sub-brands ("e-payment and receipt, e-finance/asset, e-trade finance, e-commerce, e-custody, and e-channel") and 16 unique products, forming a complete brand system and product line.

During the reporting period, the Bank continued to market and promote its "Transaction +" brand and build the relevant brand system. The development of the transaction banking system version 2.0 enabled uniform storage of e-channel data, uniform delivery of products, uniform management of channel access and uniform monitoring of transactions. The Bank completed upgrading and renovation of the supply chain system and optimized online functions of the bill business, greatly upgrading performance of its supply chain business and electronic bill business. In its research and development of projects on cross-border cash management and cross-border e-commerce, the Bank made ongoing innovations and explorations on financial models for transaction banking, asset securitization models for supply chains of large customers, and automation of loan disbursement models.

1 Including the 4 municipalities directly under the central government of Beijing, Shanghai, Tianjin and Chongqing, and the 11 provinces of Guangdong, Jiangsu, Zhejiang, Fujian, Shandong, Henan, Hunan, Hebei, Hubei, Shaanxi, Sichuan that benefit from coastal development, industrial transfer and national key strategies.

As at the end of the reporting period, the Bank recorded 337,300 accounts of contractual customers, a growth of 13.9% over the end of the previous year. For the reporting period, transaction banking realized 52.22 million transactions and total transaction value of RMB66.1 trillion, an increase of 8.5% and 17.9% over last year, respectively. The transaction substitution rate stood at 68.4%, a rise of 6.8 percentage points from last year. Transaction banking generated RMB1.916 billion business income and brought about RMB594.8 billion corporate settlement deposits.

2 Investment Banking Business

The investment banking business captured market opportunities, promoted the implementation of key business projects in areas such as debt underwriting, structured finance, fund business, M&A loan and syndication as the lead bank. It accelerated the credit support, improved product innovation, and achieved fast and steady development.

During the reporting period, the Bank successfully supported a group of mainstream market projects, establishing its leader status in the M&A market. For the reporting period, the Bank had underwritten RMB377.4 billion debt financing tools, a growth of 15.88% over last year, even exceeding some state-owned commercial banks and ranking the 4th on the Chinese debt finance market. For the reporting period, it underwrote 391 publicly offered bonds at a total value of RMB344.0 billion, ranking the 1st among all joint-stock banks[1]. Despite fluctuations of the bond market, the Bank maintained relatively high benchmark for rating gravity, with nearly 69.87% of the bonds underwritten being bonds of AAA grade.

To capture the business opportunities available from infrastructure construction along the "Belt and Road Initiative", the Bank founded "the Belt and Road Initiative" fund, the first ever of its kind in the banking industry. As at the end of the reporting period, the fund had reached RMB86.4 billion in scale and put on market in 12 key cities along the "Belt and Road" including Shanghai, Guangzhou and Hangzhou, rendering effective support to key capital construction projects such as local rail transport development and shanty town renovation.

1 According to the statistics from Wind Info on China's bond underwriting market.

### 3 International Business

Guided by the concept of value creation and capital-light development, the Bank kept abreast with trends like Renminbi internationalization, the "Belt and Road Initiative", Going Abroad of Chinese enterprises and capital account liberalization to promote key businesses. As at the end of the reporting period, the Bank realized USD212.44 billion forex receipt and payment in balance of international payments, ranking the 1st among all joint-stock banks[1]; completed RMB289.69 billion cross-border Renminbi forex receipt and payment, ranking the 2nd among all join-stock banks[2].

By capturing hot business opportunities in the market, sticking to the principle of compliant operation, the Bank innovated cross-border business interaction and international business under capital account, so as to improve cross-border financing capability. Business in the FTZ enjoyed stable growth with AUM reaching over RMB10 billion, and the size and income had growth of 119% and 102% respectively. The Bank rendered active support to cross-border M&A, bond issuance and construction projects via its foreign related L/G business, leading to a 27.8% year-on-year growth in business income; and completed multiple transactions in areas such as FDI/ODI direct investment, pooling of funds for overseas IPOs, cross-border financing in all definitions, and loosened forex purchase and sale under the capital account, upgraded cross-border centralised financial system. Its cross-border fund pools denominated in Renminbi and foreign currencies had 79 new group customers entering into contracts, with its forex receipt and payment turnover increased by 24.91%.

### 4 Asset Custody Business

The Bank pioneered the innovative business model of "commercial banking + investment banking + custody" and strove to upgrade the strategic status of custody business in its capital-light transformation. By promoting exemplary cases of customer services, the Bank made key breakthroughs in key geographical areas and key projects, and achieved faster growth in asset custody business, which also brought about development of corporate deposit business. As at the end of the reporting period, assets under the Bank's custody recorded RMB6,569.747 billion, an increase of 35.31% over the end of the previous year; current-period increment stood at RMB1,714.523 billion, hitting a record high. Commission income from custody and other entrusted businesses for the reporting period stood at RMB2.566 billion, a growth of 15.17% over last year.

1 End of December 2016 data from Balance of Payments Department, SAFE.
2 End of December 2016 data from PBOC RMB Cross-border Business Monthly Journal.

In the reporting period, the Bank continued to consolidate its market competitiveness and brand influence as "the leading bank to provide custody services for e-commerce funds". It promoted the "custody + agency sale" business model, and kept its leading position in fund custody business. Its custody of publicly offered funds exceeded RMB1.09 trillion, ranking the 1st among all joint-stock banks for four consecutive years[1]. In addition, the Bank pioneered the innovative "custody + investment advisory service" business model for local commercial banks. This model recorded more than 70 local partner commercial banks and RMB315.3 billion wealth management products under custody. Further, the Bank made arrangements for custody of enterprise annuity and occupation pension. As at the end of the reporting period, the Bank had RMB51.321 billion enterprise annuity under custody, an increase of 30.60% over last year, ranking the 2nd among all joint-stock banks[2], and 290,800 personal pension accounts, an increase of 73.76% over last year.

5 PPP Business

The PPP model is a long-term partnership between government and social capital in infrastructure and public services. As an internationally recognized effective way for the market to participate in the allocation of public resources, PPP has attracted extensive market attention since its introduction into the Chinese domestic market. Relying on CITIC Group's comprehensive advantages, the Bank has always taken the forefront of PPP business development. It has formed relatively complete business processes and trouble-shooting capabilities such as project design, risk control and operation process, etc.

During the reporting period, the Bank formed the CITIC PPP Consortium with CITIC Trust, CITIC Securities, CITIC Environment and CITIC Construction. The consortium members complemented each other with competitive edges, integrated resources, and provided package solutions throughout the project life cycle, gaining early-bird advantages in acquiring premium projects. With the Bank's enthusiastic advocacy, CITIC Group and the MOF Government and Social Capital Cooperation Center signed a strategic cooperation agreement on PPP theoretical research, project design and management, and exploration of financing models and investment exit channels, for the purpose of jointly promoting the landing and implementation of domestic and overseas PPP projects. In addition, the Bank partnered with regulators and external financial institutions to study innovative asset transaction models for PPP projects, build the secondary market for project assets, and enrich the exit channels to promote asset turnover and improve project financing capability. During the reporting period, the Bank participated in numerous projects, covering Zhejiang, Fujian, Shaanxi,Yunnan, Guizhou and other regions. These projects used multiple financing models such as equity finance, debt finance and "equity + debt" finance and had combined investment and finance of nearly RMB30 billion.

1 Statistics on Assets under Custody of the Chinese Custody Industry published by the China Banking Association.
2 Statistics on Assets under Custody of the Chinese Custody Industry published by the China Banking Association.

### *(II) Retail Banking Business*

During the reporting period, the Bank continued to strive for the goal of becoming "the bank offering the best customer experience" and promote the second transformation of retail banking. The Bank focused on the three major businesses of personal loans, assets under management[1] and acquiring business to build capacity for better customer management, higher outlet productivity and more professional retail banking teams. The efforts were very rewarding.

During the reporting period, the Bank realized RMB38.083 billion operating income from retail banking, an increase of 20.15% over the previous year, accounting for 25.90% of its total operating income. Of this amount, RMB23.211 billion was net non-interest income, up 34.96% from last year, taking up 51.15% of the Bank's total, an increase of 6.72 percentage points. Credit card contributed RMB16.886 billion and agency businesses RMB3.95 billion, accounting for 72.75% and 17.0% of total net non-interest income from retail banking, respectively, indicating a more optimal business income structure.

*Retail Customer Management*

The Bank deepened stratified management of retail customers by segmenting the retail banking market, provided differentiated financial services to different customers, and acquired customers through multiple channels. As at the end of the reporting period, the Bank recorded 67.47 million accounts of retail customers, a growth of 16.37% over the end of the previous year; 504,700 accounts of mid and high-end retail customers[2], a growth of 20.51% over the end of the previous year; and 21,600 accounts of private banking customers[3], an increase of 31.35% over the end of the previous year, which included 3,400 accounts of ultra-high-net-worth customers[4], an increase of 28% over the previous year.

With the launch of the "Elites Card" for young white-collars, professional managers and small business owners, etc, the "Fragrant Card" for female customers and the "Happy Elderly Card" for the middle-aged and seniors (collectively "the three cards"), the Bank effectively expanded its target customer groups. As at the end of the reporting period, the Bank recorded 13.9045 million holders of "the three cards", a growth of 29.91% over the end of the previous year. Xinjin Bao, launched with the application of Internet concepts, harvested early market influence. As at the end of the reporting period, Xinjin Bao recorded 2.8076 million contractual customers, of which 71.09% were new customers, and RMB41.257 billion AUM.

1 Including retail customers' deposits with the Bank, as well as wealth management, fund, insurance, trust and other financial products they bought from the Bank.
2 Refer to customers with at least RMB500,000 daily average AUM at the Bank.
3 Refer to customers with at least RMB6 million daily average AUM at the Bank.
4 Refer to customers with at least RMB20 million daily average AUM at the Bank

The Bank established and strengthened the corporate-retail interaction mechanism to achieve mutual transfer of high-quality corporate and retail customer resources. Because of such interaction, the Bank developed 6,501 accounts of new high-end retail customers and issued 552,000 additional credit cards during the reporting period. In addition, the Bank made keen efforts to develop agency payment of salaries. As at the end of the reporting period, the Bank had 5.705 million accounts of customers that received agency salary pay and RMB213.067 billion retail AUM for these customers, a growth of 16.73% over the end of the previous year.

*Wealth Management and Private Banking*

During the reporting period, the Bank followed the trend of financial asset portfolio diversification and resident consumption upgrade to attract more customers and provided them with full-range services, namely "investment + finance", "home + abroad" and "personal + family", and provided ultra-high-net-worth customers with comprehensive wealth preservation and inheritance services such as "family trust" and "MOM"[1]. Together with 8 financial subsidiaries of CITIC Group including CITIC Securities and CITIC Trust, the Bank integrated expert, product and service resources in CITIC Group's full-license financial areas to jointly release "CITIC Wealth Index", "CITIC Product Select" and "CITIC Family Trust". These became important channels for the Bank to acquire high-end customers. "CITIC Wealth Index" was an important reference indicator for market allocation of general categories of assets; "CITIC Product Select" guided customers to effectively allocate assets with the use of product portfolios; and "CITIC Family Trust" enjoyed extensive market influence.

As at the end of the reporting period, retail customers had an AUM balance of RMB1,306.801 billion at the Bank and middle and high-end customers RMB913.740 billion, an increase of 21.06% and 24.73% over the end of the previous year, respectively. Private banking customers recorded an AUM balance[2] of RMB321.215 billion at the Bank, an increase of 31.55% over the end of the previous year.

*Personal Loan Business*

The Bank took the market opportunity from rapid development of personal loans in China. It rendered more support to the personal loan business, and at the same time promoted the construction of the personal credit factory. The development of the "standard, electronic, concentrated, automatic and factory-like" operation system went faster, providing a rigid implementation path and reliable operation platform for product release and risk control, and enabling faster growth of the personal loan business. As at the end of the reporting period, the Bank recorded RMB697.888 billion balance of personal loans (excluding credit card loans), up 47.13% over the end of the previous year; and personal loans (excluding credit card loans) were on average priced at 10.30% higher than the baseline interest rate.

1 Refers to Manager of Managers, an investment model where the fund managers of MOM select fund managers that for a long time consistently implement their own investment philosophies, maintain steady investment styles and achieve higher than normal returns, after following and researching the investment processes of the latter fund managers, and have such fund managers take charge of investment management by means of investing in sub-accounts that are entrusted to the latter fund managers.

2 To meet the requirements on customer management, the Bank adjusted the statistical definition of the AUM balance of a private banking customer. According to the adjusted definition, the average daily AUM balance of a private banking customer must meet the criteria of a private banking customer in the month succeeding the end of the reporting period.

The Bank made proactive efforts to innovate personal loan products. Focus was placed on developing products such as loans backed by mortgage of properties, loans backed by pledge of financial assets and unsecured personal loans. The Bank strengthened internal management and optimized business processes to escalate customer experience and enhance core competitiveness from the perspectives of product innovation and service quality. As at the end of the reporting period, the balance of the important product "Home for Loan integrated credit lending"[1] backed by the mortgage of properties amounted to RMB287.603 billion, up 87.27% over the end of the previous year; incremental "Home for Loans" took up 60.32% of total incremental personal loans; on average "Home for Loans" were priced at 11.24% higher than the baseline interest rate; and the "Home for Loan" NPL ratio stood at 0.37%, lower than the average NPL ratio of personal loans. As at the end of the reporting period, the Bank registered RMB420.630 billion balance of home mortgage loans, representing a growth of 63.03% over last year. On average home mortgage loans were priced at 9.03% lower than the baseline interest rate.

The Bank made keen efforts to innovate personal loan products in the internet environment. By accessing, integrating and mining multi-dimensional information such as agency salary payment, housing provident funds and social security data, and based on comprehensive analysis and assessment of customer fraud risk and credit risk, the Bank created "credit portraits" of its customers, and used such portraits in its grant of online unsecured personal consumer loans. As of the end of the reporting period, the Bank successfully accessed 60 external credit reference data channels and developed 16 rating models. The balance of online unsecured consumer loans stood at RMB14.709 billion, up 70.53% over the end of the previous year; the average pricing of such loans was 40% higher than the baseline interest rate; the NPL rate of online unsecured consumer loans was 0.54%, down 0.46 percentage points from the end of the previous year. During the reporting period, there were 6,500 loan applications on a daily average basis; the daily average number of loan customers stood at 1,500 accounts, and the daily average loan disbursement recorded RMB120 million.

*Personal Deposit Business*

In the face of the general trend of personal deposits gradually transferring to wealth management products, the Bank kept optimizing its existing liability products, expanded channels for acquisition of settlement deposits, and released innovative liability products such as Zeng Li Bao and Cun Guan Ying. These brought about the growth in personal deposits. As at the end of the reporting period, the Bank recorded RMB465.493 billion balance of personal deposits, on par with the end of the previous year.

During the reporting period, the retail liability business structure of the Bank enjoyed continuing improvement. The cost of personal deposits went down markedly. As at the end of the reporting period, personal demand deposits accounted for 45.02% of general personal deposits, a growth of 10.61 percentage points over the end of the previous year, and the average cost rate of personal deposits stood at 1.69%, a drop of 0.61 percentage point from last year.

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1 Abbreviated as "Home for Loan", including some of the home mortgage loans and consumer finance backed by mortgage of properties.

*Credit Card Business*

In line with the "smart development" concept, the Bank proactively promoted cross-sector integration, strove to build a diversified product and service system, and boosted its brand influence in credit card business.

The Bank keenly promoted technological innovation in the field of Internet finance, and built the "5 + N" online product system with five core partners, namely, Tencent, Baidu, Ali, JD.com and dianping.com. With the launch of the three new products of CITIC-Baidu Co-brand Card, CITIC-CFer Co-brand Card and CITIC-dianping.com Co-brand Card, the Bank innovatively expanded credit card application scenarios. It also deepened the market segmentation of business travel services and promoted the internationalization of business travel products. CITIC-Uber Card was the first global co-brand credit card issued by the international mobile travel platform Uber in partnership with a bank. It realized seamless connection for car use payment worldwide by integrating the platform resources of the two sides. The Bank's "CITIC Card" effectively integrated the product advantages of debit and credit cards, achieving credit card and debit card dual account, automatic payment transfer and other functions, and promoting cross infiltration of customer products. The Bank also focused on pioneering into the mobile payment market. It was the first in the industry to launch and integrate Apple Pay, Samsung Pay, Huawei Pay and UnionPay HCE Quick Pass and other mobile payment products. In addition, the Bank created the "CITIC e pay" overall mobile payment brand, and thus remained a business leader on China's domestic credit card mobile payment market.

As at the end of the reporting period, the Bank issued a cumulative number of 37.3804 million credit cards, an increase of 23.06% over last year. The incremental number of credit card issued during the reporting period was 7.0051 million or an increase of 21.20% over last year; The Bank recorded RMB237.310 billion balance of credit card loans, a growth of 35.26% over the end of the previous year. For the reporting period, the Bank realized credit card transaction volume of RMB1,074.152 billion, up 32.93% from last year, and RMB25.504 billion income from credit card business, a growth of 36.42% over last year. Credit card consumer finance maintained rapid growth. Installment business registered RMB143.9 billion transaction amount and RMB12.330 billion business income, up 39.75% and 46.79% from last year, respectively.

*Going Abroad Financial Services*

The Bank started to offer going-abroad financial services in 1998, the first to do so in the Chinese banking industry. After years' development, its going-abroad financial services have formed a complete financial service system. It covers seven major product categories (visa, cross-border settlement, foreign exchange, foreign currency wealth management, financing, credit certification and global asset allocation, etc), and provides one-stop services for five major customer groups (international students, business travellers, tourists, immigrants and foreigners). Such services have won the Bank a sound reputation in China. For the reporting period, the Bank became the only domestic financial institution officially authorized by the US Department of Homeland Security EVUS, and successfully launched the EVUS Chinese translation system. Targeting the tourist customer group, the Bank released the "Global Visa" business, further expanding going-abroad financial services to 70 countries and regions and gaining greater competitive edges as an industry leader.

For the reporting period, the Bank's going-abroad financial services recorded 1.40 million person-times customer service and brought about 125,000 accounts of new retail customers and RMB37.6 billion incremental retail AUM.

*Consumer Rights Protection and Service Quality Management*

The Bank set up the Consumer Rights Protection Committee under the Board of Directors, and the Consumer Rights Protection Office as a tier-one managerial function, continously improving the system of consumer rights protection. It also formulated the 2015-2017 Strategic Plan on Consumer Rights Protection, escalating consumer rights protection to a strategic height. In its ongoing efforts to develop a long-term mechanism for continuous improvement of service quality and protection of consumer rights, the Bank carried out access review of new products and services, and incorporated service quality and customer complaint & trouble-shooting into its performance evaluation system. In addition, the Bank introduced multiple measures such as promotion of service quality and process management, upgrading the Smart Counter and provision of brand new internet finance portal services. All these improved overall service level of physical outlets and online channels, protected lawful rights and interests of consumers, enhanced consumer satisfaction, and enabled more standard management of channels.

In the reporting period, 47 sub-branches of the Bank made to the list of "1,000 Role Model Units of the Chinese Banking Industry for Excellence in Service Provision" in the competition hosted by China Banking Association. The Bank was a leading joint-stock bank in terms of the number of outlets entering the list.

***(III) Financial markets business***

In financial markets business, the Bank formulated the "all-asset investment, full-license operation and all-channel services" development strategy. Its purpose was to construct an investment system for all assets denominated in both Renminbi and foreign currencies at the currency market, capital market and international financial market, develop a full-license operation system that focused on financing, investment, trading, agency business and consultancy, and build an all-channel service system that covered domestic, overseas and internet platforms. At the same time, the Bank quickened transaction and circulation of financial assets, optimized asset structure and promoted the transformation of its business model towards the "capital-light, asset-light and cost-light" direction.

In the face of the grim and complicated economic situation, commercial banks were under the pressure of downward asset yield in traditional businesses. In response, the Bank made early arrangements to optimize the structure of financial assets, proactively reduced low-yield bill assets, increased the proportions of higher-yield assets such as inter-bank non-principal-protected wealth management, asset securitization and debentures, and accelerated turnover of financial assets via channels such as asset securitization.

During the reporting period, due to the impact of market environment, the Bank's financial markets business recorded an operating income of RMB15.734 billion, a drop of 12.45% from last year, accounting for 10.70% of the Bank's total. Of this income figure, net non-interest income from financial markets business recorded RMB6.334 billion, a growth of 1.83% over last year, accounting for 13.09% of the Bank's total.

*Interbank Business*

During the reporting period, the Bank continued to build the "greater interbank" marketing system that covered banking, securities, trust, fund and other financial institutions, improved its capability in providing services to interbank customers and expanded its cooperation with non-banking customers while increasing the coverage of mainstream financial institutions. Relying on CITIC Group's comprehensive financial service capability, the Bank successfully launched the "Interbank +" platform online. It is a one-stop inter-bank financial service platform that integrates traditional finance and the internet. The platform mainly serves small and medium-sized financial institutions such as urban commercial banks, rural commercial banks, rural credit cooperatives, and at the same time covers other financial institutions including joint-stock banks, securities, funds, trusts, insurance, futures, financial leasing and finance companies. As of the end of the reporting period, the Bank had 1,832 accounts of interbank customers, up 9.5% over the end of the previous year; and recorded RMB206.921 billion daily average balance of interbank wealth management, up 35.32% from last year.

The Bank continued to optimize the bill management model. By setting up the Bill Center at the Head Office and five sub-centers for bill business in northern, eastern, southern, central and southwestern China, the Bank realized concentrated management of bill business, and improved intensive operation and risk control of bill business. In consideration of the high frequency of operational risk incidents in bill business of the banking industry, the Bank carried out comprehensive risk screening of all bill assets to ensure consistency between statements and actual situations for each and every transaction. At the same time, the Bank promoted the development of the electronic bill market with vim and vigor. Among others, it built more optimal business processes and increased the share of electronic bill business. As at the end of the reporting period, the balance of bill assets of the Bank stood at RMB319.113 billion, a decrease of 44.73% from the end of the previous year; electronic bills took up 83% of the total, growing 31 percentage points over the end of the previous year, higher than the industry average in China; and direct bill discount and financing for the reporting period stood at RMB687 billion, a decline of 2.19% from the previous year.

As at the end of the reporting period, the Bank's balance of interbank assets (including deposits and placements with banks and non-bank financial institutions) reached RMB349.831 billion, increased 114.51% from the end of the previous year; while its balance of interbank liabilities (including deposits and placements with banks and non-bank financial institutions) registered RMB1,031.368 billion, a decrease of 6.41% over the end of the previous year.

*Financial markets business*

The Bank actively conducted money market transactions such as Renminbi interbank lending/borrowings and bond repos, effectively performed its duties and responsibilities as a primary dealer at the open market, and fully leveraged on the role of money market tools such as interbank certificates of deposit. While meeting business needs for liquidity, the Bank improved the operational efficiency of short-term capital. As at the end of the reporting period, the total money market transaction volume of the Bank recorded RMB16.45 trillion, a year-on-year growth of 24.27%.

In the face of changes in the external environment such as greater fluctuations of the foreign exchange market and the resulting higher customer needs for exchange rate risk management during the reporting period, the Bank offered relevant targeted multi-layer solutions for management of exchange rate risk to meet corporate customer needs for financing and value appreciation, cross-border M&A, hedging forex receipt and payment and management of Renminbi and foreign currency denominated assets and liabilities. Its innovative exchange rate product portfolios included forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped enterprises with value preservation and appreciation of their forex assets.

During the reporting period, the Bank achieved RMB13.78 trillion forex market making transactions, a growth of 5.82% year on year. Among the nearly 600 member banks at the interbank forex market, the Bank ranked among the top three[1] in terms of spot market making, further consolidating its status as a mainstream market maker. The Bank obtained the qualification of market maker for direct trading of the Chinese currency Renminbi against the South African rand, the Canadian dollar, the Danish krone, the Norwegian krone, the Swedish krona and other minor currencies in the domestic inter-bank foreign exchange market, further consolidating its status as a market maker for direct trading of Renminbi against foreign currencies in the inter-bank foreign exchange market.

The Bank made additional efforts to consolidate its status as a core market maker at the interbank bond market. With flexible use of multiple trading strategies, the Bank endeavored to tap relative value and increase yield of transactions. In addition, the Bank further optimized the credit extension process for debenture investment and arranged asset allocation in a more scientific manner, which effectively guaranteed asset safety, liquidity and yield. While striving for higher yield on asset, the Bank also used debt securities investment to actively support customer service and business development bank-wide. During the reporting period, the Bank proactively cut the incremental holding on debt securities in industries of excess capacity, and lowered the existing holding on these industries. The Bank's debt securities assets as a whole enjoyed high quality, with the issuers of debentures being primarily large enterprises and institutions that featured high credit ratings and sound business operation. In the reporting period, the debt securities and debt assets held by the Bank were free of any repayment failure or default.

1 Data from China Foreign Exchange Trade System (CFETS).

The Bank keenly promoted development of precious metal leasing and proprietary trading business. During the reporting period, the Bank became one of the first official interbank gold price inquiry market makers. With the launch of new businesses such as "Ji Cun Jin", precious metal trading on "CITIC Investment" account, and agency trading for legal persons at the gold exchange, the Bank further improved its precious metal business system. As at the end the reporting period, the outbound gold leasing of the Bank stood at 91.15 tons (equivalent to RMB23.332 billion), a growth of 74.43% over the end of the previous year; and the Bank's gold import recorded 28 tons, an increase of 460% over last year.

*Asset Management*

During the reporting period, the Bank officially started the operation of its Asset Management Business Center. The center is structured as a business department with a corporate operation model, and relatively independent in business risk review and approval, personnel and remuneration management, and financial resources allocation. As at the end of the reporting period, the scale of all wealth management products of the Bank[1] was in the amount of RMB1,135.186 billion, an increase of 18.95% over the end of the previous year, of which bank wealth management products registered RMB1,031.293 billion, a growth of 20.80% over the end of the previous year. In respect of wealth management product composition, with 42.58% of the products to mature in at least three months, 99.98% of the products with lower-than-medium risk, and non-risk-bearing products and open-ended products taking up 79.45% and 43.21% of the total respectively, the Bank enjoyed a prudent and healthy style of overall asset management. For the reporting period, the Bank realized RMB7.032 billion business income from bank wealth management, a growth of 21.07% over last year; and all of the 2,699 matured products were repaid on time. Product risk was strictly controlled.

Relying on the CITIC Group comprehensive financial platform, the Bank continued to build the CITIC asset management brand. In particular, the Bank expanded customer resources in alignment with the market situation; promoted products and services to banks, funds and securities brokerages via the interbank training and workshop mechanism; and promoted cooperation with 120 partner institutions and 300 institutional customers in asset and treasury areas. The Bank was among the earliest in banking industry to construct a team for research of asset management and investment. It also developed an asset management and investment rating system with unique CITIC characteristics, and a planning framework and a research system for allocation of general categories of assets. The development of investment research platforms yielded preliminary results.

1 Including bank wealth management products issued by the Bank as well as securities, insurance, fund, trust and other financial products agency issued by the Bank.

In line with the "fixed income +" development concept, the Bank actively explored the innovation of asset management business model and increased investment in innovative investment products such as equity assets, industrial M&A funds and capital market projects. The Bank increased the proportion of open-ended net-worth wealth management products, promoted the development of multi-risk and multi-yield matching products, and created a rich complete wealth management product line to meet diversified needs of customers. It also keenly promoted the innovation of wealth management products. Among others, it successfully launched structured wealth management products that were linked to gold, Shanghai and Shenzhen 300 Index and WTI crude oil, and innovative products including special investment accounts, portfolio funds and funds for targeted additional offerings. It also made successful issuance of the global asset allocation net-worth wealth management products for cross-border investment.

### *(IV) Integrated Financial Service Platform of CITIC Group*

The Bank made full use of the unique CITIC Group advantages in placing financial and non-financial businesses on an equal footing, and keenly enhanced synergy and cooperation with subsidiaries of CITIC Group. On the one hand, leveraging on CITIC Group advantages in full-license financial services, the Bank deepened its mutual sharing and cooperation with financial subsidiaries of CITIC Group in terms of products, channels and customer resources, and thereby expanded its business to other areas such as securities, insurance, fund, trust, futures and leasing, and met diversified financial needs of customers. On the other hand, the Bank integrated resources of CITIC Group's non-financial subsidiaries that were leaders in their respective sectors, and actively expanded the upper and lower industrial chains of non-financial subsidiaries, and thus extended the chain of customer resources.

The Bank actively strengthened the construction, organization and promotion of the CITIC Group business synergy system and made increasing improvement to the coordination work mechanism. As the main platform for CITIC Group business synergy, the Bank assumed chairmanship of CITIC Group's 35 regional joint-meetings in China, established six business synergy working groups, and gradually set up the "Head Office to Head Office, branch to branch, institution to institution, and personnel to personnel" mechanism for synergized communication. These promoted smooth day-to-day communication and business cooperation between CITIC Group subsidiaries. With the synergy culture going further, collaborative innovation became an important driving force for the Bank's business innovation. Many examples of collaborative innovation emerged. For example, the Bank and CITIC Securities jointly participated in the establishment of China's first military and civilian integration fund, holding a combined share of RMB6 billion in the fund. Also in cooperation with CITIC Securities, the Bank successfully made the first issue of RMB2.773 billion credit card installment asset-backed securities in the inter-bank market. In addition, the Bank and China Securities jointly made the public offering of the first real estate company perpetual bond and carried out the first transaction in underwriting lease asset securitization.

Relying on the CITIC Group full-license financial platform, the Bank was much better positioned to provide corporate customers with comprehensive financing services. During the reporting period, in partnership with CITIC Group's financial subsidiaries, the Bank provided 456 enterprises with RMB586.309 billion financing arrangements, up 57.95% from last year, offering various financial products and services such as bond underwriting, M&A lending, equity investment, financial leasing and funds. The CITIC PPP Consortium consisting of the Bank, China International Economic Consultants, CITIC Securities, CITIC Environment and CITIC Construction were connected with more than 100 key provincial and municipal PPP projects. The joint CITIC fleet led by the Bank entered into multiple strategic cooperation agreements with more than 20 local governments, planning to provide over RMB300 billion financing. Moreover, the Bank's volume of asset custody for financial companies of CITIC Group reached RMB713.839 billion, 2.18 times of the previous-year figure, and custody fee income stood at RMB218 million, up 22.33% from last year.

In partnership with CITIC Group's financial subsidiaries, the Bank provided full-range retail financial services to retail customers. In the reporting period, the Bank jointly built the "CITIC Wealth Management" brand with 8 financial subsidiaries of CITIC Group including CITIC Securities and CITIC Trust. The convening of "CITIC Wealth Forum" and release of the "CITIC Wealth Index" and the "CITIC Product Select" supported high-end individual customers in effective asset allocation and gained high attention and sound response from the market. In addition, the Bank boosted resource sharing with the financial subsidiaries of CITIC Group in terms of outlets, channels and customers. During the reporting period, the Bank sold as agency RMB283.534 billion products for CITIC Group's financial subsidiaries. "Yun Shu Guan", a free-of-charge book borrowing service jointly created by the Bank and CITIC Press, increased its numbers of airport bookstores and branch outlets to 83 and 224 respectively. As at the end of the reporting period, the Bank recorded 1.674 million customers using Xinjin Bao, an innovative product launched in cooperation with CITIC-Prudential Fund Management and China AMC, and RMB22.445 billion holding value.

### *(V) Internet Finance*

The Bank paid great attention to innovative application of emerging technologies such as Big Data and mobile internet in customer management, payment and settlement and other areas. It expedited integration of channels and digital operation using "Internet Finance" as a breakthrough point, expanded internet payment and settlement, and further reinforced online risk control. These efforts achieved good progress.

In terms of Internet cross-sector cooperation, the Bank obtained CBRC approval for the establishment of Baixin Bank, an initiative jointly sponsored by the Bank and Baidu. Baixin Bank will pilot direct banking as an independent legal person. Meanwhile, the Bank initiated and set up the "Online Finance Alliance of Commercial Banks" in partnership with 11 other joint-stock commercial banks. Under the premise of implementing account regulation requirements, the alliance will benefit customers with greater account security via system interconnection, mutual recognition of accounts and mutual financing between member banks, and offer customers more convenient, inclusive and innovative financial services.

With regard to platform construction, the Bank made aggressive arrangements for mobile internet, vigorously developed the mobile business platform with mobile banking at the core, and pushed for full-range upgrading of customer management and service models. Agile development mechanisms were introduced to mobile banking, constantly enriching the application scenarios and optimizing customer experience. During the reporting period, the Bank launched more than 30 services and 26 iterative versions for mobile banking, including investment select, payment of USA visa fees, and online asset business. In the 2016 Sina mobile banking competitions, the Bank's mobile banking was among the most highly ranked in the banking sector, gaining a substantial jump-up of 10 notches compared with that of last year. The Bank released version 3.0 of its WeChat bank to transform it from an account assistant to the platform for customer acquisition and management. In addition, the Bank released a new financial portal to provide customers with online access to 34 different products and services for different equipment, different information and different scenarios. It has become a new product to draw away customers from traditional outlets and acquire new customers, and also a service channel.

In terms of online payment and settlement, the three key products of the Bank ("Payment All In One", "CITIC Bank e-Pay" and "Cross Border E-Commence Payment") exhibited the momentum of rapid development. Partner suppliers of the Bank grew from 1,000 to 295,500 accounts. During the reporting period, the Bank recorded 1.157 billion transactions and RMB1,075.579 billion transaction value in online payment and settlement, up 328.62% and 105.23% from last year, respectively. Online payment and settlement recorded RMB502 million business income (excluding credit cards), a growth of 117.35% over last year; and a retained deposit balance of RMB49.929 billion, growing by 255.42% over the end of the previous year.

### *(VI) Information Technology*

During the reporting period, the Bank drafted and published its 13th Five-Year Information Science and Technology Plan, setting out the following goals and their implementation routes: to improve IT governance, to speed up the transformation towards open flexible service structures, to accelerate the application of new technologies such as Big Data, machine learning, block chain and cloud computing, and to encourage Fin Tech innovation. Among others, it launched, as planned, 40 key strategic projects in risk control, data application, construction of business platforms and other relevant areas, and successively released products such as Interbank +, asset securitization, e-channel real-time risk control, and quota/limit management. These effectively supported business innovation and risk control. In accordance with the objectives of structure transformation, the Bank finished the construction of the CITIC "cloud platform", the new generation Enterprise Service Bus, Big Data platform phase II and other infrastructure projects, and expanded the application for human face recognition and distributed data base. Moreover, the Bank set up a financial product IT innovation laboratory and dedicated it to research and experiment of financial innovation with state-of-the-art information technology,

## *(VII) Distribution Channels*

*Physical outlets*

During the reporting period, the Bank followed the philosophy of developing "light-style, smart, differentiated" physical outlets. Allocation of outlet resources favored Beijing, Shanghai, Guangzhou and Shenzhen, while community (small and micro) sub-branches were developed in a prudential manner. As at the end of the reporting period, the Bank had 1,424 outlets in 138 large and medium-sized cities in China, including 38 tier-one branches (directly managed by the Head Office), 105 tier-two branches, and 1,281 sub-branches (including 81 community/small and micro sub-branches), covering all provinces, autonomous regions and municipalities directly under the central government in China except for Hong Kong, Macau and Chinese Taiwan. The Bank obtained CBRC approval of its application to upgrade its London Representative Office to London Branch. Its Sydney Representative Office officially started business operation. In addition, the Bank concluded the memorandum of understanding with Kazakhstan's Halyk Bank on acquiring majority shareholding in the latter's subsidiary. Construction of the Bank's overseas platforms was in smooth progress.

In its promotion of light-style outlets, the Bank cut floor area of newly built outlets, relocated outlets and outlets that renewed premise rentals even further, and thus effectively controlled the cost of outlet development. The exploration into different forms of outlets such as unmanned smart outlets, going-abroad finance outlets, outlets for precious metal business, "Xing Fu Nian Hua" (Happy Elderly) outlets and coffee outlets helped to improve the productivity of outlets.

Following the trend of developing smart outlets, the Bank focused on the use of "new technologies, new products, and new experiences", researched and released smart teller machines, diversified ATM functions for utility service fee payment. As a result, the Bank recorded a higher ratio of human substitution rate and lowered human costs at outlets. As at the end of the reporting period, the Bank had 3,164 self-service banks, and 9,925 self-service terminals.

*Online Outlets*

During the reporting period, the Bank rolled out a new online financial service platform, iterated and innovated application scenarios for mobile banking and personal online banking, and constantly optimized user experience. Its online financial service capability enhanced rapidly.

As at the end of the reporting period, the Bank recorded 19.5848 million mobile banking customers and 5.3342 million active mobile banking users, an increase of 53.87% and 129.76% over the end of the previous year, respectively; the volume and value of mobile banking transactions stood at 93.8204 million and RMB2,721.352 billion, up 146.29% and 138.56% over the end of the previous year, respectively.

Personal online banking of the Bank continued to develop steadily. As at the end of the reporting period, personal online banking recorded 23.0819 million users, an increase of 28.10% over the end of the previous year; 652 million transactions, an increase of 84.78% over the end of the previous year; and RMB11.47 trillion transaction value, on par with the end of the previous year.

The hotline of the Bank's Credit Card Customer Service Center received 84.9695 million incoming calls, including 39.1336 million automated phone answering service calls and 45.8339 million manual service calls, achieving a 20-second manual response rate of 85.00%, a customer satisfaction rate of 98.17%, and a customer satisfaction rate of 97.76% regarding the handling of customer complaints. By actively making outgoing calls to customers, the Customer Service Center proactively provided customer care, telephone notice and other services, communicating with customers by 196,000 person-times in total.

The hotline of the Bank's Debit Card Customer Service Center received 54.7545 million incoming calls, including 49.4795 million automated phone answering service calls and 5.2750 million manual service calls, achieving a 20-second manual response rate of 88.61%, a customer satisfaction rate of 98.42%, and a customer satisfaction rate of 97.30% regarding the handling of customer complaints. By actively making outgoing calls to customers, the Customer Service Center proactively provided customer care, telephone notice and other services, communicating with customers by 304,100 person-times in total.

***(VIII) Subsidiary Business***

*CIFH*

CITIC International Financial Holdings Limited (CIFH) was incorporated in Hong Kong in December 1924 in the name of "The Ka Wah Savings Bank, Limited". It was acquired by CITIC Group in June 1986, and restructured to become an investment holdings company after its acquisition of the then Hong Kong Chinese Bank Limited in 2002. The Bank acquired 70.32% equity interest of CIFH in October 2009, and the remaining 29.68% in August 2015. By then, CIFH became the Bank's wholly-owned subsidiary. The business scope of CIFH includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via CNCBI, its wholly-owned subsidiary, and conducts its non-banking financial business primarily via CIAM in which CIFH holds 40% equity interest.

As at the end of the reporting period, CIFH had total assets of HKD302.1 billion, an increase of 7.2% over the end of the previous year. For the reporting period, CIFH realized a net profit of HKD2.51 billion, a growth of 12.4% over last year.

- CNCBI: CNCBI is a licensed bank incorporated in Hong Kong. It has 34 branches in Hong Kong and 1 branch in each of Macau, New York, Los Angeles and Singapore. Its wholly owned subsidiary CNCBI (China) Co. Ltd. has branches in Beijing, Shanghai and Shenzhen. For the reporting period, CNCBI achieved operating income of HKD6.41 billion, an increase of 10.0% over last year, and net profit of HKD2.55 billion, a growth of 17.5% from last year.

In corporate banking business, CNCBI actively responded to key strategies of the Chinese government, such as "the Belt and Road initiative", "Going Global" of domestic enterprises and development of free trade zones, and regarded "large customers, large industries and large projects" as its major customer positioning. It was committed to serving strategic corporate customers from mainland China that had needs for overseas businesses and investment. CNCBI achieved rapid growth in both corporate and cross-border businesses. As at the end of the reporting period, CNCBI registered a loan balance of HKD140.57 billion in its corporate and cross-border businesses, up 9.1% over the end of the previous year end. For the reporting period, CNCBI realized HKD3.08 billion net interest income and HKD890 million non-interest income from its corporate and cross-border businesses, representing an increase of 12.7% and 19.8% year-on-year, respectively.

In retail banking business, CNCBI captured the market opportunity to maintain its growth drivers. Its operating income, loans and deposits of personal and business banking all hit a historical high. The Bank practiced the cross-border collaboration appraisal mechanism for account witnessing service and cross-border interaction services provided by CNCBI, which further promoted retail business interaction between the two banks. As a result, CNCBI achieved new breakthroughs in synergizing both retail assets under management and private banking business with the Bank. Moreover, CNCBI adhered to the strategy of developing mobile banking. It became the first bank in Hong Kong to offer the service of bundling deposit accounts with WeChat Pay Hong Kong Wallet, enabling customers to enjoy mobile payment services of WeChat Pay free of charge anywhere anytime. As at the end of the reporting period, balance of deposits from personal and business customers of CNCBI recorded HKD113.91 billion, up 11.0% over the end of the previous year; customer loans stood at HKD42.7 billion, an increase of 4.8% over the end of the previous year. Loans to customers maintained stable asset quality. During the reporting period, CNCBI realized HKD2.38 billion operating income from personal and business banking, representing an increase of 19.6% over last year.

In financial markets business, due to impacts of the fluctuations of Reminbi interest rate and exchange rate, CNCBI's operating income from finance/asset and global market businesses declined, but CNCBI achieved faster growth in debt securities investment and other relevant businesses thanks to its grasp of the overall trend and the periodical trading opportunity of the US dollar. Its customer risk management program launched against the backdrop of Renminbi devaluation was well received by the market. In June 2016 CNCBI officially entered the debt capital market and made breakthroughs despite the fiercely competitive market environment, completing the issue of 13 debt instruments in the reporting period.

- CIAM: CIAM is a PE investment company engaged in "PE+" private equity investment, fund management and consulting services. During the reporting period, CIAM raised the "shareholder extension" slogan whereby it made use of the flexibility of corporate business and tapped business synergy between the Bank, CITIC Group, ITOCHU and other higher-level shareholders, including participation in ITOCHU's JPY30 billion financing for Bosideng Group. Also in the reporting period, CIAM successfully introduced CEFC China Energy Company Limited as its investor holding 15% of its equity interest, further expanding its shareholder scope and cooperation resources.

*CNCB Investment*

CNCB Investment, formerly China Investment and Finance Limited, is an overseas subsidiary of the Bank established in Hong Kong in 1984 with a registered capital of HKD1.889 billion. The Bank holds 99.05% equity interest in CNCB Investment and CNCBI holds the rest 0.95%. The business scope of CNCB Investment covers lending (it holds a Hong Kong money lender license), investment (mainly including debt securities investment, fund investment, stock investment and long-term equity investment, etc.), and the conduct of overseas licensed investment banking business and domestic equity investment fund management business via its own subsidiaries.

CNCB Investment aspires to become an overseas boutique investment bank. It leverages on its unique advantages that lie in the combination of proprietary debt financing and equity investment. Backed by the Bank and supported by the branches, CNCB Investment focuses on promoting licensed investment banking business in Hong Kong, such as securities underwriting, securities consulting, consulting for corporate financing and asset management, and mainly conducts private equity investment fund management business in mainland China. It has achieved steady growth in both asset scale and operating results. During the reporting period, CNCBI completed the acquisition of Hong Kong Securities and Futures Commission's investment banking full license and realized the successful landing of its overseas bond underwriting and overseas fund management businesses. At the same time, it vigorously innovated cross-border investment and financing business, opened up cross-border investment and financing channels through the QFLP qualification, and participated in the exchange of investment model of a number of large-scale cross-border mergers and acquisitions projects.

In the reporting period, CNCB Investment recorded net profit attributable to the equity holders of the Bank equivalent to RMB213 million, up by 97.57% from the previous year. As at the end of the reporting period, it had total assets equivalent to RMB16.914 billion, up 219.80% from the end of the previous year, and consolidated AUM equivalent to RMB104.895 billion, up 270.65% from the end of the previous year.

*CITIC Financial Leasing*

Preparation for establishing CITIC Financial Leasing started in February 2015 upon CBRC approval. Wholly owned by the Bank, it was incorporated in the Binhai New Area of Tianjin with a registered capital of RMB4 billion and officially started business operation on 8 April 2015.

CITIC Financial Leasing is a critical component in the strategic layout of both CITIC Group and the Bank to serve the real economy. It focuses on lease business in the three major areas of clean energy, environmental protection and energy conservation, and high-end equipment manufacturing. These three areas accounts for more than 50% of the company's total business. In particular, CITIC Financial Leasing has developed a unique product line in green leasing that focuses on the clean energy and environmental protection and energy conservation sectors.

In the reporting period, CITIC Financial Leasing formulated its three-year strategic development plan, setting the goal of becoming a professional market-oriented internationalized company that focuses on profit, quality, scale and innovation. CITIC Financial Leasing has concluded strategic cooperation agreements with multiple industry leaders such as BG New Energy, Zhengtai Group and Zhengxin Optoelectronics, and joined the Photovoltaic Green Ecological Cooperation Organization (PGO), thus establishing CITIC Leasing as a unique brand in the field of clean energy. CITIC Financial Leasing launched "Leasing+", the first lease asset transaction and tri-parte cooperation system in the industry. With "Leasing+", CITIC Financial Leasing transferred in and generated RMB4.26 billion lease assets for the report period.

CITIC Financial Leasing recorded total assets of RMB38.745 billion as at the end of the reporting period, including RMB38.727 billion lease assets. Its cumulative lease grant for the reporting period was RMB27.602 billion and net profit of RMB372 million.

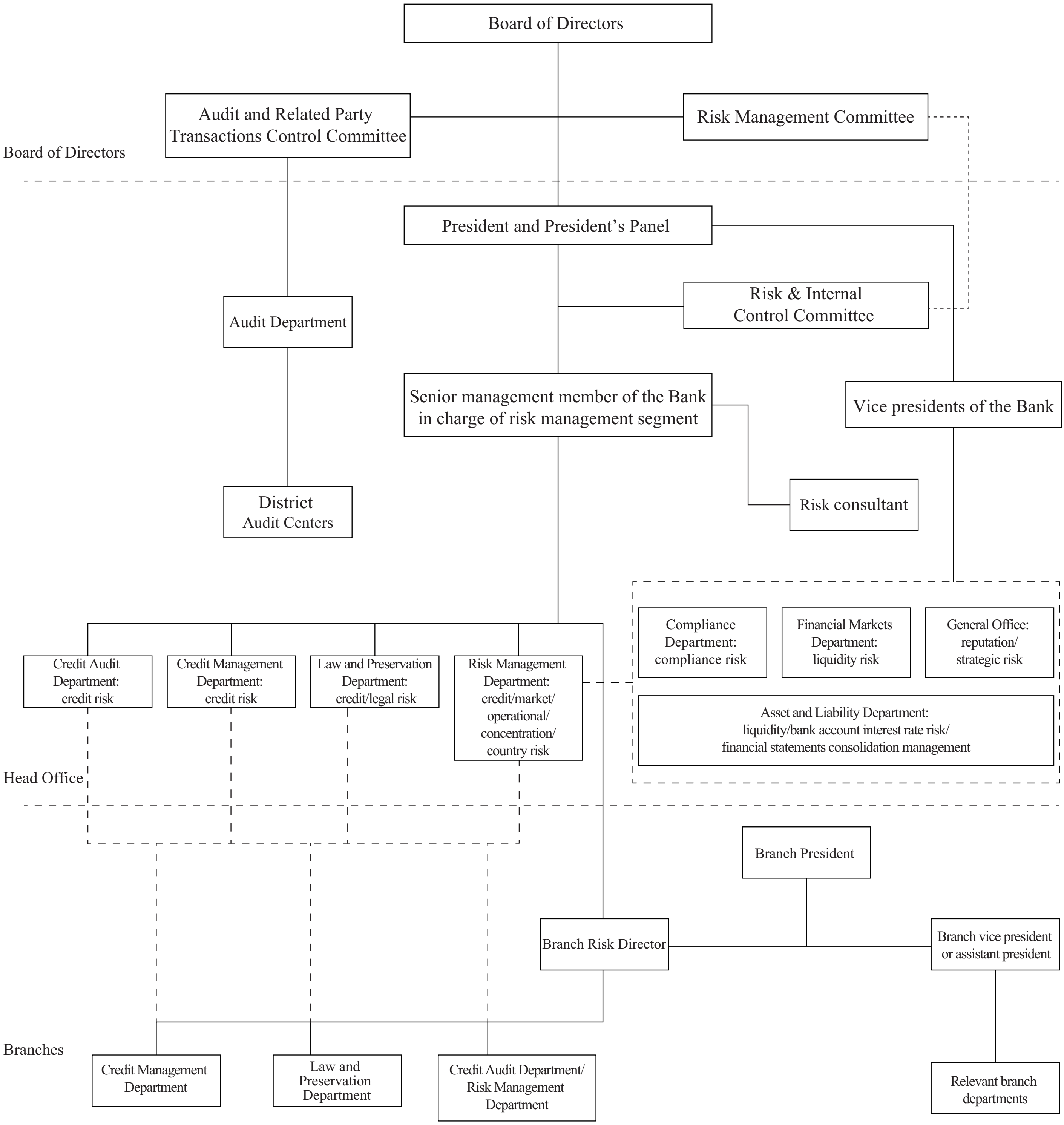
*Lin'an CITIC Rural Bank*

Lin'an CITIC Rural Bank, located in Lin'an City, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

As at the end of the reporting period, Lin'an CITIC Rural Bank recorded RMB1.045 billion total assets, RMB251 million net assets and RMB723 million customer deposits. Its capital adequacy ratio stood at 33.19%, NPL ratio 1.48%, allowance coverage ratio 278.79%, and the ratio of allowance for impairment of loans to total loans 4.13%. It realized RMB22 million net profit for the reporting period.

# IV. Risk Management

## *(I) Risk Management Structure*



### *(II) Risk Management System and Techniques*

In the reporting period, the Bank started to implement its three-year plan on the construction of a bank-wide risk culture. It arranged a series of activities including training and publicity, warning education, discussion and reflection, risk screening and institutional development to build a risk culture system with unique CNCB characteristics that covers "all employees, all aspects and all processes", and carried out optimal reform of the risk management structure. In addition, the Bank continued to improve the system on comprehensive assessment of risk management at branches, refined the risk management system at its Asset Management Business Center, and reinforced management of consolidated subsidiaries. A risk management framework of the Group took its preliminary shape.

In line with its strategic requirements and the plan for implementation of the new capital management approach, the Bank consolidated the achievements in executing the New Capital Accord. In the reporting period, the Bank promoted the construction of Pillar I of the New Capital Accord by improving management of credit risk, market risk and operational risk, and promoting the application of measurement tools in actual business. Meanwhile, it enhanced corporate governance and total risk management to construct Pillar II of the New Capital Accord by improving the internal capital adequacy assessment procedure and deepening substantive risk management under Pillar II. In the reporting period, the Bank prepared and published its 2015 Report on Capital Adequacy Ratios, escalating transparency of capital management even further.

### *(III) Credit Risk Management*

Credit risk refers to the risk of a bank incurring losses in its business due to the failure of its borrower or transaction counter-party to fulfill the obligations specified in relevant agreements or contracts. The Bank's credit risk exists primarily in its various credit extension businesses, including but not limited to on-and off-balance sheet items such as loans, guarantees, acceptance and loan commitments, bank account bond investment and derivatives transaction, as well as other business items containing credit risk such as structured finance and wealth management for financing purpose.

*Credit Risk Management in Corporate Business*

In its proactive response to changes in the external environment during the reporting period, the Bank persisted in its prudent risk preference and stuck to compliant business operation to achieve its objectives of "preventing and controlling risks, leveraging on opportunities, and speeding up transformation". Under the "One Body Two Wings" business positioning with corporate banking as the main body and retail banking and financial market as the two wings, the Bank made faster optimal adjustments to its loan structure to improve its capacity for sustainable development.

With regard to industries, the Bank worked for maximization of risk-adjusted return on capital (RAROC) and economic profit or economic value added (EVA). Specifically, the Bank practiced stratified management, set up industry portfolio management targets and implemented differentiated policies for different layers in accordance with government macroeconomic policies and industrial policies, regulatory requirements, risk preference and the basic profiles and non-performing situations of the industries. The purpose of these efforts was to guide optimal adjustment of industry structures and prevent systemic risk and concentration risk of the concerned industries.

With regard to geographic regions, the Bank adhered to the regional positioning that focuses on Beijing-Tianjin-Hebei Integration, the Belt and Road Initiative, the Yangtze River Economic Belt and Beijing-Shanghai-Guangzhou-Shenzhen. In alignment with the government's regional development strategy, the Bank practiced differentiated credit extension policy in key regions, setting out the key industries, customers and products that it would support in these regions.

With regard to customers, the Bank deepened stratified management of customers, and managed strategic customers by name list. By formulating comprehensive financing programs and improving efficiency of "green-passage" approval, the Bank increased product coverage and comprehensive yield. For small and medium corporate customers, the Bank practiced "chain-style" development whereby "professional management" and "wholesale development" were carried out in connection with large customers and their industrial chains.

*Credit Risk Management of Key Industries*

With regard to the property industry, the Bank focused its credit extension in tier-one cities, favoring central livable cities that enjoyed economic development and a healthy property market. It managed real estate enterprises by name list, i.e., only granted loans to enterprises on the name list. In principle, the Bank only supported the top 50 real estate companies in terms of sales revenues, and the top 5 local property developers in terms of sales revenue/floor area sold for the recent two years in the concerned cities. In addition, the Bank prioritized its support to ordinary residential projects that enjoyed good locations and mature amenities, and at the same time considered a small number of projects that would attract buyer groups in need of better housing. Strict control was placed on credit extension to the development of new commercial properties such as hotels, office buildings and business complexes. As at the end of the reporting period, the Group recorded RMB293.429 billion balance of real estate loans, a growth of 15.12% over last year; and RMB147 million non-performing real estate loans, corresponding to an NPL ratio of 0.05%, a year-on-year decline of 0.05 percentage point.

With regard to industries with overcapacity, the Bank implemented the government call on cutting overcapacity. It rendered strong support to the iron & steel, coal & coking and other relevant industries in their efforts to cut overcapacity and develop business. To loan recipients with different actual profiles, the Bank applied different measures including "support, maintain, reduce and exit". It rendered priority support to premium enterprises that enjoyed advanced technology, high efficiency, good potentials and available market, and made proactive exit from enterprises that were unsatisfactory in business operation, weak in market competitiveness, backward in production capacity, and non-compliant with environmental regulations. During the reporting period, the Bank exited from 48 accounts of overcapacity industry customers.

With regard to other industries, the Bank reduced loans to the high-NPL-ratio manufacturing and wholesale and retail industries. As at the end of the reporting period, the Bank recorded RMB372.152 billion and RMB223.118 billion balance of loans to the manufacturing and wholesale and retail industries, a drop of 7.72% and 9.09% from last year, respectively.

*Risk Management of Personal Loans*

To ensure operational compliance and risk controllability of its personal loan business, the Bank strictly implemented the government policy on macro regulation and control. After sorting out the logic of risk control, the Bank conducted its business focusing on core risk control approaches, premium customer groups and core properties. In addition, the Bank intensified quantitative risk management of personal loans by promoting the development and application of personal credit scorecard, upgrading automated review and approval, and completing the transformation from manual to automated approval. At the same time, the Bank reinforced its monitoring and control of non-performing personal loans by multiple means, such as constructing the platform for management of problem assets, strengthening business re-examination, managing credit reference in better ways, and writing off or transferring non-performing assets. Because of these endeavors, the Bank maintained a steady quality of its personal loan assets. As at the end of the reporting period, the Bank recorded RMB7.058 billion balance of non-performing personal loans (excluding credit card loans), corresponding to an NPL ratio of 1.01%, a year-on-year decline of 0.19 percentage point.

*Risk Management of Credit Card Business*

The Bank managed risk of credit card business according to the principle of "structural adjustment, risk control and higher profit", deepened the application of "all-round total-process" risk measurement and monitoring, and reinforced risk early warning and control. Before lending, the Bank used the internet, big data and integrated internal and external data to enrich the "portraits" of customers, optimized credit resource allocation via full upgrading of loan assessment, enhanced the tools for management of customer groups, steadily expanded manageable customer groups based on its set risk tolerance, and kept optimizing the structure of customer groups. After lending, the Bank improved its early warning mechanism, enriched post-lending early warning methods, exited from and reduced customers with high potential risks in advance, and increased credit support to high-worth customers. All these aimed at expanding the interest-earning asset business and optimizing its loan structure. For recovery of non-performing loans, the Bank made simultaneous use of multiple approaches, promoted innovation of recovery models with the use of customer Big Data, and at the same time explored innovative NPL disposal approaches such as securitization of non-performing assets.

As at the end of the reporting period, the Bank recorded RMB3.514 billion non-performing credit card loans, corresponding to an NPL ratio of 1.48%. The Bank did not incur any significant economic cases; neither was there any significant operational, compliance, reputation or strategic risk incidents.

*Credit Risk Management of Financial Markets Business*

The Bank prudently conducted its negotiable securities investment business, focusing on premium enterprises in relevant sectors as key targets of Renminbi denominated bond investment, and bonds issued overseas by premium Chinese issuers as key targets of foreign currency denominated bond investment.

### *(IV) Loan Monitoring and Post-Lending Management*

Grim and complicated economic and financial environments exposed the banking industry to continuing pressure on quality of credit assets. In response, the Bank strictly controlled credit asset quality, promoted the development of systems and platforms for loan management, and promoted implementation of the program on reforming its risk management system. During the reporting period, the Bank increased its efforts in the following priority aspects.

The Bank further developed its post-lending system for more effective implementation of regulations and promoted the construction of the risk early warning system. In line with the overall mindset of "no change in main actors, inclusion of the front office", the Bank optimized the post-lending management process for a better post-lending management system. It organized researches on the construction of a consistent, standardized and relevant post-lending management mechanism for comprehensive financing credit extension. The Bank monitored the implementation of relevant post-lending regulations for better execution effect. At the same time, the Bank built a post-lending management system for retail business, which featured clear division of duties, smooth processes and efficient operation. In addition, the Bank increased efforts to build an operational risk management system. In particular, the loan disbursement review system was restructured; final-review mandates of tier-two branches were fully taken back by the Head Office; and review of interbank investment credit added to the process. New rules and processes on loan disbursement came out. The Bank improved its collateral management system and optimized the monitoring functions of the system through effective control of the collateral-backed credit extension process in relation with the pledged and better collateral information portfolios. The specific district management model was adopted to promote six key tasks, namely, "reduction of problem assets + new post-lending process + online operation of the new generation credit extension system + extensive loan inspection + collateral management + development of a loan use review mechanism".

The Bank effectively strengthened risk monitoring of key areas and proactively prevented and dissolved systemic credit risk. Specific actions included the following: strictly adhered to the policy on limit management of real estate loans and local government financing vehicle (LGFV) loans, strictly controlled the total amounts of on-and-off-balance sheet loans in all definitions, reduced risk concentration and optimized loan asset structure; increased efforts to make proactive exit, mainly exiting from LGFV customers that were low in administrative level, heavy in government debt, weak in financing capability, poor in asset quality, and insufficient in cash flows, and increasing the reduction of and exit from existing loans to customers that were not on the access name list of the property industry; reinforced post-lending management and stringently implemented the requirements of closed management. The Bank prioritized efforts to tighten risk monitoring and screening of relevant sectors (iron & steel, coal & coking and shipbuilding, etc.), relevant customer groups (the guarantee community and group customers, etc.), and relevant key businesses (factoring, trade finance and banker's acceptance bills); increased efforts to exit from and restructure risky loans, monitored the execution of instructive indicators for quota management of various portfolios on a monthly basis, increased the frequency of risk monitoring, and reinforced quota monitoring.

The Bank intensified efforts to dissolve and dispose default loans. The Bank managed its default loan customers by controlling name list, prepared tailor-made dissolution solutions for each and every account, and made comprehensive use of a series of measures including collection, restructuring, transfer and write-off to reduce non-performing loans and special mention loans. Consequently, the Bank attained its yearly target on asset quality control.

The Bank effectively promoted the development of information technology. In order to achieve coverage of "the entire institution, all customers, all products and all processes", the Bank endeavored to construct a new generation credit business system that was oriented toward the Bank's future development. During the reporting period, the system pushed forward detailed design and code development, making periodic achievements; online operation of the credit grant imaging system enabled online review of credit application and loan disbursement bank-wide (covering all out-of-town branches and sub-branches) plus imaging of credit extension files; and Phase I of the credit management APP project was initiated, for the purpose of using the credit grant management system at the mobile customer terminal and ensuring the quality and effect of post-lending on-site examination.

*Distribution of Loans*

1 Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group registered a total loan balance of RMB2,877.927 billion, an increase of RMB349.147 billion or 13.81% over the end of the previous year. The Group's balances of loans to the Bohai Rim, the Yangtze River Delta, and the Pearl River Delta and West Strait ranked the top three, recording RMB771.415 billion, RMB634.919 billion and RMB477.683 billion, and accounting for 26.79%, 22.06% and 16.60% of the Group total, respectively. In terms of growth rate, the Pearl River Delta and West Strait, the Yangtze River Delta and the Bohai Rim recorded the highest numbers, reaching 20.37%, 14.69% and 13.30%, respectively.

**The Group**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | Balance | Proportion *(%)* |
| Yangtze River Delta | **634,919** | **22.06** | 553,616 | 21.89 |
| Bohai Rim(1) | **771,415** | **26.79** | 680,886 | 26.93 |
| Pearl River Delta and West Strait | **477,683** | **16.60** | 396,853 | 15.69 |
| Central | **374,358** | **13.01** | 348,882 | 13.80 |
| Western | **379,192** | **13.18** | 340,226 | 13.45 |
| Northeastern | **70,967** | **2.47** | 68,949 | 2.73 |
| Overseas | **169,393** | **5.89** | 139,368 | 5.51 |
| **Total Loans** | **2,877,927** | **100.00** | 2,528,780 | 100.00 |

*Note:* (1) Including the Head Office.

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** | Balance | Proportion |
| | | ***(%)*** | | *(%)* |
| Yangtze River Delta | **632,071** | **23.70** | 550,812 | 23.29 |
| Bohai Rim[1] | **734,300** | **27.54** | 660,803 | 27.95 |
| Pearl River Delta and West Strait | **475,680** | **17.84** | 394,884 | 16.70 |
| Central | **374,358** | **14.04** | 348,882 | 14.75 |
| Western | **379,192** | **14.22** | 340,226 | 14.39 |
| Northeastern | **70,967** | **2.66** | 68,949 | 2.92 |
| **Total Loans** | **2,666,568** | **100.00** | 2,364,556 | 100.00 |

*Note:* (1) Including the Head Office.

2 Concentration of Loans by Product

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) recorded RMB1,846.274 billion, a growth of RMB78.852 billion or 4.46% over the end of the previous year; and the personal loan balance of the Group reached RMB956.606 billion, up RMB287.993 billion or 43.07% over the end of the previous year. Personal loans grew faster than corporate loans, with their balance proportion further going up to 33.24%. Balance of discounted bills decreased slightly by RMB17.698 billion compared with that at the end of the previous year.

**The Group**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** | Balance | Proportion |
| | | ***(%)*** | | *(%)* |
| Corporate loans | **1,846,274** | **64.15** | 1,767,422 | 69.89 |
| Personal loans | **956,606** | **33.24** | 668,613 | 26.44 |
| Discounted bills | **75,047** | **2.61** | 92,745 | 3.67 |
| **Total loans** | **2,877,927** | **100.00** | 2,528,780 | 100.00 |

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | Balance | Proportion *(%)* |
| Corporate loans | **1,659,817** | **62.25** | 1,627,573 | 68.83 |
| Personal loans | **935,198** | **35.07** | 649,764 | 27.48 |
| Discounted bills | **71,553** | **2.68** | 87,219 | 3.69 |
| **Total loans** | **2,666,568** | **100.00** | 2,364,556 | 100.00 |

3 Concentration of Loans by Sector

As at the end of the reporting period, manufacturing and real estate were the top two sector borrowers of the Group's corporate loans. Their loan balances recorded RMB385.822 billion and RMB293.429 billion, respectively, collectively taking up 36.79% of the Group's total corporate loans, down 1.07% from the end of the previous year. In terms of growth rate, loans to the three sectors, namely, leasing and commercial services, water, environment and public utilities management, and real estate grew faster, up 21.87%, 16.51% and 15.12% over the end of the previous year respectively, all being higher than the Group's average corporate loan growth rate.

**The Group**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | Balance | Proportion *(%)* |
| Manufacturing | **385,822** | **20.90** | 414,273 | 23.44 |
| Transportation, storage and postal service | **161,976** | **8.77** | 147,535 | 8.35 |
| Production and supply of electric power, gas and water | **60,046** | **3.25** | 54,704 | 3.10 |
| Wholesale and retail | **238,545** | **12.92** | 260,675 | 14.75 |
| Real estate | **293,429** | **15.89** | 254,892 | 14.42 |
| Water, environment and public utilities management | **148,476** | **8.04** | 127,435 | 7.21 |
| Leasing and commercial services | **180,124** | **9.76** | 147,798 | 8.36 |
| Rental and business services | **90,666** | **4.91** | 102,532 | 5.80 |
| Public management and social organizations | **19,846** | **1.07** | 20,835 | 1.18 |
| Others | **267,344** | **14.49** | 236,743 | 13.39 |
| **Total corporate loans** | **1,846,274** | **100.00** | 1,767,422 | 100.00 |

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | Balance | Proportion *(%)* |
| Manufacturing | **372,152** | **22.42** | 403,285 | 24.78 |
| Transportation, storage and postal service | **157,666** | **9.50** | 144,453 | 8.87 |
| Production and supply of electric power, gas and water | **44,743** | **2.70** | 49,086 | 3.01 |
| Wholesale and retail | **223,118** | **13.44** | 245,419 | 15.08 |
| Real estate | **251,564** | **15.16** | 224,873 | 13.82 |
| Water, environment and public utilities management | **137,365** | **8.28** | 120,704 | 7.42 |
| Leasing and commercial services | **177,807** | **10.71** | 146,115 | 8.98 |
| Rental and business services | **88,556** | **5.34** | 101,188 | 6.22 |
| Public management and social organizations | **19,412** | **1.17** | 20,835 | 1.28 |
| Others | **187,434** | **11.28** | 171,615 | 10.54 |
| **Total corporate loans** | **1,659,817** | **100.00** | 1,627,573 | 100.00 |

4 Breakdown of Loans by Type of Guarantee

As at the end of the reporting period, the Group's loan guarantee structure was further optimized. The balance of loans secured by collateral and pledge loans stood at RMB1,748.221 billion, up RMB298.103 billion over the end of the previous year, and took up a proportion of 60.74%, 3.40 percentage points higher than the end of the previous year. The balance of unsecured and guaranteed loans recorded RMB1,054.659 billion, a growth of RMB68.742 billion over the end of the previous year, accounting for 36.65% of the Bank's total, a drop of 2.34 percentage points from the end of the previous year.

**The Group**

*Unit: RMB million*

| Type of Guarantee | **31 December 2016** Balance | Proportion (%) | 31 December 2015 Balance | Proportion (%) |
|---|---|---|---|---|
| Unsecured loans | **548,123** | **19.05** | 492,822 | 19.49 |
| Guaranteed loans | **506,536** | **17.60** | 493,095 | 19.50 |
| Loans secured by collateral | **1,417,736** | **49.26** | 1,169,587 | 46.25 |
| Pledge loans | **330,485** | **11.48** | 280,531 | 11.09 |
| **Subtotal** | **2,802,880** | **97.39** | 2,436,035 | 96.33 |
| Discounted bills | **75,047** | **2.61** | 92,745 | 3.67 |
| **Total loans** | **2,877,927** | **100.00** | 2,528,780 | 100.00 |

**The Bank**

*Unit: RMB million*

| Type of Guarantee | **31 December 2016** Balance | Proportion (%) | 31 December 2015 Balance | Proportion (%) |
|---|---|---|---|---|
| Unsecured loans | **515,020** | **19.31** | 467,932 | 19.79 |
| Guaranteed loans | **432,700** | **16.23** | 435,395 | 18.41 |
| Loans secured by collateral | **1,337,396** | **50.16** | 1,113,612 | 47.10 |
| Pledge loans | **309,899** | **11.62** | 260,398 | 11.01 |
| **Subtotal** | **2,595,015** | **97.32** | 2,277,337 | 96.31 |
| Discounted bills | **71,553** | **2.68** | 87,219 | 3.69 |
| **Total loans** | **2,666,568** | **100.00** | 2,364,556 | 100.00 |

5 Concentration of Borrowers of Corporate Loans

The Group focused its attention on concentration risk control over its corporate loan borrowers. During the reporting period, the Group complied with the applicable regulatory requirements on concentration of borrowers. Since a single borrower is defined by the Group as a specified legal entity, one borrower can be the related party of another borrower.

**The Group**

| Major regulatory indicator | Regulatory Standard | 31 December 2016 | 31 December 2015 | 31 December 2014 |
|---|---|---|---|---|
| Percentage of loans to the largest single customer *(%)* | **≤10** | **2.71** | 2.48 | 2.75 |
| Percentage of loans to the top 10 customers *(%)* | **≤50** | **16.40** | 14.60 | 12.14 |

*Notes:* (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

**The Group**

*Unit: RMB million*

| | | 31 December 2016 | | |
|---|---|---|---|---|
| | **Sector** | **Amount** | **Percentage in total loans** *(%)* | **Percentage in net capital** *(%)* |
| Borrower A | Real estate | 12,868 | 0.44 | 2.71 |
| Borrower B | Public management, social security and social organizations | 10,245 | 0.35 | 2.16 |
| Borrower C | Manufacturing | 9,034 | 0.31 | 1.90 |
| Borrower D | Rental and business services | 7,640 | 0.27 | 1.61 |
| Borrower E | Rental and business services | 6,977 | 0.24 | 1.47 |
| Borrower F | Transportation, storage and postal service | 6,794 | 0.24 | 1.43 |
| Borrower G | Hotel and catering | 6,310 | 0.22 | 1.33 |
| Borrower H | Rental and business services | 6,254 | 0.22 | 1.32 |
| Borrower I | Manufacturing | 6,078 | 0.21 | 1.28 |
| Borrower J | Rental and business services | 5,645 | 0.20 | 1.19 |
| **Total loans** | | **77,845** | **2.70** | **16.40** |

As at the end of the reporting period, total balance of corporate loans from the Group to the top 10 customers amounted to RMB77.845 billion, accounting for 2.70% of its total loans and 16.40% of its net capital.

*Loan Quality Analysis*

1 Five-Class Loan Classification

The Group measures and manages the quality of its credit assets pursuant to the Guidelines on the Classification of Loan Risks formulated by the CBRC. These guidelines require Chinese commercial banks to classify their credit assets into five classes, namely pass, special mention, substandard, doubtful and loss, of which the last three classes are regarded as non-performing loans (NPLs).

During the reporting period, the Bank continued to reinforce the centralized management of loan classification and kept enhancing the system for management of credit asset risks by class. While adhering to the core criteria of "safety of loan recovery", the Bank treated different classes of loans with different risk management measures after taking into full consideration various factors that may impact the quality of credit assets.

The Bank held firmly to its procedure for classification of loan risks which includes the following steps: business departments to conduct post-lending inspections; afterwards, credit departments of branches to provide preliminary opinions, to be followed by preliminary risk identification by credit management departments of the branches; thereafter chief risk officers at the branches to review the preliminary identification results; and the Head Office to finalize the identification. With regard to loans with material changes in risk profiles, the Bank adjusts their classification in a dynamic manner.

**The Group**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | Balance | Proportion *(%)* |
| Pass | **2,753,128** | **95.66** | 2,402,338 | 95.00 |
| Special mention | **76,219** | **2.65** | 90,392 | 3.57 |
| Substandard | **20,267** | **0.70** | 20,876 | 0.83 |
| Doubtful | **18,021** | **0.63** | 11,238 | 0.44 |
| Loss | **10,292** | **0.36** | 3,936 | 0.16 |
| **Total Loans** | **2,877,927** | **100.00** | 2,528,780 | 100.00 |
| **Performing loans** | **2,829,347** | **98.31** | 2,492,730 | 98.57 |
| **Non-performing loans** | **48,580** | **1.69** | 36,050 | 1.43 |

*Note:* Performing loans include pass loans and special mention loans. Non-performing loans include substandard loans, doubtful loans and loss loans.

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | Balance | Proportion *(%)* |
| Pass | **2,545,184** | **95.45** | 2,241,820 | 94.81 |
| Special mention | **74,399** | **2.79** | 87,962 | 3.72 |
| Substandard | **19,979** | **0.75** | 20,023 | 0.85 |
| Doubtful | **16,735** | **0.63** | 10,833 | 0.46 |
| Loss | **10,271** | **0.38** | 3,918 | 0.16 |
| **Total Loans** | **2,666,568** | **100.00** | 2,364,556 | 100.00 |
| **Performing loans** | **2,619,583** | **98.24** | 2,329,782 | 98.53 |
| **Non-performing loans** | **46,985** | **1.76** | 34,774 | 1.47 |

*Note:* Performing loans include pass loans and special mention loans. Non-performing loans include substandard loans, doubtful loans and loss loans.

As at the end of the reporting period, the Group's balance of pass loans increased by RMB350.790 billion over the end of the previous year, and accounted for 95.66% of total loan balance, representing a growth of 0.66 percentage point over the end of the previous year. The balance of special mention loans declined by RMB14.173 billion, accounting for 2.65% of total loan balance, a drop of 0.92 percentage point from the end of the previous year. The balance of special mention loans declined mainly because the Group reinforced its efforts to mitigate risks and achieved effective results in implementing comprehensive measures to collect, restructure and transfer the concerned loans during the reporting period.

As at the end of the reporting period, the balance of the Group's non-performing loans (NPLs), recognized in accordance with the regulatory risk classification criteria, stood at RMB48.580 billion, representing an increase of RMB12.53 billion over the end of the previous year; and its NPL ratio recorded 1.69%, up by 0.26 percentage point over the end of the previous year. The NPL growth rate went on par with that of the same period of the previous year.

During the reporting period, the Group had "dual rise in both NPL balance and NPL ratio". Balance of NPLs kept rising mainly because (1) continuing slowdown of economic growth exposed enterprises in general to considerable business pressure, led to the spread of risks to multiple sectors and areas, and consequently worsened credit risks; and (2) the economic restructuring accelerated the exposure of overcapacity industries to credit risks and resulted in more NPLs.

At the beginning of 2016, the Group had already made sufficient projection and adequate preparation regarding the changing trend of loan quality. Thanks to its pertinent measures for risk prevention and mitigation, the Group was able to put the changes in NPLs under control.

During the reporting period, the Group worked hard to improve loan quality. Among others, it reinforced disposal of non-performing loans, disposing RMB67.941 billion NPL principal by means of collection and write-off, with disposal rate faster than that of the previous years.

2 Migration of Loans

| | **31 December 2016** | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| Migration ratio of pass loans *(%)* | **2.09** | 2.67 | 3.21 |
| Migration ratio of special mention loans *(%)* | **28.94** | 31.77 | 30.16 |
| Migration ratio of substandard loans *(%)* | **55.37** | 59.66 | 58.23 |
| Migration ratio of doubtful loans *(%)* | **43.67** | 41.39 | 38.19 |
| Ratio of migration from performing to non-performing loans *(%)* | **1.58** | 1.48 | 1.03 |

As at the end of the reporting period, the Bank's migration ratio from performing to non-performing loans was 1.58%, rising by 0.10 percentage point from the previous year. The main underlying reason was higher probability of default on the part of the borrowers due to the overlapping impacts of multiple factors in a time of economic downturn, resulting in more loans migrating from performing to non-performing class. Moreover, there was also an increase in the migration ratios of doubtful loans compared with those of the same period of the previous year, mainly because the Group intensified its write-off efforts.

3 Loans Overdue

**The Group**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion (%)** | Balance | Proportion (%) |
| Loans repayable on demand | **2,784,174** | **96.74** | 2,453,880 | 97.04 |
| Loans overdue: | | | | |
| 1-90 days | **36,042** | **1.25** | 36,998 | 1.46 |
| 91-180 days | **10,806** | **0.38** | 9,794 | 0.39 |
| 181 days or above | **46,905** | **1.63** | 28,108 | 1.11 |
| Subtotal | **93,753** | **3.26** | 74,900 | 2.96 |
| **Total loans** | **2,877,927** | **100.00** | 2,528,780 | 100.00 |
| Loans overdue for 91 days and above | **57,711** | **2.01** | 37,902 | 1.50 |
| Restructured loans | **17,234** | **0.60** | 11,405 | 0.45 |

*Notes:* (1) Loans overdue refer to loans with principals or interests overdue for one day or above.

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Balance** | **Proportion (%)** | Balance | Proportion (%) |
| Loans repayable on demand | **2,577,425** | **96.66** | 2,293,468 | 96.99 |
| Loans overdue: | | | | |
| 1-90 days | **32,661** | **1.22** | 33,853 | 1.44 |
| 91-180 days | **10,628** | **0.40** | 9,542 | 0.40 |
| 181 days or above | **45,854** | **1.72** | 27,693 | 1.17 |
| Subtotal | **89,143** | **3.34** | 71,088 | 3.01 |
| **Total loans** | **2,666,568** | **100.00** | 2,364,556 | 100.00 |
| Loans overdue for 91 days and above | **56,482** | **2.12** | 37,235 | 1.57 |
| Restructured loans | **17,231** | **0.65** | 11,395 | 0.48 |

*Notes:* (1) Loans overdue refer to loans with principals or interests overdue for one day or above.

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

In the reporting period, the Group's overdue loans increased considerably due to the impacts of the economic downturn. As at the end of the reporting period, the Group's balance of loans overdue recorded RMB93.753 billion, a growth of RMB18.853 billion over the end of the previous year, and the proportion of loans overdue in total loans rose by 0.30 percentage point over the end of the previous year. Of these loans overdue, 38.44% were short-term temporary loans with a maturity of less than 3 months. Loans were overdue for longer periods mainly because borrowers suffered tight fund chains or even break of fund chains as a result of longer cycles of payback, reduction of bank loans, and greater difficulty in financing.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group restructured RMB17.234 billion loans, a growth of RMB5.829 billion in amount and a drop of 0.15 percentage point in proportion from the end of the previous year.

4 Breakdown of NPLs by Product

**The Group**

*Unit: RMB million*

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | **NPL ratio** *(%)* | Balance | Proportion *(%)* | NPL ratio *(%)* |
| Corporate loans | **37,926** | **78.07** | **2.05** | 28,008 | 77.69 | 1.59 |
| Personal loans | **10,621** | **21.86** | **1.11** | 8,022 | 22.25 | 1.20 |
| Discounted bills | **33** | **0.07** | **0.04** | 20 | 0.06 | 0.02 |
| **Total** | **48,580** | **100.00** | **1.69** | 36,050 | 100.00 | 1.43 |

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | **NPL ratio** *(%)* | Balance | Proportion *(%)* | NPL ratio *(%)* |
| Corporate loans | **36,380** | **77.43** | **2.19** | 26,751 | 76.93 | 1.64 |
| Personal loans | **10,572** | **22.50** | **1.13** | 8,003 | 23.01 | 1.23 |
| Discounted bills | **33** | **0.07** | **0.05** | 20 | 0.06 | 0.02 |
| **Total** | **46,985** | **100.00** | **1.76** | 34,774 | 100.00 | 1.47 |

As at the end of the reporting period, the Group's balance and ratio of corporate NPLs increased by RMB9.918 billion and 0.46 percentage point over the end of the previous year, respectively; the balance of personal NPLs grew by RMB2.599 billion and the corresponding NPL ratio dropped by 0.09 percentage point from the end of the previous year. The rise in NPLs was mainly due to the significant increase in the credit risk of privately owned SMEs engaged in manufacturing, trade enterprises and sole proprietary business owners in these industries.

5 Breakdown of NPLs by Geographic Location

## The Group

*Unit: RMB million*

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | **NPL ratio** *(%)* | Balance | Proportion *(%)* | NPL ratio *(%)* |
| Yangtze River Delta | **8,002** | **16.47** | **1.26** | 8,838 | 24.52 | 1.60 |
| Bohai Rim[(1)] | **13,321** | **27.42** | **1.73** | 8,869 | 24.60 | 1.30 |
| Pearl River Delta and West Strait | **6,564** | **13.51** | **1.37** | 7,685 | 21.32 | 1.94 |
| Central | **10,312** | **21.23** | **2.75** | 5,212 | 14.46 | 1.49 |
| Western | **7,121** | **14.66** | **1.88** | 2,668 | 7.40 | 0.78 |
| Northeastern | **1,953** | **4.02** | **2.75** | 1,753 | 4.86 | 2.54 |
| Overseas | **1,307** | **2.69** | **0.77** | 1,025 | 2.84 | 0.74 |
| **Total** | **48,580** | **100.00** | **1.69** | 36,050 | 100.00 | 1.43 |

*Note:* (1) Including the Head Office.

## The Bank

*Unit: RMB million*

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | **NPL ratio** *(%)* | Balance | Proportion *(%)* | NPL ratio *(%)* |
| Yangtze River Delta | **7,990** | **17.01** | **1.26** | 8,789 | 25.27 | 1.60 |
| Bohai Rim[(1)] | **13,315** | **28.34** | **1.81** | 8,869 | 25.50 | 1.34 |
| Pearl River Delta and West Strait | **6,294** | **13.40** | **1.32** | 7,483 | 21.52 | 1.89 |
| Central | **10,312** | **21.95** | **2.75** | 5,212 | 14.99 | 1.49 |
| Western | **7,121** | **15.16** | **1.88** | 2,668 | 7.68 | 0.78 |
| Northeastern | **1,953** | **4.14** | **2.75** | 1,753 | 5.04 | 2.54 |
| **Total** | **46,985** | **100.00** | **1.76** | 34,774 | 100.00 | 1.47 |

*Note:* (1) Including the Head Office.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in the Yangtze River Delta, the Bohai Rim and the Central. Their NPL balances summed up to RMB31.635 billion, accounting for a combined 65.12% of the Group total. In terms of incremental NPLs, the Central registered the largest number of RMB5.10 billion, leading to a 1.26 percentage point rise in its NPL ratio. The following one was the Western, which recorded RMB4.453 billion incremental NPLs and a 1.10 percentage point rise in its NPL ratio. Incremental NPLs of the two regions took up 76.24% of the total. NPLs increased in the two regions mainly because: (1) the coastal and economically developed regions, heavily dependent on the real economy and small and medium-sized enterprises and relatively poor in risk resilience were exposed to mounting credit risk in a time of economic downturn; (2) the Bohai Rim, besieged with the concentration of overcapacity industries, was caught in accelerated credit risk exposure in the process of industrial restructuring; and (3) the risk spread from the coastal areas to the Central and Western.

6 Breakdown of Corporate NPLs by Sector

**The Group**

*Unit: RMB million*

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | **NPL ratio** *(%)* | Balance | Proportion *(%)* | NPL ratio *(%)* |
| Manufacturing | **14,506** | **38.25** | **3.76** | 10,329 | 36.88 | 2.49 |
| Transportation, storage and postal service | **809** | **2.13** | **0.50** | 275 | 0.98 | 0.19 |
| Production and supply of electric power, gas and water | **621** | **1.64** | **1.03** | 119 | 0.42 | 0.22 |
| Wholesale and retail | **12,425** | **32.76** | **5.21** | 12,136 | 43.33 | 4.66 |
| Real estate | **147** | **0.39** | **0.05** | 249 | 0.89 | 0.10 |
| Leasing and commercial services | **226** | **0.60** | **0.13** | 54 | 0.19 | 0.04 |
| Water, environment and public utilities management | **195** | **0.51** | **0.13** | 192 | 0.69 | 0.15 |
| Construction | **1,610** | **4.25** | **1.78** | 1,944 | 6.94 | 1.90 |
| Public management and social organizations | **0** | **0.00** | **0.00** | 0 | 0.00 | 0.00 |
| Others | **7,387** | **19.47** | **2.76** | 2,710 | 9.68 | 1.15 |
| **Total** | **37,926** | **100.00** | **2.05** | 28,008 | 100.00 | 1.59 |

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Balance** | **Proportion** *(%)* | **NPL ratio** *(%)* | Balance | Proportion *(%)* | NPL ratio *(%)* |
| Manufacturing | **14,323** | **39.37** | **3.85** | 10,169 | 38.01 | 2.52 |
| Transportation, storage and postal service | **809** | **2.22** | **0.51** | 273 | 1.02 | 0.19 |
| Production and supply of electric power, gas and water | **621** | **1.71** | **1.39** | 119 | 0.45 | 0.24 |
| Wholesale and retail | **12,322** | **33.87** | **5.52** | 11,901 | 44.49 | 4.85 |
| Real estate | **29** | **0.08** | **0.01** | 223 | 0.83 | 0.10 |
| Leasing and commercial services | **226** | **0.62** | **0.13** | 54 | 0.20 | 0.04 |
| Water, environment and public utilities management | **195** | **0.54** | **0.14** | 192 | 0.72 | 0.16 |
| Construction | **1,610** | **4.43** | **1.82** | 1,944 | 7.27 | 1.92 |
| Public management and social organizations | **0** | **0.00** | **0.00** | 0 | 0.00 | 0.00 |
| Others | **6,245** | **17.16** | **3.33** | 1,876 | 7.01 | 1.09 |
| **Total** | **36,380** | **100** | **2.19** | 26,751 | 100.00 | 1.64 |

As at the end of the reporting period, the Group's non-performing corporate loans were mainly concentrated in manufacturing and wholesale & retail. Their NPL balances collectively accounted for 71.01% of the Group total, and increased by RMB4.177 billion and RMB289 million over the end of the previous year, respectively, corresponding to a 1.27 percentage point and 0.55 percentage point rise in their respective NPL ratios from the end of the previous year. NPLs of the two sectors went up mainly because both were pro-cyclical, and in a time of economic downturn, with a poor real economy and weak risk resilience at the relevant upper and lower-stream circulation points, enterprises in these sectors were universally trapped in production and operation difficulties, hence the worsening credit risk, growing NPLs and rising NPL ratios in these sectors.

As at the end of the reporting period, the Group's NPL balances in the four sectors, namely, transportation, storage and postal service, production and supply of power, gas and water, leasing and commercial services, and water, environment and public utilities management increased by RMB534 million, RMB502 million, RMB172 million and RMB3 million over the end of the previous year, and their corresponding NPL ratios went up by 0.31 percentage point, 0.81 percentage point and 0.09 percentage point and went down by 0.02 percentage point, respectively.

*Analysis of Allowances for Loan Impairment*

The Group set aside adequate allowance for loan impairment in a timely manner according to the principles of prudence and truthfulness. Allowances for loan impairment consisted of two parts, namely, allowances based on evaluation of single items and allowances based on evaluation of portfolios.

**The Group**

*Unit: RMB million*

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Beginning balance | **60,497** | 51,576 |
| Accruals during the year[1] | **45,715** | 35,120 |
| Reversal of impairment allowances[2] | **(564)** | (592) |
| Transfer out[3] | **275** | 32 |
| Write-offs | **(30,952)** | (26,239) |
| Recovery of loans and advances written off in previous years | **572** | 600 |
| **Ending balance** | **75,543** | 60,497 |

*Notes:* (1) Equivalent to the net loan impairment recognized as accruals for the Group in the consolidated statement of profit or loss of the Group.

(2) Equivalent to the incremental present value of impaired loans after a period of time, which the Group recognized as interest income.

(3) Including impacts from foreign exchange fluctuation.

**The Bank**

*Unit: RMB million*

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Beginning balance | **59,682** | 51,136 |
| Accruals during the year[(1)] | **44,965** | 34,523 |
| Reversal of impairment allowances[(2)] | **(539)** | (582) |
| Transfer out[(3)] | **227** | 2 |
| Write-offs | **(30,853)** | (25,972) |
| Recovery of loans and advances written off in previous years | **534** | 575 |
| **Ending balance** | **74,016** | 59,682 |

Notes: (1) Equivalent to the net loan impairment recognized as accruals for the Group in the consolidated statement of profit or loss of the Group.

(2) Equivalent to the incremental present value of impaired loans after a period of time, which the Group recognized as interest income.

(3) Including impact from foreign exchange fluctuations.

As at the end of the reporting period, the Group's balance of allowance for loan impairment registered RMB75.543 billion, representing an increase of RMB15.046 billion over the end of the previous year. Its ratio of balance of allowance for loan impairment to NPL balance (i.e., allowance coverage ratio) and ratio of balance of allowance for loan impairment to total loans (i.e., the ratio of allowance for impairment of loans to total loans) stood at 155.50% and 2.62% respectively. The allowance coverage ratio dropped by 12.31 percentage points and the ratio of allowance for impairment of loans to total loans rose by 0.23 percentage point over the end of the previous year.

During the reporting period, the Group accrued allowance for loan impairment at the amount of RMB45.715 billion, an increase of RMB10.595 billion year on year. The reasons for increasing allowances were: (1) the Group made a proactive response to the risks in economic downturn by enhancing its risk hedging capability; and (2) with more energy on NPL write-offs, the Group increased allowances to the best of its capacity to get well prepared for write-offs.

### *(V) Market Risk*

Market risk refers to the risk of on-and off-balance sheet businesses of a bank incurring losses due to unfavorable changes in market prices (including interest rate, exchange rate, stock price and commodity price). The main market risk confronting the Bank includes interest rate risk and exchange rate risk. The Bank has established a market risk management system covering risk identification, measurement, monitoring and control. It manages market risk through product access approval and risk limit management, and thus controls market risk within the acceptable level and maximizes risk-adjusted returns.

*Interest Rate Risk*

Interest rate risk refers to the risk of bank accounts incurring losses in overall earnings and economic value due to unfavorable changes in factors such as interest rate and maturity structure. It includes re-pricing risk, yield curve risk, benchmark risk and option risk. The Bank manages its interest rate risk for the overall objective of observing the prudent risk preference and ensuring that adverse impacts of interest rate movements on the Bank's profit and value are under control.

During the reporting period, some of the major economies in the world entered the era of "negative interest rate"; at home interest rate liberalization went on at a faster pace and market interest rates fluctuated more drastically, exposing financial institutions to greater challenges in their management of interest rate risk. In response, the Bank optimized its risk monitoring indicators, and at the same time made comprehensive use of multiple methods including interest rate sensitivity gap analysis, net interest income sensitivity analysis and stress test to measure various types of interest rate risks, analyze risks and project net interest income on a regular basis. In addition, the Bank actively applied management means such as price control and regulation to build capacity in autonomous, differentiated and market-oriented pricing. At the same time, the Bank further promoted the use of Loan Prime Rate (LPR), and reasonably set up asset and liability product portfolios and maturity structures. Thanks to all these efforts, the Bank was able to control its interest rate risk below the tolerable level.

Interest rate gaps of the Bank as at the end of the reporting period are set out below.

**The Group**

*Unit: RMB million*

| Item | Non-interest bearing | Less than 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Total assets | 236,910 | 2,663,045 | 1,632,721 | 1,192,360 | 206,014 | 5,931,050 |
| Total liabilities | 166,848 | 3,800,849 | 1,161,704 | 357,782 | 59,371 | 5,546,554 |
| Interest rate gap | 70,062 | (1,137,804) | 471,017 | 834,578 | 146,643 | 384,496 |

**The Bank**

*Unit: RMB million*

| Item | Non-interest bearing | Less than 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Total assets | 246,058 | 2,421,950 | 1,607,200 | 1,165,671 | 198,534 | 5,639,413 |
| Total liabilities | 143,521 | 3,596,033 | 1,120,188 | 351,599 | 59,370 | 5,270,711 |
| Interest rate gap | 102,537 | (1,174,083) | 487,012 | 814,072 | 139,164 | 368,702 |

*Management of Exchange Rate Risk*

Exchange rate risk refers to the risk of on-and-off balance sheet businesses of a bank incurring losses due to unfavorable changes in exchange rate. The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposures that primarily originate from the position in foreign exchange trading, foreign currency capital and foreign currency profit. The Bank manages exchange rate risk by matching foreign currency denominated assets with liabilities denominated in the same currencies. For businesses with potential exchange rate risk such as foreign exchange purchase and sale and forex trading, the Bank sets corresponding foreign exchange exposure limits to control its exchange rate risk at an acceptable level.

Exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. Since the second quarter of 2016, the Renminbi depreciated against the US dollar at a faster pace. The cumulative depreciation for the whole year reached 6.56%, the single biggest yearly depreciation since 1994. Thanks to its proactive response to fluctuations in the forex market, strict control of the forex risk exposure of relevant businesses, revision and improvement of the limit management process, plus more intensive routine risk monitoring, early warning and reporting, the Bank was able to control its exchange rate risk within the acceptable level.

The Bank's foreign exchange exposures as at the end of the reporting period are set out below.

**The Group**

*Unit: RMB million*

| Item | USD | HKD | Other currencies | Total |
|---|---|---|---|---|
| Net on-balance sheet position | 38,433 | 10,948 | (11,838) | 37,543 |
| Net off-balance sheet position | (16,931) | 12,341 | (16,575) | (21,265) |
| **Total** | 21,502 | 23,289 | (28,413) | 16,378 |

**The Bank**

*Unit: RMB million*

| Item | USD | HKD | Other currencies | Total |
|---|---|---|---|---|
| Net on-balance sheet position | 20,596 | 16,256 | (14,374) | 22,478 |
| Net off-balance sheet position | (5,462) | 92 | (14,274) | (19,644) |
| **Total** | 15,134 | 16,348 | (28,648) | 2,834 |

***(VI) Liquidity Risk Management***

Liquidity risk refers to the risk that a bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations and meet other capital needs for the conduct of normal business.

The Bank has set up a robust structure for liquidity risk management, which clearly defines the division of duties among the Board of Directors, the Board of Supervisors and the senior management and their subordinate specialized committees, and relevant departments of the Bank in the management of liquidity risk, and defines the strategies, policies and procedures on liquidity risk management. The Bank maintains a prudent liquidity risk level, and effectively identifies, measures, monitors and controls liquidity risk by implementing a prudential coordinated liquidity risk management strategy.

The Group has put in place a uniform liquidity risk management framework. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and its legal-person institutions, and for managing liquidity risk at the legal-person institution level in a centralized manner. Domestic branches of the Bank, in accordance with requirements of the Head Office, are responsible for fund management within their respective jurisdictions pursuant to their mandates. All domestic and overseas affiliates of the Bank are responsible for developing their own strategies and procedures for liquidity risk management and implementing them pursuant to the requirements of competent regulators and within the Group's master policy framework on liquidity risk management.

During the reporting period, the central bank continued with its prudent monetary policy. Policy measures such as Medium-term Lending Facility (MLF), Pledged Supplementary Lending (PSL) and Open Market Operation were applied to maintain reasonably sufficient market liquidity. As a result, interest rates at the money market remained stable on the whole. At the same time, cash withdrawal during the Spring Festival period, tax payment, movements in funds outstanding for foreign exchange and other seasonal factors brought along some disturbance. In response to such policy and market situations, the Bank made proactive efforts to promote and intensify liquidity risk management, and kept a moderately sufficient liquidity in the overall sense.

During the reporting period, the Bank mainly adopted the following measures to manage its liquidity risk: (1) assessed its liquidity risk policy as scheduled, improved its liquidity risk management system, optimized its programs on liquidity risk measurement and monitoring, reinforced liquidity risk limit management, conducted stress test on a regular basis, and organized emergency drills where necessary and appropriate to ensure effectiveness of its emergency response plan for liquidity risk management; (2) coordinated management of assets and liabilities and structured assets and liabilities in reasonable ways to ensure stable growth and coordinated development of various businesses and a basic match between funding and fund use; (3) reinforced management of active liabilities to ensure smooth financing channels, including borrowings from central banks, money market, interbank certificates of deposit, interbank deposits and large-denomination certificates of deposit, and diversified the sources of liabilities to support the operation of asset business; and (4) improved routine liquidity management, reinforced market analysis and pre-judgment, dynamically adjusted the liquidity portfolio management strategy, managed liquidity in more forward-looking and proactive ways, and intensified liquidity reserves management to maintain a reasonable reserve level and upgrade efficiency of daytime fund management.

The Group's liquidity coverage ratio as at the end of the reporting period is set out below.

| | **31 December 2016** | 31 December 2015 | Increase/ Decrease | 31 December 2014 |
|---|---|---|---|---|
| Liquidity coverage ratio | **91.12%** | 87.78% | Up by 3.34 percentage points | 111.64% |
| Qualified premium liquid assets | **398,555** | 464,437 | -14.19% | 426,953 |
| Net cash outflow in the coming 30 days | **437,403** | 529,112 | -17.33% | 382,429 |

*Note:* The Group disclosed relevant information on its liquidity coverage ratio in accordance with the Rules on Liquidity Coverage Ratio of Commercial Banks (CBRC Decree [2015] No.52).

Liquidity gaps as at the end of the reporting period are set out below.

**The Group**

*Unit: RMB million*

| Payable on demand | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | Total |
|---|---|---|---|---|---|---|
| (2,256,418) | (83,309) | 551,206 | 759,384 | 847,206 | 566,427 | 384,496 |

**The Bank**

*Unit: RMB million*

| Payable on demand | Within 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Undated | Total |
|---|---|---|---|---|---|---|
| (2,216,325) | 2,448 | 514,605 | 666,634 | 818,055 | 583,285 | 368,702 |

### *(VII) Operational Risk Management*

Operational risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and IT systems and external incidents. It includes legal risk but excludes strategy risk and reputation risk.

During the reporting period, the Bank applied the three major operational risk management tools after their optimization, completed operational risk and control self-assessment (RCSA) of all business processes bank-wide, re-examined the key operational risk indicators (KRI) and monitored them on a regular basis, enhanced reporting and management of operational risk incidents and collection of loss data (LDC), and organized risk whistleblowing sessions on case studies of operational risk to prevent recurrence of risk incidents. In accordance with the "key businesses first and high-risk businesses first" principle, the Bank re-sorted and refined the key business processes to optimize the risk control measures. At the same time, the Bank combined cultural construction and operational risk control. Comprehensive screening of operational risk was carried out, and problems found in screening rectified within set deadlines. Screening findings were also regarded as focuses of attention in processing re-sorting and operational risk assessment to improve effectiveness of operational risk control. In addition, the Bank further strengthened the management of risks associated with operational risk, including the establishment of an outsourcing risk management system, more intensive outsourcing project audit and catalog management, and regular assessment of outsourcing risk. In addition, the Bank has set up a business continuity management system that integrated the Head Office, the branches and the sub-branches, and reinforced contingency planning and drilling, to ensure sustainable healthy business operation.

### (VIII) *Anti-Money Laundering*

The Bank reinforced its efforts in risk management and internal control against money laundering pursuant to the Law of the People's Republic of China on Anti-Money Laundering and the PBOC "risk-centered" regulatory requirements on anti-money laundering.

During the reporting period, the Bank improved its anti-money laundering risk management in accordance with its annual work program on anti-money laundering, enabling its anti-money laundering work better compliance and effectiveness. The anti-money laundering leading group of the Head Office gave full play to its decision-making role, issued and implemented the PBOC regulatory requirements on anti-money laundering, and made continuing efforts to improve the anti-money laundering internal control system. The Bank pushed forward the anti-money laundering concentrated operation model, initiated the project on optimizing the data governance and anti-money laundering risk management system, and promoted development of the name list monitoring system. These enabled the Bank continuous improvement in its capability to systematically support anti-money laundering risk prevention. In addition, the Bank carried out more stringent monitoring and screening of suspicious transactions, and analyzed suspicious transaction from multiple dimensions such as customer, account, transaction channel, fund use and transaction counterpart. The Bank strengthened manual screening, and improved the value of suspicious transactions report. Moreover, the Bank organized self-assessment at the legal-person level, effectively upgrading regulatory assessment rating results.

## V. Capital Management

The Bank practices total capital management, covering management of regulatory capital, economic capital and book capital, and including capital adequacy ratio management, capital planning, capital allocation, capital evaluation and financing management. Capital adequacy ratio management is a core area of the Bank's capital management, reflecting its capacity for prudent operation and risk prevention. The Bank calculates, manages and discloses its own and the Group's capital adequacy ratios according to the Provisional Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012.

The Bank continued to increase internal capital accumulation and external capital replenishment. In the pursuit of capital-light development, it proactively optimized its business structure to ensure consolidated capital ratios of the Bank and the Group met regulatory requirements in a continuous manner. As at the end of the reporting period, the Group recorded a 11.98% capital adequacy ratio, a rise of 0.11 percentage point from the end of the previous year, a 9.65% tier-one capital adequacy ratio, a rise of 0.48 percentage point from the end of the previous year, and a 8.64% core tier-one capital adequacy ratio, a drop of 0.48 percentage points from the end of the previous year.

During the reporting period, the Bank reinforced the capital constraint and allocation mechanism to promote the capital-light development strategy even further. In its continuous practice of the economic capital evaluation system with "economic profit" and "return on risk capital" at the core, the Bank promoted the application of the internal rating approach in the evaluation with sure keen steps. It focused on guiding business units to reasonably arrange capital structure under capital constraint, reduce risk capital commitment and comprehensive risk weight[1], and eventually transform towards the development model of a value-oriented bank that features capital saving and output efficiency. The Bank increased its investment in low-capital-commitment home mortgage loans[2]. In the report period, the Group recorded RMB164.284 billion incremental home mortgage loans, accounting for 47.05% of total incremental loans. The Bank further controlled the growth and capital commitment of off-balance sheet products such as bank acceptance bills. The balance of bank acceptance business decreased by RMB96.118 billion, and the corresponding risk-weighted assets declined by 24.83%. As at the end of the reporting period, the Group's risk-weighted assets increased by RMB496.313 billion or 14.31% from the end of the previous year, which was lower than the growth rate of the balance of assets. The on-and off-balance sheet comprehensive risk weight was 61.77%, down 0.99 percentage point from the end of last year.

### *(I) Capital adequacy ratios*

*Unit: RMB million*

| **Item** | **31 December 2016** | 31 December 2015 | Increase *(%)*/ Decrease | 31 December 2014 |
|---|---|---|---|---|
| Net core tier-one capital | **342,563** | 316,159 | 8.35 | 262,786 |
| Net tier-one capital | **382,670** | 317,987 | 20.34 | 264,582 |
| Net capital | **475,008** | 411,740 | 15.37 | 362,848 |
| Risk-weighted assets | **3,964,448** | 3,468,135 | 14.31 | 2,941,627 |
| Core tier-one capital adequacy ratio | **8.64%** | 9.12% | Down 0.48 percentage point | 8.93% |
| Tier-one capital adequacy ratio | **9.65%** | 9.17% | Up 0.48 percentage point | 8.99% |
| Capital adequacy ratio | **11.98%** | 11.87% | Up 0.11 percentage point | 12.33% |

1 Risk-weighted business (or product) assets / corresponding assets on the balance sheet.

2 As at the end of the reporting period, the comprehensive risk weight of the Bank's loans and advances to customers stood at 78.33%, of which the comprehensive risk weight of home mortgage loan business was 49.64%, and that of other personal loan businesses 72.87%.

### *(II) Leverage ratio*

*Unit: RMB million*

| | **31 December 2016** | 31 December 2015 | Increase (%)/ Decrease | 31 December 2014 |
|---|---|---|---|---|
| Leverage ratio | **5.47%** | 5.26% | Up 0.21 percentage point | 5.19% |
| Net tier-one capital | **382,670** | 317,987 | 20.34 | 264,582 |
| Adjusted balance of on- and off-balance sheet assets | **6,994,025** | 6,044,069 | 15.72 | 5,096,499 |

*Note:* The Group calculated its leverage ratio in accordance with the provisions of the Rules on Leverage Ratio of Commercial Banks (Revised) (CBRC Decree [2015] No.1). For more detailed information about leverage ratios, please refer to the column on investor relations at the Bank's website: http://www.citicbank.com/about/investor/financialaffairs/gglzb/

## VI. Management of Financial Statements Consolidation

The Bank pushed forward various work relating to the management of financial statements consolidation pursuant to the CBRC Guidelines for Management of Financial Statements Consolidation at Commercial Banks. During the reporting period, the Bank continued to improve its regulations and frameworks on management of financial statements consolidation. The Administrative Measures on Financing and Guarantee Businesses of Consolidated Subsidiaries further standardized the financing and guarantee businesses of the consolidated subsidiaries from the perspectives of management principles, management matters, reporting lines and business management of the subsidiaries. In combination with the operational requirements of corporate governance, the Bank provided more intensive management, control and guidance for significant events of its subsidiaries to support business development of the subsidiaries.

## VII. Material Investments, Material Acquisitions, and Disposal and Restructuring of Assets

Except for those already disclosed and the day-to-day businesses such as transfer of credit assets that were involved in its operation, the Bank was not aware of any other material investment, material acquisition or disposal and restructuring of assets that took place in the reporting period.

On 17 November 2015, the Bank convened a meeting of the Board of Directors and adopted the Proposal on Establishing a Direct Banking Corporation, with relevant matters to be implemented after regulatory approval. On 5 January 2017, the Bank received the CBRC Approval of CITIC Bank's Application for Establishing CITIC Baixin Bank Corporation Limited, obtaining CBRC approval for setting up Baixin Bank in Beijing. Baixin Bank will be a limited-license commercial bank doing direct banking business as an independent legal person. As sponsors, the Bank and Fujian Baidu Borui Network Technology Co., Ltd. respectively subscribed for 1.4 billion and 600 million ordinary shares in Baixin Bank, taking up a respective 70% and 30% of the forthcoming bank's total share capital. Baixin Bank will not conduct any financial business activities in the course of preparation for establishment.

Please refer to the relevant announcements the Bank disclosed on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) for relevant information.

## VIII. Information about Structured Vehicles Controlled by the Bank

Please refer to Note 13 to the financial statements contained in the report for relevant information about structured vehicles beyond the scope of the Bank's consolidation of financial statements.

## IX. Outlook

### *(I) Competition Pattern and Development Trends of the Banking Sector*

2017 is a significant year for China to implement its 13th Five-Year Plan and the year for it to deepen supply-side structural reform. According to the 2017 China Government Work Report, China will stick to the policy of seeking progress while ensuring stability, continue to promote supply-side structural reform as the main line and moderately expand aggregate demands. The fiscal policy is expected to be more aggressive and monetary policy to remain prudent and neutral. More importance will be placed on prevention and control of financial risks. In general, the Chinese banking industry is expected to face the following situations of competition and development.

The shift of new and old economic driving forces will accelerate. Growth rate slowdown of traditional industries will continue, while strategic emerging industries will maintain the momentum of robust growth. "Happiness Industries" such as tourism, culture, health and old-age care will emerge rapidly. New emerging premium assets including new materials, new energy, high-tech and high-end manufacturing will gradually take shape. The new structures, new driving forces and new models brought along by development of the "New Economy" will help commercial banks speed up transformation. The banks in turn need update their business concepts and development patterns to pave new business space, create new growth engines and cultivate new competitive edges.

Supply-side structural reform will go further. 2017 is the year for the Chinese government to deepen reform of the supply side. Programs on reform of state-owned enterprises, public finance and taxation, financial services and other relevant areas will be released. Policies on increasing the share of direct finance and on the implementation of debt for equity swap will materialize. Urbanization, "cutting overcapacity" and corporate mergers & acquisitions will take place at a faster pace. These changes will force banks to speed up their own "supply-side" reform, adjust their asset and liability structures, build new financing models and construct comprehensive financing service systems.

Reengineering of the international economic and trade patterns will accelerate. As the major overseas economies adjust themselves, the global value chain will enter an era of reconstruction. When the major traditional consumer countries promote "re-industrialization" and developed countries intensify their economic policies to "reverse globalization", the international trade and investment environment will continue to deteriorate. The Chinese government has proposed the "Belt and Road Initiative". The consequent international production cooperation will gradually improve the export environment for domestic enterprises, which will in turn generate massive demands for financial services in such areas as overseas mergers & acquisitions, cross-border financing, foreign exchange rate hedging, financial consultancy and other aspects of comprehensive financial services.

Volatility of the financial market will intensify. There is higher expectation of further US interest rate hikes. Monetary policies worldwide are turning direction. Market liquidity may usher in a turning point. Renminbi is under increasing pressure of devaluation against the dollar. All these factors will exert global impact on the Chinese money market, capital market and monetary policy. At the same time, 2017 may remain a year of frequent international and domestic "black swan" events and highly probable financial market volatility. Such coexistence of opportunities and risks requires the banks to improve their capability for holistic grasp of the trends of development and mitigation of risks.

Financial technology (Fintech) will develop rapidly. The present world is on the verge of a new round of technology revolution and industrial transformation. Innovative technologies such as Big Data, cloud computing, block chain and artificial intelligence are impacting the traditional business models of the banks. In its 13th Five-Year National Science and Technology Innovation Plan the Chinese government explicitly requires faster innovation of high-tech financial products and services. In the future, Fintech will be an important breakthrough in the transformation of banks, while online loans, intelligent investment and consultancy and smart outlets will become innovation hot spots.

Regulation of banks will upgrade across the board. The Chinese government requires attachment of greater importance to prevention and control of financial risks to ensure no occurrence of systemic financial risks. In 2017, financial "deleveraging" will remain the basic tone of regulatory policies. The central bank will comprehensively strengthen macro prudential assessment (MPA) to further constrain banks from credit expansion and limit the expansive use of leverages for off-balance sheet businesses. Future regulation of the domestic banking industry in terms of capital, liquidity and asset quality is expected to be more stringent and risk incidents subject to more severe penalties. These will raise higher requirements on corporate governance, risk management, internal control compliance and business innovation of the banks.

### *(II) Potential Risks*

In 2017, China will continue to see its macro economy under considerable growth pressure, its manufacturers trapped in a grim business situation, and its commercial banks challenged by the scarcity of high-quality credit assets and high level pressure of risk prevention. With faster process of deleveraging and cutting overcapacity as a result of the supply-side structural reform, some industries will be exposed to growing business pressure, which may give rise to an increase in the incidents of bankruptcy, mergers and acquisitions and default of debts. With key cities resuming regulation and control of the property market, uncertainties of the property market are expected to rise. Therefore, banks need pay close attention to the financial risks brought about by regulation and control, and conduct their businesses under the premise of regulatory compliance.

### *(III) Corporate Development Strategy*

The 2015-2017 Strategic Plan of China CITIC Bank was officially put into practice after review and approval by the Board of Directors of the Bank in March 2015. Within the plan period, the Bank will continue its customer focus, orient towards value creation and a “capital-light, asset-light and cost-light” development pattern, and consistently position itself in such ways that will enable itself to enjoy a customer positioning of large corporate customers, medium to high-end retail customers and extensive inter-bank customer coverage; a “One Body Two Wings” business positioning with corporate banking as the main body and retail banking and financial markets business as the two wings; a regional positioning that focuses on Beijing-Tianjin-Hebei Integration, the Belt and Road Initiative, the Yangtze River Economic Belt and Beijing-Shanghai-Guangzhou-Shenzhen; a sector positioning that emphasizes the new economy, the service sector and strategic emerging industries; and a channel positioning that includes diversification of physical outlets, mobile development of e-channels, and transformation of third-party channels into platforms. With all these, the Bank aspires to become the bank offering the best financing services and enjoying unique business characteristics, superb profit making capability, sound asset quality, and a lead status among peers in key geographical areas.

For the next step, the Bank will continue to follow the guidance of its strategy and further adjust its asset, liability, income, industry and customer structures. For asset structure, the Bank will make full use of asset securitization, credit asset transfer and alignment with customer wealth management to guide the posting of assets from on- to off-balance sheet and improve the turnover rate of assets. For debt structure, the Bank will further leverage on its advantages in customer management and product innovation, promote settlement business to speed up the development of deposit business, and strictly control high-cost liabilities. For income structure, the Bank will seek breakthroughs in investment banking, wealth management, custody, agency and settlement businesses, and further increase the proportion of intermediary business income. For industry structure of its loans, the Bank will continue to increase its credit extension to industries such as “big health, big culture, big environmental protection", “high technology, high-end manufacturing, high quality services and consumption", as well as “new materials, new energy and new business models", so as to capture the business opportunities brought along by strategic new industries and new development models. For customer structure, the Bank will continue to enhance the quality of services rendered to the “Three-Large and One-High” customers, and rely on large customers to improve its financial services for small and medium-sized customers that are dependent on large customer’s industrial chains or value chains.

The Bank will go on with its efforts to strengthen refined management, reinforce uniform allocation and management of capital and other resources, and enhance customer service level. In resource allocation, the Bank will keep its focus on key areas, key businesses and key products, and optimize budgetary assessment and other management tools to improve the efficiency of resource application. In customer service, the Bank will improve the concentrated marketing mechanism for large customers, and enhance parallel and synergized service provision at the front, middle and back offices to effectively upgrade customer satisfaction. In internal management, the Bank will speed up construction of the concentrated business operation system, improve management of tier-two branches and subsidiaries, promote transformation of outlet management, increase fixed asset investment and tighten cost control of human resources.

The Bank will strengthen risk control and improve the management of problem assets. In terms of risk management measures, the Bank will persistently promote the construction of a risk culture, deepen the reform of the risk management system and break the restrictions of administrative zoning to allocate credit assets across the country. In terms of management of non-performing assets, the Bank will intensify the disposal of risk assets to turn from passive reaction to risks to proactive management of risks, further expand the scope of problem asset management, and dissolve risks with the use of innovative means such as asset securitization and debt for equity swap. In terms of key risk prevention and control, the Bank will take into account changes in international and domestic economic situations to put asset maturity mismatch under reasonable control and improve liquidity risk management. At the same time the Bank will focus on prevention of operational risk and effectively organize risk screening and emergency drills.

### *(IV) Business Plan*

Economic and financial situations in 2017 are expected to be more challenging both at home and abroad. The Bank will maintain relatively aggressive goals of development, follow the path of "asset-light, capital-light and cost-light" development, make optimal adjustments to its structures and upgrade capacity for provision of comprehensive financing services. The hope is to realize steady improvement in operating results, stable growth of net operating income, continuous rise in the proportion of non-interest income, further lift of input-output efficiency, and stabilization of asset quality in the overall sense.

## X. Management of Corporate Social Responsibility

For details of social responsibility and public benefit activities of the Bank in the reporting period, please refer to the 2016 Social Responsibility Report the Bank disclosed on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this announcement.

# SIGNIFICANT EVENTS

## I. Principal Business

The Bank is engaged in banking and related financial services.

## II. Major Customers

For the reporting period, the top five corporate customers of the Bank contributed RMB2.495 billion to the Bank's operating income, 1.7% of the Bank's total. None of these top five customers was a related party of the Bank.

## III. Profit and Dividend Distribution

To give investors reasonable return on investment and help investors develop steady expectation of investment returns, relevant provisions of the Articles of Association of the Bank lay down explicit requirements on dividend policies such as the basis, principle, interval, method and condition and online voting of profit distribution, provide for the minimum proportion of profit distribution made in cash under general circumstances, and offer shareholders an online voting platform for participation in voting for the proposals on distribution plans. As such, the Bank fully protects legitimate rights and interests of its minority investors.

The Bank has not distributed profit through transfer of capital reserve to share capital since its listing. Cash dividend distribution of the Bank in the past three years is listed below.

*Unit: RMB million*

| Year for which dividends are distributed | Cash dividends every ten shares (RMB yuan) (pre-tax) | Total amount of cash dividends (pre-tax) | Net profit attributable to shareholders of the Bank as indicated in consolidated statements | Distribution ratio (Note) |
|---|---|---|---|---|
| 2013 | 2.52 | 11,790 | 39,175 | 30.10% |
| 2014 | – | – | 40,692 | – |
| 2015 | 2.12 | 10,374 | 41,158 | 25.21% |

*Note:* Distribution ratio is the ratio of the total amount of cash dividends for the current period to the net profit attributable to the shareholders of the Bank on the consolidated financial statements.

After-tax profit as shown on the Bank's audited domestic and overseas 2016 financial statements respectively prepared in accordance with the PRC GAAP and IFRS were both RMB39.010 billion.

The Bank transferred 10% of its after-tax profit as shown on the financial statements prepared in accordance with the PRC GAAP to the statutory surplus reserve, which was accrued at RMB3.901 billion as at the end of the current period. The Bank allocated the general risk reserve of RMB9.020 billion. No discretionary reserve was allocated.

In comprehensive consideration of the overall interests of all shareholders, its own need for safeguarding sustainable development and the regulatory requirements on capital adequacy ratios, the Bank proposed to distribute final dividends for the year 2016 in total amount of RMB10.521 billion, which accounts for 26.97% of the net profit of the Bank for the current year and 25.27% of the consolidated net profit attributable to the shareholders of the Bank, and shall be denominated and declared in Renminbi and paid to A shareholders in Renminbi and to H shareholders in Hong Kong dollar. Based on the total share capital of A shares and H shares, the final cash dividends will be RMB2.15 (pre-tax) for every 10 shares. The dividends to be paid in Hong Kong dollar shall have their amounts calculated in accordance with the average benchmark exchange rate of Renminbi to Hong Kong dollar as released by the PBOC one week prior to the convening of the 2016 Annual General Meeting (inclusive of the date of the general meeting). No scheme for transfer of capital reserve to share capital will be applied for the current year. Retained undistributed profit after dividend payment shall be carried forward to the next financial year and continue to be used to replenish the Bank's capital, support implementation of the Bank's development strategy, improve the Bank's risk resilience, and satisfy regulatory requirements on capital adequacy ratios. The Bank recorded a 12.58% return on weighted average equity attributable to its shareholders in 2016 and is expected to maintain a certain level of return and contribution in 2017.

This profit distribution plan (the "Plan") complies with relevant provisions of the Articles of Association of the Bank and follows clear criteria and proportions of dividends payment. After sufficient discussion and consideration at the Strategic Development Committee of the Board of Directors of the Bank, the Plan was submitted for deliberation at the meetings of the Board of Directors and the Board of Supervisors convened on 22 March 2017 and adopted afterward. It shall be submitted to the 2016 Annual General Meeting to be convened on 26 May 2017 for approval and implementation thereafter. It is expected that the Bank will pay the 2016 dividends to its shareholders within two months as of the adoption of the Plan by the general meeting. The Bank's independent non-executive directors have collectively expressed their independent opinion on the Plan as follows: The 2016 profit and dividend distribution plan of the Bank is consistent with the reality of the Bank and has taken the overall interests of both the Bank and its shareholders into consideration. We hereby endorse the Plan and agree to have the Plan submitted to the 2016 Annual General Meeting for deliberation.

When the Plan is submitted to the 2016 Annual General Meeting for deliberation, the Bank will, as required by the regulators, offer investors online voting facilities and disclose voting results in accordance with the shareholding percentages of the voting A shareholders. The shareholding percentages are placed in the three bands of below 1%, 1-5%, and above 5%. Those with less than 1% shareholding will be further classified into the two categories of above and below RMB500,000 market value of shareholdings and their voting results shall be further disclosed accordingly. The preparation and implementation of this Plan fully protects the legitimate rights and interests of minority investors.

## IV. Material Litigations and Arbitrations

The Group has been involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 100 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent, relating to an aggregate disputed amount of RMB351 million.

## V. Appropriation of Funds by the Controlling Shareholder and Other Related Parties

There was no appropriation of the Bank's funds by either the controlling shareholder or other related parties. PricewaterhouseCoopers has issued the Special Explanations on Fund Appropriation by the Controlling Shareholder and Other Related Parties of China CITIC Bank Corporation Limited in 2016 with regard to appropriation of the Bank's funds by the controlling shareholder and other related parties. Please refer to the relevant announcements the Bank disclosed on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) for relevant information on the disclosure date of this announcement.

## VI. Material Related Party Transactions

When entering into related party transactions with related parties during its ordinary and usual course of business, the Bank followed general commercial principles and executed the transactions with terms available to related parties being no more favorable than those available to independent third parties for similar transactions.

### *(I) Related Party Transactions involving Disposal and Acquisition of Assets*

During the reporting period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets during the reporting period.

### *(II) Credit Extension Continuing Related Party Transactions*

In 2014, the Bank entered into a framework agreement on credit extension of continuing related party transactions with CITIC Group and its associates. The 2015-2017 annual transaction caps were approved at the beginning of 2015. During the reporting period, with approval from its 2015 Annual General Meeting and in accordance with the requirements of business development, the Bank applied to the SSE for changing the cap on credit extension related party transactions from the previously set "RMB42 billion" to "no more than 14% of the disclosed net capital of the preceding quarter", for the purpose of ensuring that all credit extension continuing related party transactions were carried out within the regulatory limit (15% of net capital). With approval from the 25 August 2016 meeting of the Board of Directors and in line with its own needs for business growth, the Bank applied to the SSE for setting the 2016-2017 caps on credit extension related party transactions with related parties in connection with China Tobacco Corporation at an annual amount of RMB15.8 billion. Credit extension transactions between the Bank and its related parties followed general commercial principles and were executed with terms being no more favorable than those available to independent third parties for similar transactions.

The Bank attached great importance to the day-to-day monitoring and management of credit extension related party transactions, and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as process-based management, strict risk review, and better post-lending management. As at the end of the reporting period, the balance of credit that the Bank and its subsidiaries extended to all related parties was in the amount of RMB49.228 billion, including RMB48.908 billion to CITIC Group and its subsidiaries, RMB320 million to related parties in connection with Xin Hu Zhong Bao Co., Ltd., and zero to related parties in connection with China Tobacco Corporation. Such credit grants to related companies were normal bank loans of sound underlying quality and therefore will not exert material impacts on normal operation of the Bank in terms of transaction volume, structure and quality.

The Bank stringently followed the SSE and CBRC requirements on approval and disclosure of credit extension to related parties. As at the end of the reporting period, there was no fund exchange and appropriation in violation of the provisions of the Notice of CSRC on Several Issues Concerning the Standardization of Fund Exchange between Listed Companies and Their Related Parties and External Guarantee Provided by Listed Companies (Zheng Jian Fa [2003] No.56) and the Notice of CSRC on Standardization of External Guarantee Provided by Listed Companies (Zheng Jian Fa [2005] No.120). The related loans between the Bank and CITIC Group and the latter's associates, between the Bank and the related parties in connection with Xin Hu Zhong Bao Co., Ltd., and between the Bank and the related parties in connection with China Tobacco Corporation had no adverse impact on the operating results or financial position of the Bank.

***(III) Non-Credit Extension Continuing Related Party Transactions***

In 2014, the Bank entered into a framework agreement on seven categories of non-credit extension continuing related party transactions with CITIC Group and its associates, and obtained approval for the annual caps thereon for 2015-2017 in the beginning of 2015. During the reporting period, as business grew, the Bank applied to the SSE and SEHK for addition and adaptation of the caps on continuing related party transactions in comprehensive services, for the purpose of ensuring that all transactions in this regard were carried out within their respective annual caps in an orderly manner.

During the reporting period, the Bank and its related parties in connection with Xin Hu Zhong Bao Co., Ltd. and those in connection with China Tobacco Corporation did not apply for caps on their non-credit extension related party transactions; neither did they execute any such transactions. In the reporting period, the Bank carried out continuing related party transactions with CITIC Group and its associates according to the applicable provisions of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 10 of the Rules of the Shanghai Stock Exchange for the Listing of Stocks. Particulars thereof are described below.

*Third-Party Escrow Services*

According to the Third-Party Escrow Services Framework Agreement concluded between the Bank and CITIC Group in December 2014, third-party escrow services between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined on the basis of relevant market rates and subject to periodic review. In 2016, the annual cap on the Bank's transactions under the Third-Party Escrow Service Framework Agreement was RMB60 million. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB15.60 million, without exceeding the approved annual cap.

*Asset Custody Services*

According to the Asset Custody Services Framework Agreement concluded between the Bank and CITIC Group in December 2014, asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to each other shall be determined on the basis of relevant market rates, specific to the types of the underlying assets or funds and subject to periodic reviews. In 2016, the annual cap on the Bank's transactions under the Asset Custody Services Framework Agreement was RMB900 million. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB275.8 million, without exceeding the approved annual cap.

*Financial Consulting and Asset Management Services*

According to the Financial Consulting and Asset Management Services Framework Agreement entered into between the Bank and CITIC Group in December 2014, the financial consulting and asset management services provided between the Bank and CITIC Group and its associates have no fixed prices or rates. The price and rate applicable to a particular service shall be determined through fair and reciprocal negotiations between the parties and on terms no more favorable than those available to independent third parties and may be calculated on the basis of the scale, rate and duration of the service. In 2016, the annual cap on the Bank's transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB600 million. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB200.4 million, without exceeding the approved annual cap.

*Treasury Transactions*

According to the Treasury Transactions Framework Agreement entered into between the Bank and CITIC Group in December 2014, the Bank and CITIC Group and its associates shall make treasury transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. The prices and rates applicable to such transactions between the two parties shall be the prevailing market prices or the rates generally applicable to independent third parties for similar transactions. Specifically, for foreign exchange and precious metal transactions, precious metal leasing, money market transactions, and bond transactions, the two parties shall price their transactions according to publicly available market prices; for agency settlement of bonds, the two parties shall decide on the rates thereof according to prevailing industrial regulations; for financial derivatives, transaction prices shall be fixed in accordance with market activity of the underlying products, available open market offers and the Bank's requirements relating to the management of various risks. In 2016, the annual transaction caps under the Treasury Transactions Framework Agreement between the Bank and CITIC Group were: RMB3.2 billion for gains and losses of transactions, RMB2.8 billion for fair value of derivative financial instruments recorded as assets and RMB4.3 billion for fair value of derivative financial instruments recorded as liabilities. As at the end of the reporting period, the corresponding actual amounts incurred under the framework agreement were: RMB159.1 million gains and losses, RMB50 million fair value recorded as assets and, RMB62.3 million fair value recorded as liabilities, none of which exceeded the corresponding approved annual cap of the Bank.

*Comprehensive Services*

According to the Comprehensive Services Framework Agreement concluded between the Bank and CITIC Group in March 2016, CITIC Group and its associates shall provide the Bank with comprehensive services including but not limited to medical insurance and enterprise annuity, procurement of goods and services, outsourcing services, value-added services, advertising services, technological services and property lease. The Bank and CITIC Group and its associates shall apply prevailing market prices or applicable rates of independent third-party transactions to the services provided under the Comprehensive Services Framework Agreement, and shall determine prices and rates of particular services through fair and reciprocal negotiations and on normal commercial terms. In 2016, the Bank's annual cap on transactions under the framework agreement was RMB2.7 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB1.0342 billion, without exceeding the approved annual cap.

*Asset Transfer*

According to the Asset Transfer Framework Agreement entered into between the Bank and CITIC Group in December 2014 and approved by the Bank's Annual General Meeting in January 2015, the transactions involving asset transfer between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The transfer prices payable by the transferee shall be determined according to the following principles: (1) For transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of entirety. When transferring a credit asset, the transferor shall use the loan principal as the transaction price, and put a priority on post-transfer obligations to be performed by the Bank in addition to the consideration of market supply and demand; (2) For transfer of securitized assets, the Bank, when transferring a credit asset to a related party, shall use the loan principal as the transaction price, and determine the interest rate for transfer of the securitized credit asset with reference to the yields of similar Chinese interbank market products as disclosed by chinabond.com.cn and chinamoney.com.cn, in combination with price enquiries made with investors, and with specific terms (such as price, volume, total price and payment) to be determined upon conclusion of contracts for individual transactions; and (3) Where at present there is no price available for a particular asset transfer, once the statutory government-prescribed price is available in the future, such asset transfer shall be priced with reference to the government-prescribed price. In 2016, the Bank's annual cap on transactions under the Asset Transfer Framework Agreement was RMB76.0 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB15.2563 billion, without exceeding the Bank's approved annual cap.

*Wealth Management and Investment Services*

According to the Wealth Management and Investment Services Framework Agreement entered into between the Bank and CITIC Group in December 2014 and approved by the Bank's Annual General Meeting in January 2015, the Bank and CITIC Group and its associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank shall provide CITIC Group and its associates with wealth management and investment services including non-principal-protected wealth management and agency services, principal-protected wealth management, and proprietary fund investment, while CITIC Group and its associates shall provide the Bank with intermediary services of wealth management such as trust services and management services. The transactions between the two parties shall be made through fair and reciprocal negotiations, on terms no more favorable than those available to independent third parties, specific to the categories and scopes of wealth management services, and with real-time adjustments made according to changes in market prices. In 2016, the Bank's annual caps under the Wealth Management and Investment Service Framework Agreement were: RMB3.2 billion for fees relating to non-principal-protected wealth management and agency services, RMB35.0 billion for period-end balance of principals in principal-protected wealth management for customers, RMB1.3 billion for yields on wealth management for customers, RMB56.0 billion for period-end balance of investment funds, and RMB6.5 billion for the sum of the Bank's return on investment and payment of service fees to intermediaries. As at the end of the reporting period, the actual amounts incurred under the framework agreement were the following: RMB608.9 million fees for non-principal-protected wealth management and agency services, RMB3.2303 billion period-end balance of principals of principal-protected wealth management for customers, RMB17.10 million yield on wealth management for customers, RMB83.90 million period-end balance of investment funds, and RMB101.10 million the sum of return on investment and payment of service fees to intermediaries. None of the actual amounts exceeded the corresponding approved annual cap.

### *(IV) Related Party Transactions in Joint External Investment*

During the reporting period, the Bank did not have any related party transactions arising from joint external investment with its related parties.

### *(V) Related Party Debt Transactions and Guarantees*

Details for related party debt transactions and guarantees between the Bank and its related parties will be disclosed in the notes to the financial statements contained in the annual report to be published by the Bank in due course.

Upon review of the various continuing related party transactions made in the reporting period, the independent non-executive directors of the Bank confirmed that these transactions were:

(1) entered into during the Bank's ordinary and usual course of business;

(2) followed normal commercial terms; and

(3) abided by the terms and conditions of the concerned transaction contracts that were fair, reasonable and consistent with the overall interests of the Bank's shareholders as a whole.

The auditor obtained the list of continuing connected transactions from the Bank's management. After completing the relevant work in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3000 "Assurance Engagements Other than Audits or Reviews" and Hong Kong Institute of Certified Public Accountants (HKICPA) Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", the auditor formed the conclusion:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Bank's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of the disclosed continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

## VII. Material Contracts and Their Performance

### *(I) Custody, Contracting or Lease of Material Assets*

During the reporting period, the Bank did not custody, contract or lease any material assets of other companies, nor did other companies custody, contract or lease any material assets of the Bank. Neither was there any such custody, contract or lease that occurred in previous reporting periods and continued to the reporting period.

### *(II) Material Guarantees*

The guarantee business is one of the Bank's regular off-balance sheet items. During the reporting period, the Bank did not have any other material guarantees that need be disclosed except for financial guarantee that is within the approved business scope of the Bank.

**Specialized Explanations and Independent Opinions of Independent Non-executive Directors Concerning the Guarantees Offered by the Bank to External Parties**

We, as independent non-executive directors of China CITIC Bank, have examined the guarantees offered by China CITIC Bank to external parties in an impartial, fair and objective manner, and hereby express the following specialized explanations and opinions:

We have verified that the guarantees hitherto offered by the Group to external parties were mainly letters of guarantee (LG), which is one of the regular banking businesses within the approved business scope of the Group. As at the end of the reporting period, the value balance of letters of guarantee issued by the Group was equivalent to RMB163.157 billion.

The Group always attaches great importance to risk management of its L/G business. It has formulated creditability standards of the guaranteed obligor, as well as the operation procedures and the examination and approval procedures for the guarantee business based on the risk characteristics of the L/G business. During the reporting period, the L/G business of the Group went well, free of any illegal guarantee. We are of the view that the Group has effectively controlled the risks related to its guarantee business.

**Independent Non-executive Directors of China CITIC Bank Limited**
**Wu Xiaoqing, Wong Luen Cheung Andrew, He Cao, Chen Lihua, Qian Jun**

***(III) Other Material Contracts***

During the reporting period, the Bank did not sign any other material contracts beyond its normal scope of business.

## VIII. Undertakings by the Company and Its Relevant Stakeholders

On 8 July 2015, CITIC Group undertook that, due to recent abnormal fluctuations of the domestic stock market, and for the purpose of promoting healthy sustainable development of the capital market and effectively safeguarding legitimate rights and interests of shareholders of listed companies in all classes, CITIC Group will not decrease its shareholding in the Bank during abnormal fluctuations of the stock market, and will rather increase its shareholding in the Bank when appropriate. As at the disclosure date of this announcement, CITIC Group has performed the above-mentioned undertakings.

To deliver the above undertaking, CITIC Group's controlled subsidiary CITIC Limited notified the Bank on 22 January 2016 that it (including its subsidiaries) planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding does not exceed 5% of the Bank's total issued share capital (including the already completed additional shareholding). In the reporting period, CITIC Limited bought additional 877,235,000 H shares of the Bank via its subsidiary, accounting for 1.79% of the Bank's total share capital.

On 16 April 2012, CITIC Corporation Limited undertook that, within five years as of the delivery of its acquisition of CITIC Bank equity, it will not transfer such acquired stake in the Bank (except for circumstances where CITIC Corporation Limited transfers its equity in the Bank to CITIC Limited's related parties in accordance with applicable laws and regulations, or as approved by the regulatory authorities, or where the shares are assigned as stated-owned assets for free pursuant to the state-owned assets supervision and administration procedures); if CITIC Corporation Limited transfers its shares in the Bank upon the expiry of the lock-up period, it shall obtain the prior consent from the regulatory authority in terms of the transfer and the qualification of the transferee as a shareholder of the Bank. On 25 February 2013, CITIC Corporation Limited's acquisition of the Bank's shares was completed. The above-mentioned undertakings of CITIC Corporation Limited came into effect on 25 February 2013.

On 23 September 2010, BBVA undertook that as a strategic investor of the Bank, BBVA shall regard its investment in the Bank as long-term investment and that BBVA intends to hold its allotment from the rights issue for at least five years as of the date of delivery thereof, except for special situations (including but not limited to any requirements of the law or those imposed by any regulatory authorities or government bodies or stock exchanges that enjoy jurisdiction over BBVA, applying for, being applied for or being declared bankruptcy or becoming insolvent, occurrence of macroscopic economic events, force majeure or other objective situations that have material adverse impacts on the operation or financial position of BBVA). In 2011, BBVA subscribed for 1,163,097,447 H shares in the Bank's H-share rights issue and the delivery was completed on 1 August 2011. The above undertakings by BBVA became effective on the same date and expired in August 2016.

During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings. Save for these undertakings, the Bank was not aware of any other undertakings that were performed during the reporting period or not yet performed as at the end of the reporting period by its shareholders, de factor controller, acquirers, directors, supervisors, senior management members or other related parties. Neither did the Bank make any undertakings that were performed during the reporting period or not yet performed by the end of the reporting period.

## IX. Appointment and Dismissal of Auditors

As approved by the 2015 Annual General Meeting, the Bank engaged PricewaterhouseCoopers as its domestic auditor and PricewaterhouseCoopers Hong Kong as its overseas auditor for the year 2016. The Bank has engaged these two accounting firms as its auditors since the 2015 annual audit. The two accounting firms have both provided audit services to the Bank for 2 years. Hu Yan and Wu Weijun, signing CPAs for auditing of the Bank's A share financial statement, Ho Shuk Ching, Margarita, signing CPA for auditing the Bank's H share financial statement, have served the Bank for 2 years. KPMG Huazhen (Special General Partnership) and KPMG were the domestic auditor and overseas auditor of the Bank for the year 2014.

PricewaterhouseCoopers audited the Group's 2016 financial statements prepared in accordance with the PRC Accounting Standards and internal audit report for the period ended 31 December 2016. PricewaterhouseCoopers Hong Kong audited the Group's 2016 financial statements prepared in accordance with the International Financial Reporting Standards. The Group paid combined service fees of RMB16.40 million for these audit services, of which RMB1 million was for the audit of its internal control assessment report. The statements of PricewaterhouseCoopers and PricewaterhouseCoopers Hong Kong regarding their responsibilities for the financial statements are contained in the audit reports for annual report (A share) and annual report (H share), respectively.

Except for the above-mentioned audit assurance service fees, the Group paid approximately RMB4.5 million to PricewaterhouseCoopers and PricewaterhouseCoopers Hong Kong for their non-audit services (including professional services such as bond issuance, domestic issuance of preference shares, asset securitization and etc.) during the reporting period.

## X. Amendment to the Articles of Association

In December 2014, the Bank amended its Articles of Association due to its private offering of A shares. The relevant proposal on the amendment was considered and adopted by the 2nd Extraordinary General Meeting in 2014, the 1st A Shareholders Class Meeting in 2014 and the 1st H Shareholders Class Meeting in 2014 convened on 16 December 2014. The amended Articles of Association took effect in August 2016 upon CBRC approval.

On 21 November 2016, the Bank's privately offered preference shares were officially listed, marking the completion of the Bank's first ever issuance of preference shares, and the additions to the Articles of Association on preference shares entered into effect.

Please refer to the relevant announcements published by the Bank on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) on 20 August and 22 November 2016 respectively for relevant details about the amendments. Investors may check against the full text of the prevailing Articles of Association of the Bank on the above websites.

## XI. Equity Incentive Scheme

The Bank did not have any equity incentive scheme in effect as at the end of the reporting period.

## XII. Use of Funds Raised and Material Investments with Non-Raised Funds

All proceeds raised by the Bank were used in accordance with the purposes disclosed in relevant documents including the prospectuses for the IPOs and the rights issue, i.e., all the proceeds were used to replenish the capital of the Bank and improve the capital adequacy ratios and risk resilience of the Bank.

## XIII. Penalties and Remedial Actions of the Company and Its Relevant Stakeholders

During the reporting period, the Bank, its directors, its supervisors, its senior management members, its controlling shareholder, its de facto controller and its acquirer had no record of being subject to investigation by competent authorities or coercive measures by judicial bodies or disciplinary bodies, transfer to judicial bodies or pursuit of criminal liabilities, investigation or administrative penalties by CSRC, ban of entry into securities markets, being identified as inappropriate candidate, significant administrative punishments by other administrative authorities such as environmental protection agencies, safety supervision organizations and tax authorities, or public censure by any stock exchanges, or punishment by other regulators that may have any material impact on the business operation of the Bank.

During the reporting period, the Bank conducted its business activities in accordance with law and complied with provisions of relevant laws, regulations and its articles of association in its decision making procedures. Its directors, supervisors and senior management members all performed their due diligence. The Bank is not aware of any conduct on the part of the directors, supervisors and senior management members in their normal course of duty performance that was against relevant laws, regulations and its articles of association or detrimental to the interests of the Bank.

## XIV. Integrity of the Company and Its Relevant Stakeholders

During the reporting period, neither the Bank nor its controlling shareholder or its de facto controller was involved in failure to execute valid court verdicts or failure to pay back matured debts of considerable amounts.

## XV. Reserves

Details on changes in reserves of the Bank as at the end of the reporting period will be disclosed in the notes to the financial statements contained in the annual report to be published by the Bank in due course.

## XIV. Distributable Reserves

For details on distributable reserves of the Bank, please refer to "Financial Statements – Consolidated Statement on Changes in Shareholders' Interests" of the report.

## XVII. Donations

In the reporting period, the Bank paid back to the society in strict accordance with the newly promulgated PRC Charity Law and other laws and regulations. Its donations focused on areas in the greatest need of help. As at the end of 2016, the Group had made total external donation of RMB22.8533 million equivalent, up by 46.58% from last year. The donation fund was mainly used for poverty alleviation, education assistance, disaster relief and aid to the vulnerable groups. Employees of the Group donated RMB2.9742 million to relevant external parties, a growth of 153.81% over last year.

## XVIII. Fixed assets

Details on changes in the Bank's fixed assets as at the end of the reporting period will be disclosed in the notes to the financial statements contained in the annual report to be published by the Bank in due course.

## XIX. Retirement and Benefits

The Bank pays contributions to old-age pension schemes for its employees pursuant to relevant state laws, regulations and policies. Amounts of basic pension contributions are determined by employee salaries and locally defined contribution rates. In addition, the Bank has established enterprise annuity plans for its employees with contribution rate set at 5% of employee salary income.

Details on retirement benefits that the Bank provided for its employees will be disclosed in the notes to the financial statements contained in the annual report to be published by the Bank in due course.

## XX. Share Capital and Public Float

Details on changes in the Bank's share capital during the reporting period will be disclosed in the notes to the financial statements contained in the annual report to be published by the Bank in due course. Pursuant to publically available information, the Board of Directors of the Bank is of the view that the Bank has sufficient public float as at the disclosure date of this announcement.

## XXI. Purchase, Sale or Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

## XXII. Pre-emptive Rights

None of the PRC laws, administrative regulations and departmental rules, or the Articles of Association of the Bank contains any mandatory provisions on pre-emptive rights for purchase of shares of listed companies. According to its Articles of Association, the Bank may increase its registered capital by way of public offering or private offering, rights issue or bonus issue to the existing shareholders, transfer of capital reserve to share capital, or other means permitted by laws and administrative regulations or as approved by relevant authorities.

## XXIII. Issuance of Shares

For relevant information about the Bank's issuance of shares during the reporting period, please refer to "Changes in Ordinary Share Capital and Shareholdings of Substantial Ordinary Shareholders" of this announcement.

## XXIV. Issuance of Debentures

Please refer to "Changes in Ordinary Share Capital and Shareholdings of Substantial Ordinary Shareholders" of this announcement for information about the Bank's issuance of debentures during the reporting period.

## XXV. Equity Linked Agreements

Save for what is disclosed in "Preference Shares" of this announcement, the Bank neither entered into nor continued any equity linked agreements during the reporting period.

## XXVI. Equity Interest of Substantial Shareholders

Please refer to "Changes in Ordinary Share Capital and Shareholdings of Substantial Ordinary Shareholders – Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons" of this announcement for detailed information.

## XXVII. Tax Deduction and Exemption

### *A Shareholders*

In accordance with the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No.85) issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC, for dividends obtained from a listed company by an individual investor with equity record dated before 8 September 2015, if the duration of the shareholding starting from the date when the individual investor obtained the company's share and ending the record date is more than one year, the listed company shall, in respect of the individual income tax thereof, pay withholding tax at 5% of the dividends; if the duration of the shareholding starting from the date when the individual investor obtained the Company's share and ending the record date is less than one year (inclusive), the listed company shall, in respect of the individual income tax thereof, pay withholding tax at 5% of the dividends for the time being, subject to adjustments to be made in accordance with the Notice at the time when the individual investor transfers his/her respective shares.

In accordance with the Notice on Issues Regarding the Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No.101) issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC, for dividends obtained from a listed company by an individual investor with equity record dated after 8 September 2015, if the duration of the shareholding starting from the date when the individual investor obtained the company's share and ending the record date is more than one year, the personal income tax on the dividends thus obtained shall be exempted for the time being; if the duration of the shareholding starting from the date when the individual investor obtained the company's share and ending the record date is less than one year (inclusive), the listed company shall, in respect of the individual income tax thereof, refrain from withholding and paying such tax for the time being, subject to adjustments to be made in accordance with the Notice at the time when the individual investor transfers his/her respective shares.

Individual residents that are shareholders of companies shall pay income tax on their cash dividends by themselves.

For Qualified Foreign Institutional Investors (QFII), listed companies are required to withhold and pay enterprise income tax at the rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Issues on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonuses and Interests by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No.47) issued by the State Administration of Taxation. QFII shareholders expecting tax concessions shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after receiving the dividends.

*H Shareholders*

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045 (Guo Shui Han [2011] No.348), dividends received by overseas residents for their personal holding of shares issued by domestic non-foreign-invested enterprises in Hong Kong shall be subject to the payment of individual income tax under the "interest, dividend and bonus income" item, which shall be withheld by the withholding agents according to relevant laws. Such overseas residents that are individual owners of shares issued by domestic non-foreign invested enterprises in Hong Kong shall be entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China or the tax arrangements between Mainland and Hong Kong (Macau) SAR. The tax rate for dividends under the relevant tax agreements and tax arrangements is 10% in general. For the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, upon payment of dividends, generally withhold individual income tax at the rate of 10%, without the need to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for residents of countries that have signed lower than 10% tax rate agreements, the withholding agents may file on their behalf applications for the relevant agreed preferential tax treatments, under which circumstances the over-withheld tax amounts will be refunded upon approval by the tax authorities; (2) for residents of countries that have signed higher than 10% but lower than 20% tax rate agreements, the withholding agents shall withhold individual income tax at the agreed tax rate effective at the time of dividends payment, without the need to file an application; and (3) for residents of countries without tax agreements or under other situations, the withholding agents shall withhold individual income tax at 20% upon payment of dividends.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shareholders that Are Nonresident Overseas Enterprises (Guo Shui Han [2008] No.897), a PRC resident enterprise, when paying dividends to H shareholders that are non-resident overseas enterprises for 2008 and subsequent years, shall withhold enterprise income tax at a uniform rate of 10%.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank.

Shareholders of the Bank are taxed and/or enjoy tax relief in accordance with the aforementioned regulations.

## XXVIII. Material Environmental or Other Social Safety Issues

During the reporting period, the Bank did not incur any material environmental or social safety issues.

## XXIX. Events Relating to Bankruptcy and/or Re-engineering

In the reporting period, the Bank did not incur any event relating to bankruptcy and/or re-engineering.

## XXX. Major Risks

For details on major risks of the Bank, please refer to "Management Discussion and Analysis" of this announcement.

## XXXI. Changes in Accounting Policies and Accounting Estimates or Correction of Significant Accounting Errors

In the reporting period, the Group did not make any changes in its accounting policies or accounting estimates, neither did the Group incur any significant accounting errors.

## XXXII. Performance of Social Responsibility for Poverty Alleviation

### *(I) Financial Services for Precision Poverty Alleviation*

In the reporting period, the Bank followed the call of the Chinese government for precision poverty alleviation. To the Bank, providing financial services for precision poverty alleviation was an important social responsibility. Its plans and arrangements in this regard were carefully made. Among others, the Bank formulated its own plan on precision poverty alleviation with financial services for the "13th Five-Year Plan" period and the corresponding annual work plan, and established its work mechanism for poverty alleviation. Specific measures such as stronger credit support, improvement to the product system and better information/statistics led to preliminary achievements in poverty alleviation.

The Bank established a work mechanism to promote poverty alleviation with financial services on all fronts. It developed poverty alleviation plans and programs to set out specific targets and initiatives relating to poverty alleviation with financial services during the "13th Five-Year Plan" period, including product innovation, credit resource allocation, performance evaluation, credit approval, and dissemination/publicity of financial knowledge. In terms of stronger credit support to poverty alleviation projects, the Bank rendered active support to the credit needs of poverty-stricken areas and poverty reduction projects, studied ways to open green channels, and gave priority considerations to the list of precision poverty alleviation projects regarding their credit approval and access to credit resources. In terms of improving its product system for poverty alleviation purpose, the Bank formulated and issued the Provisional Measures for Experimenting with Loans Backed with the Operation Rights of Rural Contracted Land and Provisional Measures for Experimenting with Loans Backed with the Property Rights of Farmers' Housing. Such measures enabled the Bank to actively explore lending business with the mortgage of such operation rights and property rights. In terms of faster innovation of poverty alleviation models, the Bank diversified credit extension and financing models, strengthened cooperation with the government and the insurance sector, and researched for more innovative financial products to help reduce poverty.

For the reporting period, the Bank disbursed personal loans for precision poverty alleviation at a total amount of RMB5,529.18 million; and corporate loans for poverty alleviation at a total amount of RMB561.38 million. As at the end of the reporting period, the Bank's balance of personal loans and corporate loans for precision poverty alleviation purpose stood at RMB2,230.12 million and RMB574.71 million respectively.

### *(II) Work Plan on Precision Poverty Alleviation with Financial Services*

In 2017, the Bank will make further efforts to help reduce poverty with financial services with greater precision and effectiveness, focusing on areas such as platform development, product innovation, business synergy and foundation consolidation.

The Bank will render greater financial support to poverty alleviation. It will help develop infrastructures such as transportation, water conservancy, electricity, energy and ecological environment construction as well as basic public services including culture, medical care and sanitation in poverty-stricken areas by precisely targeting the financing needs of key projects and key areas of poverty alleviation. Based on the resource endowments and industrial characteristics of poverty-stricken areas, the Bank will support the development of local industries that are capable of employing members of registered impoverished households and increasing income of the poor population by precisely targeting the financing needs of such local industries. In addition, the Bank will provide registered impoverished households with lending support and payment services relating to their production, business start-up and education by precisely targeting the financial needs of such households in employment and education.

The Bank will build a more solid management foundation for poverty alleviation with financial services. For better policy guidance, the Bank will study ways to optimize the process of approving poverty alleviation loans, open up green channels, and prioritize the approval of agriculture-related poverty alleviation loans or projects. For stronger credit support, the Bank will, with other conditions being equal, put a priority on poverty alleviation/eradication projects and favor key policy-driven areas and sectors. It will also research how to support poverty alleviation in loan interest rate pricing and open green passages for poverty alleviation projects when reviewing and approving interest rates. Meanwhile, the Bank will improve its performance evaluation system. Among others, poverty alleviation indicators will be incorporated into the comprehensive performance evaluation approach so that the Bank can increase its support to precision poverty alleviation with financial services.

The Bank will organize financial education and publicity activities. Ongoing publicity campaigns on financial consumer rights protection will be launched both at physical outlets and via electronic channels. Bank employees will access communities, businesses, and shopping districts to disseminate financial knowledge. Representative case studies will be publicized more extensively. All these will help people in poverty-stricken areas improve their financial knowledge and develop their awareness of financial risk prevention. The Bank will also tap into the grassroots level for representative case studies, advanced models and advanced deeds in precision poverty alleviation, and extend them through internal publicity channels, seminars and other forms of promotion.

The Bank will increase its assistance for poverty alleviation. To establish a long-term mechanism for poverty alleviation, the Bank will help poverty-stricken areas develop infrastructures and provide basic public services such as education, health and medical care, and dispatch cadres to poverty-stricken villages for precise participation in poverty reduction.

### *(III) Other Precision Poverty Alleviation Initiatives*

Since 2015, the Bank has increased its support to the poverty alleviation undertaking. Every year, it donated RMB6 million to support fixed-point poverty alleviation work in the three villages respectively located in Xietongmen County, Shigatse City, Tibet Autonomous Region and Dangchang County, Longnan City, Gansu Province. At the same time, it dispatched cadres to the two fixed-point poverty-stricken areas to help develop precise poverty alleviation projects and bring the local people out of poverty. In the reporting period, the Bank continued with its poverty reduction efforts in these poverty-stricken areas.

The Bank carried out fixed-point poverty alleviation work in Xietongmen County, Shigatse City, Tibet Autonomous Region. Every year, it donated RMB4 million to construct "CITIC Bank Water Channels" and assist poor students, and dispatched one cadre to the county. Such fixed-point poverty alleviation work contributed to higher unit agricultural output, increase in local employment and protection of the ecological environment. It also helped poor students with their education. The construction of 5 "CITIC Bank Water Channels" started in the reporting period. These channels, extending a total length of 6.15 km and comprising 123 crosscutting structures, are expected to be completed for water discharge by the end of May 2017. Education assistance targeted university freshmen from the county and local primary and secondary school students that have gone through the physical examinations to attend Tibetan classes offered in mainland Chinese cities outside Tibet ("Tibetan classes"). For the reporting period, the Bank provided financial support to a total of 79 junior-diploma students, 157 university undergraduates, and 45 primary and secondary school students in Tibetan classes.

The Bank provided financial assistance to poor students of moral integrity and excellent academic performance, with the Head Office taking the lead and the branches executing the specifics. From 2013 onwards, the Bank has worked with the China Foundation for Poverty Alleviation in carrying out the "CITIC Bank • New Great Wall High School Self-Development Program". The program provides tuition and living expenses to poor high school students of 12 ethnic minorities in 17 provinces and autonomous regions so that the students can complete their education. Under the uniform guidance of the Head Office, staff volunteers from 17 branches of the Bank including those in Chengdu, Changsha, Taiyuan, Nanchang, Harbin and Hohhot actively engaged themselves in teaching activities. They taught classes amid entertainments, winning enormous popularity among the local teachers and students. In the past three years, the Bank set up 17 self-development classes across the country, funding 850 poor high school students with total donation of RMB5.1 million.

For the reporting period, in addition to precision poverty alleviation with financial services, the Group input[1] RMB22.8533 million (including RMB15.5651 million from the Bank) for other precision poverty alleviation efforts, including RMB1.79 million for assisting 660 poor students, RMB7 million for fixed-point poverty alleviation and RMB15.8533 million (including RMB8.5651 million from the Bank) for setup of poverty alleviation public benefit funds[2].

## XXXIII. Other Significant Events

The Bank has disclosed all significant events occurred during the reporting period that shall be disclosed as per Article 67 of the PRC Securities Law and Article 30 of the Administrative Measures for Information Disclosure of Listed Companies in the form of interim announcements on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com).

1 Refer to the total number of donation.

2 Refer to the number of donation for precision poverty alleviation excluding the number of donation for fixed-point poverty alleviation, which is not a physical established fund for poverty alleviation.

# CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL ORDINARY SHAREHOLDERS

## I. Changes in Ordinary Share Capital

### *(I) Table on Changes in Shareholdings*

*Unit: share*

| | 31 December 2015 | | Changes (+,-) | | | | | 31 December 2016 | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares held | Percentage (%) | New issue | Bonus issue | Capital reserve converted to shares | Others | Subtotal | Number of shares held | Percentage (%) |
| **Shares subject to restrictions on sale:** | **0** | **0** | **2,147,469,539** | | | | **2,147,469,539** | **2,147,469,539** | **4.39** |
| 1. Shares held by the state | | | | | | | | | |
| 2. Shares held by state-owned legal persons | 0 | 0 | 2,147,469,539 | | | | 2,147,469,539 | 2,147,469,539 | 4.39 |
| 3. Shares held by other domestic investors | | | | | | | | | |
| Including: Shares held by domestic non-state-owned legal persons | | | | | | | | | |
| Shares held by domestic natural persons | | | | | | | | | |
| 4. Foreign-held shares | | | | | | | | | |
| Including: Shares held by overseas legal persons | | | | | | | | | |
| Shares held by overseas natural persons | | | | | | | | | |
| **Shares not subject to restrictions on sale:** | **46,787,327,034** | **100.00** | | | | | **0** | **46,787,327,034** | **95.61** |
| 1. Renminbi denominated ordinary shares | 31,905,164,057 | 68.19 | | | | | 0 | 31,905,164,057 | 65.20 |
| 2. Domestically-listed foreign shares | | | | | | | | | |
| 3. Overseas-listed foreign shares | 14,882,162,977 | 31.81 | | | | | 0 | 14,882,162,977 | 30.41 |
| 4. Others | | | | | | | | | |
| **Total shares** | **46,787,327,034** | **100.00** | **2,147,469,539** | | | | **2,147,469,539** | **48,934,796,573** | **100.00** |

### *(II) Shares Subject to Restrictions on Sale*

On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco Corporation, upon which time the Bank had a total share capital of 48,934,796,573 shares, including 2,147,469,539 shares subject to restrictions on sale, about 4.39% of the total. Changes in shareholding thereof are detailed in the following table:

| | Before the Change | | The Change | After the Change | |
|---|---|---|---|---|---|
| | Number of shares held | Percentage (%) | New issue | Number of shares held | Percentage (%) |
| Shares subject to restrictions on sale | – | – | 2,147,469,539 | 2,147,469,539 | 4.39 |
| Shares not subject to restrictions on sale | 46,787,327,034 | 100.00 | 0 | 46,787,327,034 | 95.61 |
| Total shares | 46,787,327,034 | 100.00 | 2,147,469,539 | 48,934,796,573 | 100.00 |

As per the duration of restrictions on sale, the privately offered shares subscribed by China Tobacco Corporation are expected to be publicly traded on 20 January 2019, which date shall be postponed to the next trading day in the case of a statutory holiday or weekend.

## II. Issuance and Listing of Securities

### *(I) Equity Financing*

To ensure sustainable healthy development of its business operation, further improve its integrated competitiveness, risk resilience and sustainable profitability, and adapt to the increasingly stringent capital regulation requirements, the Board of Directors of the Bank adopted relevant proposals including the Proposal on the Program of Private Offering of A Shares on 29 October 2014, giving consent to the offering of up to 2,462,490,897 (inclusive) Renminbi denominated domestic listed ordinary shares (A shares) with a par value of RMB1.00 per share to China Tobacco Corporation at the subscription price of RMB4.84 per share.

The aforementioned proposal on the private offering of A shares was adopted at the Bank's 2nd Extraordinary General Meeting in 2014, 1st A Shareholders Class Meeting in 2014 and 1st H Shareholders Class Meeting in 2014 convened on 16 December 2014.

On 30 July 2015, the Bank, as authorized by the general meeting, convened a meeting of the Board of Directors which adopted the Proposal on the Program of Private Offering of A Shares, changing the subscription price of the offering from RMB4.84 per share to RMB5.55 per share and the number of shares to be issued from 2,462,490,897 to 2,147,469,539.

As per the Report of KPMG Huazhen (Special General Partnership) on Capital Verification regarding the Private Offering of Renminbi Denominated Ordinary Shares Made by China CITIC Bank Corporation Limited (KPMG Huazhen Yan Zi No. 1501428), as of 31 December 2015, the Bank received total proceeds of RMB11,918,455,941.45 from the private offering. After deducting issuance costs including but not limited to underwriting and sponsorship fees, the private offering raised net proceeds of RMB11,888,695,194.53, which amount was fully used to replenish the Bank's capital.

On 20 January 2016, the Bank completed the formalities of registration, custody and restrictions on sale relating to its private offering of 2,147,469,539 A shares at China Securities Depository and Clearing Company Limited Shanghai Branch.

After completion of the private offering, the Bank had a total share capital of 48,934,796,573 shares, including 34,052,633,596 A shares and 14,882,162,977 H shares. Before and after the offering, CITIC Corporation Limited was and remained the controlling shareholder of the Bank and CITIC Group its de facto controller. The private offering did not lead to changes in the corporate control of the Bank.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information.

### *(II) Issuance of Bonds*

During the reporting period, the Bank did not issue any corporate bond or financial bonds.

### *(III) Issuance of Convertible Bonds*

The Bank planned to make a public offering of up to RMB40 billion A Share convertible corporate bonds. The plan was deliberated and adopted at the meetings of the Board of Directors respectively convened on 25 August 2016, 19 December 2016 and 18 January 2017, and was adopted via voting by poll at the 1st Extraordinary General Meeting in 2017, the 1st A Shareholders Class Meeting in 2017, and the 1st H Shareholders Class Meeting in 2017 convened on 7 February 2017. The convertible bonds may only be issued after approval of relevant regulators. Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information.

### *(IV) Internal Employee Shares*

There were no internal employee shares issued by the Bank.

## III. Information on Ordinary Shareholders

### *(I) Total Number of Shareholders*

As at the end of the reporting period, the Bank had 195,889 ordinary shareholders in total, including 162,661 A shareholders and 33,228 registered H shareholders, and no preference shareholders with restored voting right.

As at the close of the preceding month prior to the disclosure date of this announcement (i.e. 28 February 2017), the Bank recorded a total number of 189,431 ordinary shareholders, including 156,356 A shareholders and 33,075 registered H shareholders, and no preference shareholders with restored voting right.

## *(II) Top 10 Shareholders (as at the end of the reporting period)*

*Unit: Share*

| No. | Name of shareholder | Nature of shareholder | Class of shares | Total number of shares held | Shareholding percentage | Balance of shares subject to restrictions on sale | Increase or decrease in shareholding during the reporting period | Shares pledged or frozen |
|---|---|---|---|---|---|---|---|---|
| 1 | CITIC Corporation Limited | State-owned legal person | A share, H share | 31,988,728,773 | 65.37% | 0 | 581,736,000 | 0 |
| 2 | Hong Kong Securities Clearing Company Nominee Limited | Foreign entity | H share | 12,113,208,222 | 24.75% | 0 | 1,159,698 | Unknown |
| 3 | China Tobacco Corporation | State-owned legal person | A share | 2,147,469,539 | 4.39% | 2,147,469,539 | 2,147,469,539 | 0 |
| 4 | China Securities Finance Corporation Limited | State-owned legal person | A share | 892,896,560 | 1.82% | 0 | 21,473,890 | 0 |
| 5 | Central Huijin Asset Management Limited | State-owned legal person | A share | 272,838,300 | 0.56% | 0 | 0 | 0 |
| 6 | China Construction Bank Corporation | State-owned legal person | H share | 168,599,268 | 0.34% | 0 | 0 | Unknown |
| 7 | Tianan Property Insurance Co., Ltd. – Bao Ying No.1 | Other | A share | 61,384,923 | 0.13% | 0 | 61,384,923 | 0 |
| 8 | Pacific Life Insurance Co., Ltd. – Dividend – Group Dividend Bonus Insurance | Other | A share | 41,376,329 | 0.08% | 0 | 41,376,329 | 0 |
| 9 | Xinhua Life Insurance Co., Ltd. – Dividend – Group Dividend Bonus Insurance – 018L – FH001 SH | Other | A share | 34,871,684 | 0.07% | 0 | 34,871,684 | 0 |
| 10 | Hebei Construction & Investment (Group) Limited | State-owned legal person | A share | 31,034,400 | 0.06% | 0 | 0 | 0 |

*Notes:* (1) Except for CITIC Corporation Limited, the shareholdings of A shareholders and H shareholders were calculated based on the Bank's share register maintained with China Securities Depository and Clearing Corporation Limited and that with the H-share registrar of the Bank.

(2) CITIC Corporation Limited is a wholly owned subsidiary of CITIC Limited. CITIC Corporation Limited confirmed that as at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) together owned 32,284,227,773 shares of the Bank, accounting for 65.97% of the Bank's total share capital, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares of the Bank, accounting for 65.37% of the Bank's total share capital, including 28,938,928,294 A shares and 3,049,800,479 H shares.

(3) Summit Idea Limited confirmed that, as at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominee Limited 2,292,579,000 H shares of the Bank, accounting for 4.68% of the Bank's total share capital. Summit Idea Limited is a wholly owned affiliate of Xin Hu Zhong Bao. In addition to the afore-mentioned stake, Xin Hu Zhong Bao also directly owned 27,598,000 H shares of the Bank via its wholly owned subsidiary Hong Kong Xin Hu Investment Co., Ltd, taking up 0.06% of the Bank's total share capital.

(4) Note on connected relations or concerted actions of the above shareholders: As per information disclosed at the official website of Central Huijin Investment Limited, as at 30 June 2016, Central Huijin Investment Limited owned 57.11% equity of China Construction Bank Corporation and at the same time wholly owned its subsidiary Central Huijin Asset Management Limited. Except for these, as at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

### *(III) Shareholdings of the Top 10 Ordinary Shareholders Not Subject to Restrictions on Sale (as at the end of the reporting period)*

*Unit: Share*

| No. | Name of shareholder | Number of shares not subject to restrictions on sale held | Class and number of shares: Class | Class and number of shares: Number |
|---|---|---|---|---|
| 1 | CITIC Corporation Limited | 31,988,728,773 | A Share | 28,938,928,294 |
| | | | H Share | 3,049,800,479 |
| 2 | Hong Kong Securities Clearing Company Nominee Limited | 12,113,208,222 | H Share | 12,113,208,222 |
| 3 | China Securities Finance Corporation Limited | 892,896,560 | A Share | 892,896,560 |
| 4 | Central Huijin Asset Management Limited | 272,838,300 | A Share | 272,838,300 |
| 5 | China Construction Bank Corporation | 168,599,268 | H Share | 168,599,268 |
| 6 | Tianan Property Insurance Co., Ltd. – Bao Ying No.1 | 61,384,923 | A Share | 61,384,923 |
| 7 | Pacific Life Insurance Co., Ltd. – Dividend – Group Dividend Bonus Insurance | 41,376,329 | A Share | 41,376,329 |
| 8 | Xinhua Life Insurance Co., Ltd. – Dividend – Group Dividend Bonus Insurance – 018L – FH001 SH | 34,871,684 | A Share | 34,871,684 |
| 9 | Hebei Construction & Investment (Group) Limited | 31,034,400 | A Share | 31,034,400 |
| 10 | TEMASEK FULLERTON ALPHA PTE LTD | 29,596,239 | A Share | 29,596,239 |

### *(IV) Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons*

As at the end of the reporting period, interests and short positions in the ordinary shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank has maintained pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance are as follows:

| **Name** | **Number of shares held** | **Shareholding percentage of the issued share capital of the same class** (%) | **Class of shares** |
|---|---|---|---|
| BBVA | 1,120,816,000(L) | 7.53(L) | H share |
| | 393,756,703(S) | 2.65(S) | H share |
| | 24,329,608,919(L) | 71.45(L) | A share |
| CITIC Group | 3,276,373,479(L) | 22.02(L) | H share |
| | 28,938,928,294(L) | 84.98(L) | A share |
| CITIC Corporation Limited | 7,018,100,475(L) | 47.16(L) | H share |
| | 710(S) | 0.00(S) | H share |
| | 28,938,928,294(L) | 84.98(L) | A share |
| CITIC Limited | 3,276,373,479(L) | 22.02(L) | H share |
| | 28,938,928,294(L) | 84.98(L) | A share |
| CITIC Shengxing Co., Ltd. | 7,018,099,055(L) | 47.16(L) | H share |
| | 28,938,928,294(L) | 84.98(L) | A share |
| Summit Idea Limited | 2,292,579,000(L) | 15.40(L) | H share |
| Total Partner Global Limited | 2,292,579,000(L) | 15.40(L) | H share |
| | 2,292,579,000(S) | 15.40(S) | |
| Li Ping | 2,292,579,000(L) | 15.40(L) | H share |
| Hong Kong Xin Hu Investment Co., Ltd. | 2,292,579,000(L) | 15.40(L) | H share |
| | 2,292,579,000(S) | 15.40(S) | |
| Zhejiang Heng Xing Li Holdings Group Limited | 2,292,579,000(L) | 15.40(L) | H share |
| Zhejiang Xin Hu Group Corporation Limited | 2,292,579,000(L) | 15.40(L) | H share |
| UBS SDIC Fund Management Co., Ltd. | 2,292,579,000(L) | 15.40(L) | H share |
| Huang Wei | 2,292,579,000(L) | 15.40(L) | H share |
| Xin Hu Zhong Bao Co., Ltd. | 2,292,579,000(L) | 15.40(L) | H share |
| Ningbo Jiayuan Industrial Development Limited | 2,292,579,000(L) | 15.40(L) | H share |

*Note:* (L) — long position, (S) — short position

Except for the information disclosed above, as at the end of the reporting period, there were no other interests or short positions of any other person or company in the ordinary shares or underlying shares of the Bank recorded in the register that the Bank has maintained pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance requiring disclosure in accordance with Sections II and III of Part XV of the Hong Kong Securities and Futures Ordinance.

### *(V) Controlling Shareholder and De Facto Controller of the Bank*

As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank; CITIC Limited was the single direct controlling shareholder of CITIC Corporation Limited; CITIC Group was the controlling shareholder of CITIC Limited, and *de facto* controller of the Bank.

CITIC Group was founded in 1979 by Mr. Rong Yiren with the support of Mr. Deng Xiaoping. Since its inception, CITIC Group has been a pilot for national economic reform and an important window on China's opening to the outside world. With fruitful explorations and innovation in many areas, CITIC Group has built itself a robust image and reputation both home and abroad. At present, CITIC Group has developed into a large state-owned multinational conglomerate with both financial and non-financial businesses. Its financial business covers a full range of services including banking, securities, trust, insurance, fund and asset management; and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and information technology, with clear overall strength and great momentum of growth.

In December 2011, with approval from the State Council, and in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., CITIC Group contributed the majority of its existing net operating assets to establish CITIC Limited. It held 99.9% of CITIC Limited's equity interest, and Beijing CITIC Enterprise Management Co., Ltd. 0.1%. CITIC Group as a whole was restructured into a wholly state-owned company. To complete the afore-mentioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Limited as capital contribution. As a result, CITIC Limited held 28,938,929,004 shares in the Bank both directly and indirectly, 61.85% of the Bank's total share capital. The above-mentioned share transfer was approved by the State Council, MOF, CBRC, CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with approval from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch.

In October 2013, BBVA transferred to CITIC Limited 2,386,153,679 H shares it held in the Bank, about 5.10% of the total share capital of the Bank, after which CITIC Limited increased its shareholding of the Bank to 66.95%.

In August 2014, CITIC Group injected its main business assets entirely into its Hong Kong listed subsidiary CITIC Pacific, and renamed it CITIC Limited. The former CITIC Limited was renamed CITIC Corporation Limited. CITIC Limited held 100% equity in CITIC Corporation Limited.

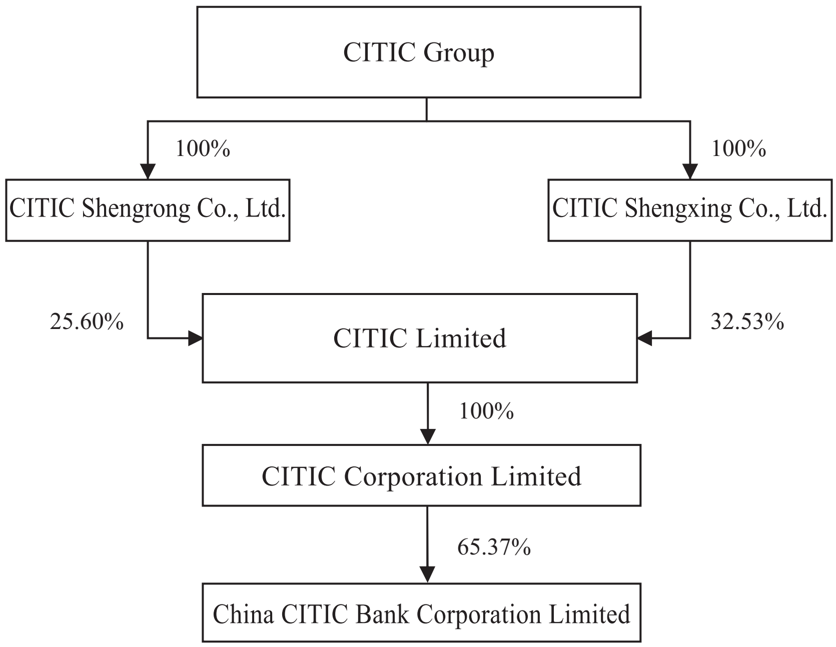
In September 2014, CITIC Corporation Limited purchased additional 81,910,800 H shares of the Bank via agreement transfer, after which, CITIC Corporation Limited held 31,406,992,773 A and H shares of the Bank, about 67.13% of the Bank's total share capital.

As at the end of the reporting period, CITIC Group's legal representative was Chang Zhenming. Its business scope covered: information services under value-added telecommunication services Category II (only restricted to internet information services which exclude press, publication, education, medical and health care, pharmaceuticals, and medical devices but include electronic advertising services, and will expire on 9 January 2019), and dispatch of required workers to overseas projects consistent with its resources, scale and performance; investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and industrial investment; project tendering, exploration, design, construction, supervision, contracting and sub-contracting and consulting services; asset management; capital operation; and import and export. (Business projects that require prior approval according to law may only start operation upon approval by competent authorities.)

As at the end of the reporting period, CITIC Corporation Limited had a registered capital of RMB139 billion; and Mr. Chang Zhenming was its legal representative. Its business scope covered: 1. Investment in and management of the financial sector, including investment in and management of domestic and overseas financial enterprises and related industries such as banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; 2. Investment in and management of the non-financial sector, including (1) energy, transportation and other infrastructure; (2) mining, forestry and other resources development and the raw materials industry; (3) machine manufacturing; (4) real estate development; (5) the information industry: information infrastructure, basic telecommunications and value-added telecom services; (6) commercial and trade services and other industries; environment protection; pharmaceuticals, biological engineering and new materials; aviation, transportation, warehousing, hotels and tourism; domestic and international trade, import and export, commerce; education, publication, media, culture and sports; consulting services; 3. Grant of shareholder loans to its domestic and overseas subsidiaries; capital operation; asset management; domestic and overseas project design, construction, contracting and sub-contracting, and labor export; and other business items approved by competent authorities. (The entity was transformed from a domestic enterprise to a foreign-invested enterprise on 22 July 2014, and therefore needs to conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to law.)

As at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) owned 32,284,227,773 shares of the Bank in total, accounting for 65.97% of the Bank's total share capital, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares in the Bank, accounting for 65.37% of the total share capital of the Bank, including 28,938,928,294 A shares and 3,049,800,479 H shares.

As at the end of the reporting period, the ownership structure and controlling relationship between the Bank, its controlling shareholder and its de facto controller was as follows[1]:




1 CITIC Shengrong Co., Ltd. and CITIC Shengxing Co., Ltd. are both wholly-owned affiliated subsidiaries of CITIC Group incorporated on the British Virgin Islands. CITIC Corporation Limited directly held 65.37% of the Bank's total share capital. In addition, CITIC Limited held equity of the Bank via its own and CITIC Corporation Limited's wholly owned subsidiaries.

Equity interests in other major domestic and overseas listed companies held or controlled by CITIC Limited and CITIC Corporation Limited (as at the end of the reporting period)

| Name of shareholder | Name of listed company | Place of listing | Stock code | Shareholding percentage (%) |
|---|---|---|---|---|
| CITIC Corporation Limited 16.50%<br>CITIC Trust Co., Ltd. 0.16% | CITIC Securities Co., Ltd. | Shanghai,<br>Hong Kong | 600030.SH<br>6030.HK | 16.66% |
| CITIC Corporation Limited 60.49%<br>CITIC Investment Holdings Limited 4.52%<br>CITIC Automobile Limited 2.26% | CITIC Heavy Industries Co., Ltd. | Shanghai | 601608.SH | 67.27% |
| CITIC Offshore Helicopter Limited 38.63% | CITIC Offshore Helicopter Corporation Limited | Shenzhen | 000099.SZ | 38.63% |
| Keentech Group Ltd 49.57%<br>CITIC Australia 9.55%<br>Extra Yield International Ltd. 0.38% | CITIC Resources Holdings Limited | Hong Kong | 1205.HK | 59.50% |
| Bowenvale Ltd 74.43% | Asia Satellite Telecommunications Holdings Limited | Hong Kong | 1135.HK | 74.43% |
| Highkeen Resources Limited 34.39%<br>APEXHILL INVESTMENTS LIMITED 9.07% | CITIC Dameng Mining Industries Ltd | Hong Kong | 1091.HK | 43.46% |
| Richtone Enterprises Inc. 3.81%<br>Ease Action Investments Corp. 35.13%<br>Silver Log Holdings Ltd 17.29%<br>Cuixin Holdings Corporation Limited 4.01% | CITIC Telecom International | Hong Kong | 1883.HK | 60.24% |
| Numerous subsidiaries of CITIC Pacific jointly 56.07% | Dah Chong Hong Holdings Limited | Hong Kong | 1828.HK | 56.07% |
| CITIC Pacific (China) Investment Limited 28.18%<br>Hubei Xinye Steel Co., Ltd. 29.95% | Daye Special Steel Co., Ltd. | Shenzhen | 000708.SZ | 58.13% |
| CKM (Cayman) Company Limited 63.72% | CITIC Envirotech Ltd. | Singapore | U19.SG | 63.72% |
| CITIC Industrial Investment Group Co., Ltd. 8.71%<br>CITIC Construction Limited 6.72%<br>Shenzhen Xin Nong Investment Center (Limited Partnership) 3.36% | Longping High-tech Co., Ltd. | Shenzhen | 000998.SZ | 18.79% |
| Man Gui Investment Company Limited 10% | China Overseas Land & Investment Limited | Hong Kong | 688.HK | 10% |

*Notes:* (1) The table only lists the major listed subsidiaries where CITIC Corporation Limited and CITIC Limited held or controlled equity interests.

(2) The shareholding percentages listed in the table were those of the direct shareholders.

Equity interests in other major domestic and overseas listed companies held or controlled by CITIC Group (as at the end of the reporting period)

| No. | Name of Invested Company | Stock Code | Shareholding (%) | Shareholder(s) |
|---|---|---|---|---|
| 1 | CITIC Limited | HK.0267 | 58.13% | CITIC Shengxing Co., Ltd. 32.53%<br>CITIC Shengrong Co., Ltd. 25.60% |

*Notes:* (1) The above table only lists the major listed subsidiaries where CITIC Group held or controlled equity interests.

(2) The shareholding percentages listed in the table were those of the direct shareholders.

### *(VI) Other Legal-Person Shareholders Holding 10% or More Shares of the Bank*

As at the end of the reporting period, there were no other legal-person shareholders that held 10% or more shares of the Bank except CITIC Corporation Limited.

# PREFERENCE SHARES

## I. Issuance and Listing of Preference Shares in the Recent Three Years

The Bank obtained the Reply of China Banking Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares and Amendments to the Articles of Association" (Yin Jian Fu [2015] No.540) on 1 September 2015 and the Reply of China Securities Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares (CSRC license [2016] No.1971) on 14 October 2016. The Bank made the private offering of 350 million domestic preference shares at RMB100.00 par value per share On 21 October 2016. The shares were issued at par at 3.80% initial coupon rate and with no maturity period. The Bank's 350 million preference shares, referred to as "CITIC Excellent 1" with the stock code of 360025, were listed on Shanghai Stock Exchange's Comprehensive Business Platform on 21 November 2016.

The above issuance of preference shares raised total proceeds of RMB35,000,000,000, which came to net proceeds of RMB34,954,688,113 after deduction of the issuance costs, taxes and other expenses, and was fully used to replenish other tier-one capital of the Bank. There was no unused balance of the proceeds.

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEX (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information.

## II. Number of Preference Shareholders and Their Shareholdings

As at both the end of reporting period and the close of the preceding month prior to the disclosure date of this announcement (i.e. 28 February 2017), the Bank recorded 31 accounts of preference shareholders. Information on the top 10 preference shareholders is set out in the table below.

*Unit: shares*

| No. | Name of shareholder (full name) | Nature of Shareholder | Changes in shareholding in the reporting period (+, -) | Number of shares held at the end of the period | Shareholding percentage | Class of shares held | Number of shares subject to restrictions on sale | Shares pledged or frozen | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Status | Quantity |
| 1 | China Mobile Communications Group Corporation | State – owned legal person | – | 43,860,000 | 12.53 | Onshore preference shares | – | – | – |
| 2 | China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai | other | – | 38,430,000 | 10.98 | Onshore preference shares | – | – | – |
| 3 | China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai | other | – | 38,400,000 | 10.97 | Onshore preference shares | – | – | – |
| 4 | China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal Insurance | other | – | 30,700,000 | 8.77 | Onshore preference shares | – | – | – |
| 5 | China Ping An Life Insurance Company Limited – Dividends – Dividends for Individual Insurance | other | – | 30,700,000 | 8.77 | Onshore preference shares | – | – | – |
| 6 | BOCOM International Trust Co., Ltd. – Jin Sheng Tian Li No. 1 single fund trust | other | – | 30,700,000 | 8.77 | Onshore preference shares | – | – | – |
| 7 | Puyin Ansheng Fund Company – SPDB – Shanghai Pudong Development Bank | other | – | 21,930,000 | 6.27 | Onshore preference shares | – | – | – |
| 8 | Xing Quan Rui Zhong Total Assets – Ping An Bank – Ping An Bank Co., Ltd | other | – | 15,350,000 | 4.39 | Onshore preference shares | – | – | – |
| 9 | Chuang Jin He Xin Fund – China Merchants Bank – China Merchants Bank Co., Ltd. | other | – | 10,960,000 | 3.13 | Onshore preference shares | – | – | – |
| 10 | Bank of Communications Schroder Fund – Minsheng Bank – China Minsheng Bank Co., Ltd | other | -15,350,000 | 8,770,000 | 2.51 | Onshore preference shares | – | – | – |
| | China Resources Shenzhen Investment Trust Co., Ltd. – No. 1 Single Investment Trust Fund | other | – | 8,770,000 | 2.51 | Onshore preference shares | – | – | – |

*Note:* (1) The shareholdings of preference shareholders were calculated based on the Bank's share register maintained with the preference-share registrar of the Bank.

(2) Note on connected relations or concerted actions of the above shareholders: Based on publically available information, the Bank came to the preliminary conclusion that there was connected relation between China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai and China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai and between China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal Insurance and China Ping An Life Insurance Company Limited – Dividends – Dividends for Individual Insurance. Except for these, the Bank was not aware of any connected relation or concerted action between the above-mentioned preference shareholders or between the above-mentioned preference shareholders and the top 10 ordinary shareholders.

## III. Dividend Distribution for Preference Shares

As at the end of the reporting period, the above-mentioned preference shares had not reached the dividend payment date. There was no profit distribution for these preference shares for the past three years as they were issued for less than one year.

Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest-bearing starting date shall be the payment date of the subscribed shares (i.e., 26 October 2016).

### *(I) Principles for Determining the Nominal Dividend Yield*

The above preference shares shall apply a nominal dividend yield subject to phase-specific adjustment, i.e., every five years as of the payment date of the subscribed shares constitutes an interest-bearing period and each period applies the same nominal dividend yield. The nominal dividend yield for the first interest-bearing period was set at 3.80% by way of inquiry.

The nominal dividend yield includes the benchmark interest rate and the fixed premium. The benchmark interest rate for the first interest-bearing period is the arithmetic mean (i.e., 2.50%, rounded to 0.01%) of the yields upon maturity of outstanding five-year government bonds contained in the yield curve (currently published on the China Bond Information Network www.chinabond.com.cn) that is prepared by China Securities Depository & Clearing Corporation Limited (CSDCC) (or relevant units that inherit its duties) for fixed-interest-rate government bonds at the CSDCC inter-bank market 20 trading days prior to the payment date (excluding the payment date) of the subscribed shares. The fixed premium was set at 1.30%, being the nominal dividend yield for the first interest-bearing period less the benchmark interest rate of 2.50% at the time of issue, and shall no longer be adjusted thereafter.

### *(II) Conditions for Dividend Payout*

The Bank may distribute dividends to the above-mentioned preference shareholders under the premise that the Bank meets the regulatory requirements on capital adequacy for commercial banks and at the same time has distributable after-tax profits after making up losses in accordance with the law, and making appropriations for the statutory surplus reserve and the general reserve. Dividends for the above-mentioned preference shareholders shall be paid prior to dividend payment to ordinary shareholders. Such dividend payment shall not be linked to the Bank's own ratings; neither shall it be adjusted when the Bank's ratings change.

The Bank has the right to revoke dividend payout to the above-mentioned preference shareholders, which action shall not constitute a breach of contract. The Bank shall have the discretion to use the revoked dividends to repay other matured debts. Revocation of dividend payout for preference shares does not constitute any other restrictions on the Bank except for the restriction on profit distribution to ordinary shares. The Bank will take the interests of the preference shareholders into full account when exercising such right.

The Board of Directors of the Bank will consider the plan on dividend payout for preference shares on an annual basis. When the Bank intends to revoke the dividend payout for preference shares in whole or in part, the Board of Directors will produce a clear resolution on the matter and submit it to the general meeting for deliberation and notify the preference shareholders of the same at least 10 working days prior to the date of dividend payout. If the Bank revokes the dividend payout for preference shares in whole or in part, the Bank will not distribute profits to ordinary shareholders between the date of the resolution of the general meeting and the resumption of full dividend payout to the preference shareholders.

### *(III) Dividend payment method*

Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest-bearing starting date shall be the payment date of the subscribed shares (i.e., 26 October 2016).

### *(IV) Non-cumulative dividends*

Dividends for the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend payout in the current year will not be accumulated to the next interest-bearing year.

### *(V) Non-participation in distribution of surplus profits*

Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of surplus profits together with the ordinary shareholders.

## IV. Redemption or Conversion of Preference Shares

No preference share of the Bank was redeemed or converted during the reporting period.

## V. Restoration of voting right of preference shares

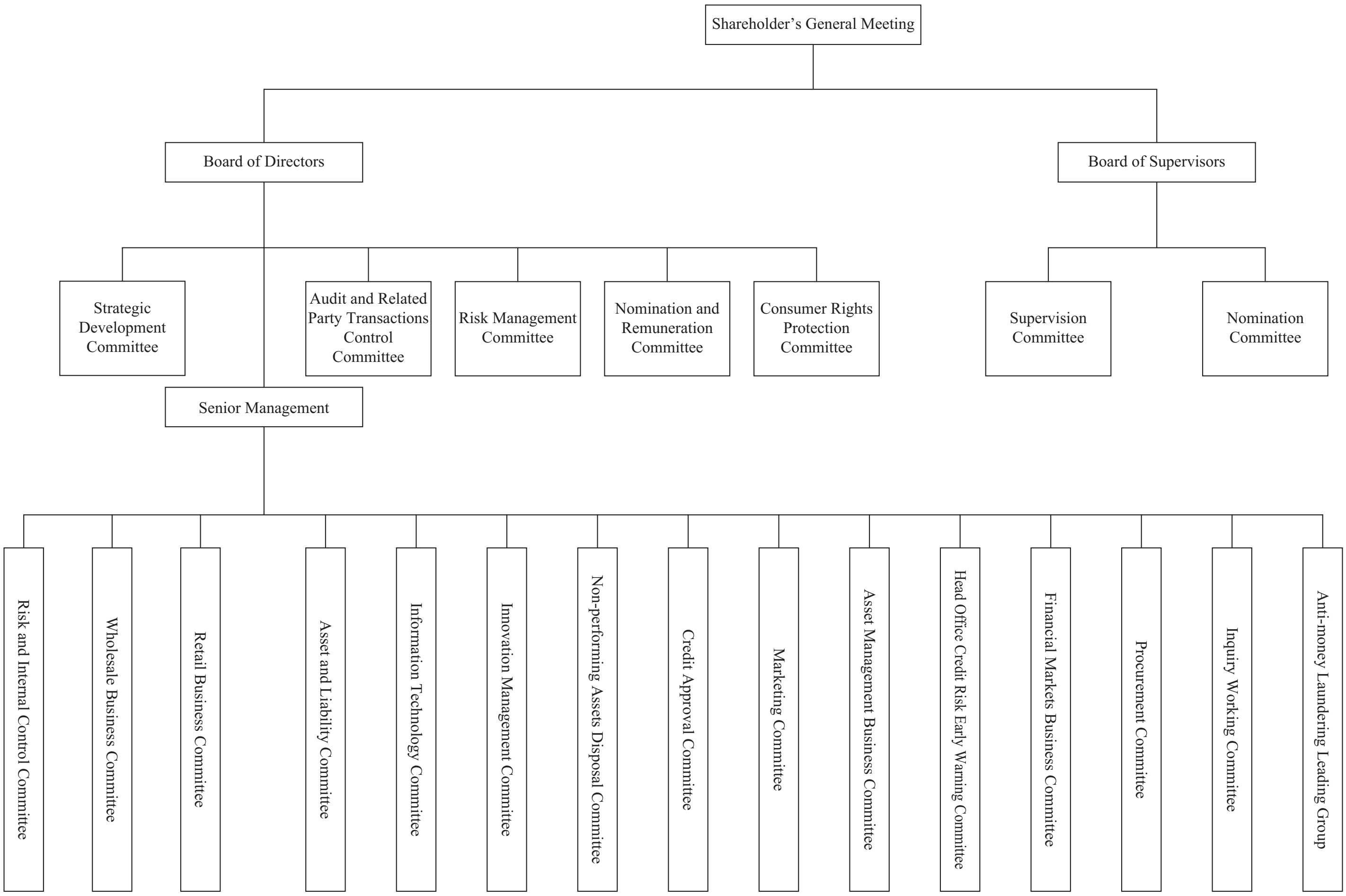
During the reporting period, the Bank did not have matters that restored the voting right of preference shares.

## VI. Accounting policies for preference shares and the underlying reasons

According to the relevant MOF requirements, namely, PRC Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments, and Distinguishing between Financial Liabilities and Equity Instruments and the Relevant Accounting Treatments, and pursuant to the principal terms of the preference share issuance, the above-mentioned preference shares are eligible to be classified as equity instrument. Hence, the Bank accounted for the preference shares as an equity instrument.

# CORPORATE GOVERNANCE REPORT

## I. Corporate Governance Structure




## II. Overall Profile of Corporate Governance

In 2016, the Bank confronted a complicated and grim business environment and an increasingly stringent regulatory environment but responded with calm. The Bank reinforced its research efforts for better judgment, innovated with an enterprising spirit, and conscientiously implemented government policies and requirements. These efforts paid off. Among others, the Bank was able to continuously improve corporate governance, further promote implementation of strategy, deepen business transformation, and push forward reform and development.

In the reporting period, the Bank further refined its corporate governance operating mechanism, smoothed the relations between the various actors of corporate governance, and reinforced support and safeguard measures for duty performance of the Board of Directors and the Board of Supervisors with multiple measures. The Board of Directors diversified its composition, further improved its specialized committees, expanded channels for directors to perform their duties and enhanced capacity building of directors for better performance. In addition, the Board of Directors played an active role of strategic guidance by driving forward business innovation and transformation. The total risk management system and internal control system were both improved, with the audit function able to carry out independent supervision and assessment. The Board of Supervisors took the initiative to enhance its own development and effectively performed its supervisory function by earnestly supervising areas such as internal control, risk, financials and duty performance.

To reinforce institutional development of corporate governance, the Bank reviewed and amended the rules of procedures of the Board of Directors and those of the board's specialized committees in combination with relevant regulatory requirements, laying an institutional foundation for scientific and effective operation of the Board of Directors and its specialized committees.

As a further support to duty performance of directors and supervisors, the Bank organized the directors and supervisors and the board secretary to participate in trainings sponsored by external organizations such as the SSE, CSRC Beijing Bureau and PwC and carry out surveys of its branches in the reporting period, recording 23 and 18 person-times participation, respectively.

There is no discrepancy between the Bank's institutional setup and operation of corporate governance and the corresponding requirements stipulated in the PRC Company Law and the regulations issued by the CSRC and the SEHK. Neither are there any significant outstanding corporate governance issues that the regulators have required to address.

## III. Information on the General Meeting, Board of Directors and Board of Supervisors

During the reporting period, the Bank held 1 annual general meeting, 1 extraordinary general meetings, 1 A shareholders class general meeting, 1 H shareholders class general meeting, 11 meetings of the Board of Directors (including 6 on-site meetings and 5 meetings for voting by correspondence), 8 meetings of the Board of Supervisors (all held on-site) and 33 meetings of the specialized committees under the two boards. These meeting were all convened in compliance with the procedures specified in the Articles of Association of the Bank.

## IV. The General Meeting

### *(I) The General Meeting and Shareholders' Rights*

*Responsibilities of the general meeting*

The general meeting is the Bank's organ of power. It is responsible for making decisions on the Bank's business guiding principles and investment plans, deliberating and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss remedy plans, deliberating and approving the use of financing proceeds for other than set purposes, electing and replacing directors as well as shareholder representative supervisors and external supervisors, deliberating and approving work reports of the Board of Directors and Board of Supervisors, producing resolutions on plans of the Banks on merger, division, dissolution, liquidation or change in the corporate form of the Bank, issue of debt securities or other valuable papers for the purpose of capital replenishment of the Bank as well as the listing thereof, repurchase of the Bank's ordinary shares, and amending the Bank's Articles of Association.

*Annual general meeting*

The annual general meeting of the Bank provides an effective communication platform between the shareholders and the Board of Directors. For the convening of a general meeting, the Bank shall issue a written notice 45 days prior to the date of the meeting, informing all shareholders on record of the matters to be deliberated as well as the date and venue of the meeting. Shareholders who intend to attend the meeting shall send their written reply slip to the Bank 20 days before the date of the meeting. Directors, supervisors and senior management members of the Bank shall attend the general meeting and answer shareholders' questions at the meeting. Domestic and overseas auditors engaged by the Bank shall also attend the general meeting and answer relevant questions related to external audit, audit reports and their contents, accounting policies and independence of auditors.

Unless otherwise provided for or arranged, shareholders of the Bank may vote by poll at the general meeting according to domestic and overseas regulatory rules. Details of the voting procedure shall be explained to the shareholders at the beginning of the meeting to ensure shareholders' familiarity with such procedures.

*Extraordinary general meeting*

In accordance with the Articles of Association of the Bank, extraordinary general meetings may be convened upon written request of shareholders that individually or jointly hold 10% or more of the Bank's voting shares (actual numbers of shares are calculated as per the shareholdings of the requesting shareholders on the date when such a written request is made). The Board of Directors, the Board of Supervisors and shareholders that jointly hold 3% or more of the Bank's shares are entitled to present to the Bank their proposals for the general meeting.

*Submitting proposals to the general meeting*

Shareholders that individually or jointly hold 3% or more of the Bank's shares may produce their interim proposals and submit them in writing to the convener of the general meeting 10 days prior to the meeting. Within two days after the receipt of such proposals, the convener shall issue supplementary notices for the general meeting to announce the contents of the proposals, and submit such interim proposals to the general meeting for deliberation.

*Convening of extraordinary meetings of the Board of Directors*

Extraordinary meetings of the Board of Directors may be convened when proposed by shareholders that represent 10% or more of the voting shares. The Chairman of the Board of Directors shall convene and preside over an extraordinary board meeting within 10 days as of the receipt of the proposal made by the shareholders that represent 10% or more of the voting shares.

*Making inquiries to the Board of Directors*

To make inquiries to the Board of Directors, shareholders are entitled to raise their concerns to the Board of Directors or the Bank via email to ir@citicbank.com or via other contacts as provided on the Bank's website. The Bank has published all of its announcements, press releases and useful company information on its website to improve information transparency.

### *(II) Convening of General Meetings during the Reporting Period*

During the reporting period, the Bank convened 1 annual general meeting, 1 extraordinary general meeting, 1 A shareholders class general meeting and 1 H shareholders class general meeting, where 27 proposals were adopted after deliberation. The Bank disclosed resolutions of the general meetings on the websites designated by the stock exchanges where the Bank is listed as well as the Bank's website.

On 17 March 2016, the Bank convened its 1st extraordinary general meeting in 2016. The Bank's executive director Mr. Sun Deshun presided over the meeting. Its non-executive director Mr. Zhang Xiaowei and independent non-executive directors Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew attended the meeting.

On 26 May 2016, the Bank held its 2015 annual general meeting, 1st A shareholders class general meeting in 2016 and 1st H shareholders class general meeting in 2016. The Bank's then executive director and president Ms. Li Qingping presided over the meetings. Independent non-executive directors Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew attended these meetings.

## V. Board of Directors

### *(I) Composition and Responsibilities of the Board of Directors*

The Board of Directors is the decision-making body of the Bank. The Board of Directors comprised 10 members, with Ms. Li Qingping as chairperson. Board members included 2 executive directors, namely, Ms. Li Qingping and Mr. Sun Deshun; 3 non-executive directors, namely, Mr. Chang Zhenming, Ms. Huang Fang and Mr. Wan Liming; and 5 independent non-executive directors, namely, Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew, Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun.

As per the Articles of Association of the Bank, the principal responsibilities of the Board of Directors of the Bank include the following: to convene the general meeting and make a work report to the meeting; to implement resolutions of the general meeting; to determine development strategies, business plans and investment plans of the Bank; to prepare the annual financial budget and final accounts of the Bank; to prepare profit distribution plans and loss remedy plans for the Bank; in accordance with the Articles of Association or within the scope of mandate authorized by the general meeting, to determine major investment, major asset acquisition and disposal and other major matters of the Bank; to prepare proposals for the increase or reduction of registered capital of the Bank; to prepare proposals for merger, division, dissolution, liquidation of the Bank or change in the corporate form of the Bank; to prepare proposals for the issue of debt securities or other valuable papers for the purpose of capital replenishment of the Bank as well as the listing thereof; to decide all the matters in relation to the issue of debt securities other than those issued for the purpose of capital replenishment of the Bank; to prepare proposals for repurchase of the Bank's ordinary shares; to prepare proposals for the amendment of the Bank's Articles of Association; to appoint or dismiss the president or board secretary of the Bank and determine their remunerations, rewards or punishments; according to nomination by the president, to appoint or dismiss vice president(s) and assistant president of the Head Office and other members of the senior management that the Board of Directors intends to appoint or remove, and to determine matters relating to their remunerations, rewards and punishments; to review and establish the basic management system and internal management framework of the Bank; to establish, improve and effectively implement the Bank's internal controls; to approve the Bank's internal audit charter, mid and long-term audit plans, annual audit work plan and internal audit system; to review and establish the codes and standards of the Bank, which shall specify the codes of conduct for management and business staff at all levels, require explicitly employees at all levels to promptly report the possible conflict of interests, define specific accountability terms and establish a corresponding mechanism to handle the same; to decide the establishment of domestic tier-one (directly controlled) branches, directly controlled institutions and overseas institutions; to decide the information disclosure policies and procedures of the Bank; to decide the information reporting system of the Bank and request the senior management to report operational matters of the Bank to it on a regular basis; to propose the appointment or removal of the accounting firms to the general meetings; to formulate procedures on management of related party transactions; to review and approve or to authorize the Audit and Related Party Transactions Control Committee under the Board of Directors to approve related party transactions (except for the related party transactions that should be approved by the general meeting in accordance with applicable laws); to report specifically on related party transactions and the implementation of the relevant procedures to the general meeting; to review and approve the proposals submitted by each specialized committee under the Board of Directors; according to the applicable regulatory requirements, to listen to the work reports of the president of the Bank and other members of senior management, and to monitor and ensure the effective discharge of their management responsibilities; to review and approve the rules of procedures of each committee of the Board of Directors; pursuant to regulatory requirements of the regulators of the banking industry under the State Council on financial statements consolidation, to assume final responsibility for the Bank's management of financial statements consolidation, to develop overall strategic guidelines for the Bank's financial statements consolidation, to review and supervise the formulation and implementation of specific plans on financial statements consolidation, and to establish a mechanism for regular review and assessment thereof; within the authorization conferred by the general meeting, to decide matters relating to the Bank's issued preference shares, including but not limited to deciding on whether to repurchase, convert or pay dividends; and to exercise any other authorities prescribed by laws, administrative regulations, rules or the Articles of Association or conferred by the general meeting.

The Board of Directors of the Bank has completed self-assessment of the effectiveness of its internal control design and operation. Please refer to "Internal Control Assessment" in this chapter for details.

### *(II) Meetings of the Board of Directors*

During the reporting period, the Board of Directors convened 11 meetings (including 6 on-site meetings and 5 meetings for voting by correspondence). The meetings deliberated and adopted 88 proposals including the proposals respectively regarding the Bank's 2015 Annual Report, 2015 Report on Internal Control Assessment, and 2016 Plan on Institutional Development, and listened to 16 presentations including the Bank's Report on 2015 Operating Results, Report on Strategic Implementation in 2015, and Report on Total Risk Management in the First Half of 2016. Significant events were all submitted to the on-site board meetings for deliberation under the prerequisite of not compromising compliance. Matters requiring voting by correspondence and eligible for the same as per the Corporate Governance Code were deliberated at the meetings for voting by correspondence. The attendance records of the directors at the board meetings in the reporting period are set out in the table below.

| Members of the Board of Directors | In-person attendance/number of meetings | Attendance by proxy/number of meetings |
|---|---:|---:|
| Li Qingping | 9/11 | 2/11 |
| Chang Zhenming | 9/11 | 2/11 |
| Sun Deshun | 11/11 | 0/11 |
| Huang Fang | 1/1 | 0/1 |
| Wan Liming | 4/5 | 1/5 |
| Wu Xiaoqing | 11/11 | 0/11 |
| Wong Luen Cheung Andrew | 11/11 | 0/11 |
| He Cao | 5/5 | 0/5 |
| Chen Lihua | 4/5 | 1/5 |
| Qian Jun | 0/0 | 0/0 |
| **Non-incumbent Directors** | | |
| Li Zheping | 5/6 | 1/6 |
| Yuan Ming | 3/6 | 3/6 |
| Zhang Xiaowei | 7/7 | 0/7 |
| Zhu Xiaohuang | 10/11 | 1/11 |

### *(III) Responsibility Statement of the Board of Directors on the Financial Report*

The following statement, which sets out the responsibilities of the Board of Directors to the financial report, should be read in conjunction with, but distinguished from, the auditor's opinion as set out in the financial statements contained herein.

The directors acknowledge that they are responsible for preparing the financial statements of the Bank that give a true view of the operating results of the Bank for each financial year. The directors are not aware of any events or conditions that could have material adverse impact on the Bank's on-going operation.

### *(IV) Independence of Independent Non-Executive Directors and Their Performance of Duties*

The independent non-executive directors of the Bank have no business or financial interests in the Bank or its subsidiaries, nor do they assume any managerial positions in the Bank. Therefore, their independence is well guaranteed. The Bank has received an annual confirmation letter from each independent non-executive director confirming his/her independence, and recognized his/her independence as such.

The independent non-executive directors of the Bank, by attending the general meetings as well as meetings of the Board of Directors and its specialized committees and actively giving their opinions, effectively performed their duties. They also enhanced their understanding of business development of the branches by multiple means including field surveys and symposiums.

The independent non-executive directors of the Bank kept enhancing their own capacity for duty discharge. Among others, they communicated with the management for better understanding of relevant presentations and proposals prior to each board meeting. They also took the initiative to participate in various trainings organized by the regulators to understand regulatory trends and requirements, deepen the learning of regulatory policies, and improve capacity building for duty discharge.

The Audit and Related Party Transactions Control Committee, the Nomination and Remuneration Committee and the Consumer Rights Protection Committee under the Board of Directors were all chaired by independent non-executive directors and comprised entirely of independent non-executive directors. According to the Regulations of China CITIC Bank Corporation Limited on the Work of Independent Directors with regard to Its Annual Report, the independent non-executive directors of the Bank communicated with the auditors and fully performed their role of independent supervision. During the reporting period, the independent non-executive directors did not raise any objections to the proposals of either the Board of Directors or its specialized committees.

The independent non-executive directors of the Bank raised relevant comments and suggestions regarding the Bank's operation and management, business development, strategic planning, profit distribution, remunerations of senior management, risk management and related party transactions. The Bank attached great importance to such inputs and implemented them in accordance with its real situations. For information regarding independent non-executive directors' attendance of the general meetings during the reporting period, please refer to "Convening of General meetings during the Reporting Period" in this chapter.

### *(V) Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers*

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules of SEHK (the "Model Code") to regulate the securities transactions conducted by its directors and supervisors. The Bank has made specific enquiry of all directors and supervisors in this regard. All directors and supervisors confirmed that they had strictly complied with the provisions set out in the Model Code throughout the reporting period.

### *(VI) The Board of Directors' Deliberation of the Social Responsibility Report*

The Board of Directors deliberated the 2016 Social Responsibility Report of China CITIC Bank Corporation Limited as a separate proposal and had no objection to the content of the report.

## VI. Specialized Committees under the Board of Directors

As at the end of the reporting period, there were 5 specialized committees under the Board of Directors, namely, the Strategic Development Committee, the Audit and Related Party Transactions Control Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Consumer Rights Protection Committee.

### *(I) Strategic Development Committee*

The Bank's Strategic Development Committee comprised 4 directors, with chairperson and executive director Ms. Li Qingping as committee chairperson, and Mr. Chang Zhenming, Mr. Sun Deshun and Mr. Qian Jun as members. Its principal responsibilities include: to study the Bank's operation and management targets, long-term development strategy, and special strategic development plans respectively prepared for human resources, information technology and other areas, and make recommendations to the Board of Directors; to study programs for major cooperation, investment, financing, and merger and acquisition, and make recommendations to the Board of Directors; and to supervise and examine the implementation of annual business plans and investment programs as authorized by the Board of Directors.

During the reporting period, the Strategic Development Committee convened 6 meetings, adopted 29 proposals including the proposals respectively regarding the Bank's 2016 Business Plan, 2016 Financial Budget, 2016 Plan for Institutional Development and Program for Development of Information Technology, Science and Technology during the 13th Five-Year Plan Period, and listened to 1 presentation on the Bank's Report on Assessment of Strategic Implementation in 2015. The attendance records of the Strategic Development Committee members at the committee meetings during the reporting period are set out in the table below.

| **Incumbent Members** | **In-person attendance/number of meetings** | **Attendance by proxy/number of meetings** |
|---|---|---|
| Li Qingping | 4/6 | 2/6 |
| Chang Zhenming | 4/6 | 2/6 |
| Sun Deshun | 6/6 | 0/6 |
| Qian Jun | 0/0 | 0/0 |
| **Non-incumbent Directors** | | |
| Zhu Xiaohuang | 5/6 | 1/6 |

### *(II) Audit and Related Party Transactions Control Committee*

The Bank's Audit and Related Party Transactions Control Committee comprised 4 directors, with independent non-executive director Ms. Wu Xiaoqing as chairperson, and Mr. Wong Luen Cheung Andrew, Mr. He Cao and Mr. Qian Jun as members. The principal responsibilities of the Audit and Related Party Transactions Control Committee include the following: to inspect the risk profile and compliance status, accounting policies and practices, financial reporting procedures, and financial position of the Bank; to review the financial monitoring, internal control and risk management systems of the Bank; to study the related party transactions system and make recommendations to the Board of Directors; and to supervise implementation of the related party transaction system.

During the reporting period, the Audit and Related Party Transactions Control Committee convened 11 meetings. At the meetings, the committee reviewed and adopted 28 proposals including the proposals regarding the Bank's periodic reports, credit extension to related parties, engagement of auditors for 2016 and their remunerations, and amendment of the criteria for identification of internal control defects, and listened to 4 presentations respectively regarding the 2015 operating results, operating results of the first half of 2016, regulatory trends relating to wealth management and the relevant recommendations thereof, and operating results of the 3rd quarter of 2016. The attendance records of the Audit and Related Party Transactions Control Committee members at the committee meetings during the reporting period are set out in the table below.

| **Incumbent Members** | **In-person attendance/number of meetings** | **Attendance by proxy/number of meetings** |
|---|---:|---:|
| Wu Xiaoqing | 11/11 | 0/11 |
| Wong Luen Cheung Andrew | 11/11 | 0/11 |
| He Cao | 2/2 | 0/2 |
| Qian Jun | 0/0 | 0/0 |
| **Non-incumbent members** | | |
| Yuan Ming | 4/6 | 2/6 |

During the preparation and audit of the Bank's 2016 Annual Report, the Audit and Related Party Transactions Control Committee reviewed the audit time frame and progress schedule of the external auditors, checked on and supervised external auditors' work by means of listening to presentations and arranging symposiums. The committee reviewed the Bank's financial statements twice, the first time before the certified public accountants (CPAs) responsible for the annual audit arrived at the premise, and the second time after the CPAs produced their preliminary audit opinion. In addition, the committee carried out multiple rounds of adequate communication with the CPAs responsible for the annual audit. The Audit and Related Party Transactions Control Committee convened a meeting on 16 March 2017, opining that the financial statements gave a true, accurate and complete view of the overall situation of the Bank. Based on its review of the external auditor's summary report on the annual audit plus its comprehensive objective assessment of the performance and professional quality of the audit assignment, the committee gave the consent that the Bank continue to engage PricewaterhouseCoopers as its domestic auditor and PricewaterhouseCoopers Hong Kong as its overseas auditor in 2017, and decided to submit these matters to the Board of Directors for further deliberation.

### *(III) Risk Management Committee*

The Bank's Risk Management Committee comprised 4 directors, with executive director Mr. Sun Deshun as chairman, and Ms. Li Qingping, Ms. Wu Xiaoqing and Mr. Qian Jun as members. The principal responsibilities of the committee include the following: to supervise senior management's risk control on credit, liquidity, market, operation, compliance and reputation; to evaluate risk preference, credit policy, policies on management of liquidity risk, market risk, operation risk, compliance risk and reputation risk, lawfulness and compliance of business operation, risk management status and risk tolerance of the Bank on a regular basis; and to advise the Board of Directors on how to improve risk management and internal control of the Bank.

During the reporting period, the Risk Management Committee convened 3 meetings where it deliberated and adopted 10 proposals including the proposals respectively regarding the Bank's 2015 Report on Disclosure of Capital Adequacy Ratios, 2015 Report on Internal Assessment of Capital Adequacy, 2016 Risk Preference Statement, Policy on Compliance Risk Management and Administrative Measures for Management of Liquidity Risk, and listened to 9 presentations including the Bank's 2015 Report on Total Risk Management, 2015 Report on Implementation of Financial Statements Consolidation Management, and Report on Risk Management in the 3rd Quarter of 2016.

The attendance records of the Risk Management Committee members at the committee meetings during the reporting period are set out in the table below.

| **Incumbent Members** | **In-person attendance/number of meetings** | **Attendance by proxy/number of meetings** |
|---|---|---|
| Sun Deshun | 3/3 | 0/3 |
| Li Qingping | 3/3 | 0/3 |
| Wu Xiaoqing | 3/3 | 0/3 |
| Qian Jun | 0/0 | 0/0 |
| **Non-incumbent members** | | |
| Zhu Xiaohuang | 2/3 | 1/3 |

### *(IV) Nomination and Remuneration Committee*

As at the end of the reporting period, the Bank's Nomination and Remuneration Committee comprised 4 directors, with independent non-executive director Mr. Wong Luen Cheung Andrew as chairman, and Ms. Wu Xiaoqing, Ms. Chen Lihua and Mr. Qian Jun as members. Principal responsibilities of the Nomination and Remuneration Committee are the following: to assist the Board of Directors in formulating the procedures and standards for electing the directors and senior management members that are for the Board of Directors to appoint and remove; to advise the Board of Directors on candidates of independent non-executive directors; to deliberate the remuneration management rules and policies of the Bank; to formulate the performance review measures and remuneration schemes for the directors and senior management, and to make recommendations on the remuneration schemes to the Board of Directors and supervise the implementation of such schemes.

During the reporting period, the Nomination and Remuneration Committee convened 8 meetings which deliberated and adopted via voting by poll 15 proposals including the proposals respectively regarding the nomination of the following: candidates for independent non-executive directors of the fourth session of the Board of Directors, members of each of the Audit and Related Party Transactions Control Committee and the Consumer Rights Protection Committee of the fourth session of the Board of Directors, president and CFO of the Bank, and board secretary of the Bank, and proposals respectively regarding the final accounts of employee remunerations and the plan for payment of remunerations to senior management members. The attendance records of the Nomination and Remunerations Committee members at the committee meetings during the reporting period are set out in the table below.

| **Incumbent Members** | **In-person attendance/number of meetings** | **Attendance by proxy/number of meetings** |
|---|---|---|
| Wong Luen Cheung Andrew | 8/8 | 0/8 |
| Wu Xiaoqing | 8/8 | 0/8 |
| Chen Lihua | 2/2 | 0/2 |
| Qian Jun | 0/0 | 0/0 |
| **Non-incumbent members** | | |
| Yuan Ming | 3/4 | 1/4 |

According to the regulatory requirements of the CSRC and division of duties for corporate governance purpose, the Nomination and Remuneration Committee under the Board of Directors studied and examined the remuneration scheme for the Bank's senior management and supervised its implementation. The committee was of the view that the senior management of the Bank performed its fiduciary duties and due diligence in 2016 within its scope of mandates as specified in relevant laws and regulations and the Bank's Articles of Association, and as guided and authorized by the Board of Directors and supervised by the Board of Supervisors, which in turn further increased corporate value and shareholder value of the Bank. Upon review, the committee further held that the remunerations for directors, supervisors and senior management members as disclosed by the Bank were consistent with relevant remuneration policies and schemes and in compliance with applicable information disclosure standards required of listed issuers by domestic and overseas regulators. The committee confirmed that the Bank did not have any share incentive scheme as at the end of the reporting period.

During the reporting period, the Nomination and Remuneration Committee performed the nomination procedure for directors and senior management members in line with the its rules of procedures, including: reviewing the qualifications of the nominated candidates in terms of their independence, expertise, experiences and capabilities; reviewing the structure, size and composition of the Board of Directors (including skills, knowledge and experience) at least on an annual basis; and making recommendations on any proposed changes of the Board of Directors to match the Bank's development strategy.

### *(V) Consumer Rights Protection Committee*

In 2015, the Risk Management Committee under the Board of Directors of the Bank added consumer rights protection to its responsibilities. In October 2016, in combination with the Bank's real situation, the Board of Directors of the Bank established its Consumer Rights Protection Committee and adjusted the consumer rights protection responsibility from the Risk Management Committee to the Consumer Rights Protection Committee.

The Bank's Consumer Rights Protection Committee comprised 3 directors, with independent non-executive director Ms. Chen Lihua as chairperson, and Ms. Wu Xiaoqing and Mr. He Cao as members. Principal responsibilities of the Consumer Rights Protection Committee include the following: to formulate the Bank's strategies, policies and objectives of consumer rights protection; to urge the senior management to effectively implement relevant work of consumer rights protection; and to supervise and assess the Bank's consumer rights protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties.

The Consumer Rights Protection Committee did not convene any meeting during the reporting period.

## VII. Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the general meeting. The Board of Supervisors comprised 8 members. Mr. Cao Guoqiang was the chairman. Other members of the Board of Supervisors included 1 shareholder representative supervisor, namely, Mr. Shu Yang; 3 external supervisors, namely, Ms. Wang Xiuhong, Mr. Jia Xiangsen and Mr. Zheng Wei; and 3 employee representative supervisors, namely, Mr. Cheng Pusheng, Ms. Wen Shuping and Mr. Ma Haiqing.

During the reporting period, the Board of Supervisors held 8 meetings, at which the supervisors deliberated 18 proposals including the proposals regarding the Bank's periodical reports, profit distribution plan, internal control assessment report, social responsibility report., and report on duty performance of the directors, supervisors and senior management members, and listened to 12 presentations mainly about the Bank's operating results, total risk management, and rectification of issues notified by the CBRC and implementation of regulatory opinions. As such, the Board of Supervisors effectively supervised key proposals/items and thereby successfully performed its duty of deliberation and supervision. In addition, the Board of Supervisors carried out supervisory inspections of the Bank's operation and management activities by attending Board of Directors meetings as non-voting delegates, conducting field studies at branches and sub-branches, and reviewing various documents.

The attendance records of the Board of Supervisors at the board meetings during the reporting period are set out in the table below.

| Incumbent Members | In-person attendance/number of meetings | Attendance by proxy/number of meetings |
|---|---|---|
| Cao Guoqiang | 7/8 | 1/8 |
| Shu Yang | 6/8 | 2/8 |
| Wang Xiuhong | 5/8 | 3/8 |
| Jiang Xiangsen | 7/8 | 1/8 |
| Zheng Wei | 7/8 | 1/8 |
| Cheng Pusheng | 8/8 | 0/8 |
| Wen Shuping | 7/8 | 1/8 |
| Ma Haiqing | 6/8 | 2/8 |

## VIII. Specialized Committees under the Board of Supervisors

The Supervision Committee and the Nomination Committee are the specialized committees set up under the Board of Supervisors.

### *(I) Supervision Committee*

The Supervision Committee of the Bank's Board of Supervisors comprised 4 supervisors, with Mr. Shu Yang as chairman, and Mr. Jiang Xiangsen, Mr. Zheng Wei and Mr. Ma Haiqing as members. Primary responsibilities of the committee include the following: to draft programs on supervision of the Bank's financial activities and inspect the implementation thereof, to supervise the Board of Directors in the establishment of prudent business concepts and value propositions and the formulation of development strategies consistent with the Bank's real situations, and to carry out supervisory inspections of the Bank's business decisions, risk management and internal control.

During the reporting period, the Supervision Committee convened 4 meetings and adopted 7 proposals mainly regarding the Bank's periodical reports, profit distribution plan, internal control assessment report, and social responsibility report. The attendance records of the Supervision Committee members at the committee meetings during the reporting period are set out in the table below.

| Incumbent Members | In-person attendance/number of meetings | Attendance by proxy/number of meetings |
|---|---|---|
| Shu Yang | 4/4 | 0/4 |
| Jia Xiangsen | 4/4 | 0/4 |
| Zheng Wei | 4/4 | 0/4 |
| Ma Haiqing | 3/4 | 1/4 |

### *(II) Nomination Committee*

The Nomination Committee of the Bank's Board of Supervisors comprised 4 supervisors, with Ms. Wang Xiuhong as chairperson, and Mr. Shu Yang, Mr. Cheng Pusheng and Ms. Wen Shuping as members. Primary responsibilities of the committee include the following: to draft procedures and standards on selecting and appointing candidate supervisors elected by the general meetings, and to carry out preliminary review of the qualifications for office of such candidate supervisors and put forward corresponding recommendations. Employee supervisors of the Bank are democratically elected or dismissed by employees of the Bank.

During the reporting period, the Nomination Committee of the Board of Supervisors convened 1 meeting and adopted 6 proposals including the proposal regarding the report on assessment of duty performance on the part of the directors, supervisors, executives as well as the Board of Directors, the Board of Supervisors and senior management of the Bank. The attendance records of Nomination Committee members at the committee meetings during the reporting period are set out in the table below.

| Incumbent Members | In-person attendance/number of meetings | Attendance by proxy/number of meetings |
|---|---|---|
| Wang Xiuhong | 1/1 | 0/1 |
| Shu Yang | 1/1 | 0/1 |
| Cheng Pusheng | 1/1 | 0/1 |
| Wen Shuping | 1/1 | 0/1 |

## IX. Independent Opinions of the Board of Supervisors on Relevant Matters

### *(I) Compliance of Business Operation*

The Bank conducted its business in accordance with the PRC Company Law, the PRC Commercial Banks Law and its own Articles of Association. Its decision-making procedures were lawful and valid. No violations of laws and regulations or the Articles of Association, or acts that would impair interests of the Bank and its shareholders were identified on the part of the directors or senior management members in their course of duty performance.

### *(II) Truthfulness of the Financial Report*

The 2016 financial report gives a true, objective and accurate view of the financial position and operating results of the Bank.

### *(III) Use of Proceeds*

During the reporting period, the actual use of proceeds was consistent with the purposes stated in the Bank's prospectuses for IPO and rights issue.

### *(IV) Acquisition and Disposal of Assets*

During the reporting period, the Board of Supervisors was not aware of any asset acquisition or disposal by the Bank that might result in the impairment of the interests of the shareholders or loss of the Bank's assets, or would constitute insider trading.

### *(V) Related Party Transactions*

During the reporting period, the Board of Supervisors was not aware of any related party transactions that might result in the impairment of the interests of the Bank or its shareholders.

### *(VI) Implementation of Resolutions Adopted at the General Meetings*

The Board of Supervisors had no objections to the reports and proposals that the Board of Directors submitted to the general meetings for consideration during the reporting period. The Board of Supervisors supervised the implementation of the resolutions adopted at the general meetings and held that the Board of Directors diligently implemented the relevant resolutions adopted at the general meetings.

### *(VII) The Board of Supervisors' Deliberation of the Social Responsibility Report*

The Board of Supervisors deliberated the 2016 Social Responsibility Report of China CITIC Bank Corporation Limited and had no objections to the content of the report.

## X. Senior Management

The senior management is the executive arm of the Bank accountable to the Board of Directors. There is strict division of duties and separation of power between the Bank's senior management and the Board of Directors. As authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate. The Board of Directors evaluates the performance of the senior management, the results of which shall be used as the basis for determining remunerations and other incentive arrangements for the senior management. The senior management should truthfully report to the Board of Directors or the Board of Supervisors, on a regular basis or as required by the Board of Directors or the Board of Supervisors, information regarding the Bank's business performance, important contracts, financial positions, risk profiles, business prospect and significant events.

The Bank's senior management comprised 7 members.

## XI. Establishment and Implementation of Performance Evaluation and Incentive Mechanisms for Senior Management

The Bank has set up its mechanism for annual performance evaluation of the senior management, which assesses the senior management's attainment of operation targets and ability to discharge duties. Results of the annual performance evaluation are used as important basis for determining the executives' remunerations, appointment or removal, work rearrangement, exchange, and participation in trainings.

## XII. Chairperson and President

During the reporting period, the Bank separated the positions of its chairperson and president. Ms. Li Qingping was Chairperson of the Bank since July 2016, succeeding former chairman Mr. Chang Zhenming. She was responsible for presiding over general meetings, convening and presiding over the Board of Directors' meetings and examining the implementation of board resolutions and other relevant matters. Mr. Sun Deshun was President of the Bank since July 2016, succeeding former president Ms. Li Qingping. He was responsible for implementing board resolutions and leading the Bank in its business operation and management and other relevant matters. The division of duties between the chairperson and president of the Bank was clearly defined and in compliance with the Hong Kong Listing Rules.

## XIII. Company Secretary

By the disclosure date of this announcement, the Bank engaged, externally, Ms. Wendy Kam (FCS, FCIS) as the joint company secretary of the Bank. The main contact person of Ms. Wendy Kam in the Bank is Mr. Lu Wei, the Board Secretary and joint company secretary of the Bank. The contact information of Mr. Lu Wei is Tel: +86-10-85230010, Fax: +86-10-85230079.

## XIV. Management of Related Party Transactions

In the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the regulatory requirements of CBRC, CSRC, SSE and SEHK. In order to build a sound standard management system for related party transactions, the Bank made further amendments to its regulations on management of related party transactions, optimized the management process, reinforced routine monitoring, statistics and analysis of related party transactions, promoted the construction of the related party transactions management system, conscientiously fulfilled its obligations of reviewing, approving and disclosing related party transactions, and ensured continuous effective operation of the management mechanisms.

The Bank made continuous efforts to improve its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the management, and division of duties among business units. Relevant units of the Bank at all levels stringently performed their obligations of reviewing, approving and disclosing related party transactions, reported material related party transactions to the Board of Directors for deliberation on a case-by-case basis, disclosed such transactions and filed them with the CBRC and the Board of Supervisors for record in a timely manner. The Audit and Related Party Transactions Control Committee under the Board of Directors consisted fully of independent non-executive directors who carried out preliminary review of material related party transactions and expressed independent opinions on behalf of minority shareholders to ensure that such transactions were made in the overall interests of the Bank and its shareholders.

The Bank amended its Measures for Management of Related Party Transactions to specify the management process and reinforce coordination and cooperation between front, middle and back offices in the course of such management. In line with regulatory focuses, the Bank detailed the process charts for management of related legal persons, related natural persons, credit extension related party transactions, non-credit extension related party transactions, and caps for related party transactions. These efforts enabled the Bank's regulations greater operability and provided institutional guarantee for compliant conduct of related party transactions.

The Bank strictly executed cap management of related party transactions, controlled the concentration of related credit extension, reinforced the statistics, monitoring and analysis of related party transactions, and filed relevant information with the Audit and Related Party Transactions Control Committee under the Board of Directors on a regular basis. Timely sorting and updating made management of related party transactions more proactive and forward looking. The reminding, statistical and analytical roles of related party information in routine management of related party transactions were reinforced to ensure effective identification of related party transactions, consolidate the foundation for management of such transactions and effectively prevent the non-compliance risk of related party transactions.

The Bank sped up the development of its related party transactions management system. The electronic platform improved management efficiency of related party transactions, enhanced statistics and monitoring of transaction data, and enabled more refined management of such transactions. All these were conducive to effective risk control and compliant conduct of related party transactions.

## XV. Statement on Horizontal Competition and Related Party Transactions

The Bank has not been involved in any horizontal competition or related party transactions resulting from partial restructuring, characteristics of particular industries, government policies or mergers and acquisitions.

## XVI. Independence from the Controlling Shareholder

The Bank is fully independent from the controlling shareholder in business operation, personnel, assets, organizational setup and financial matters, maintains independent and complete business separate from that of its controlling shareholder and is capable of independent business operation.

In terms of business, the Bank has a complete business structure and capability to operate directly on the market in an independent manner and is engaged independently in business operation within its authorized business scope, without interference or control by its controlling shareholder or any other related parties, and free of any adverse impact on the independence and completeness of its operating autonomy as a result of its related relationship with its controlling shareholder and other related parties.

In terms of personnel, the Bank has its own independent labor, personnel and payroll management systems. None of the members of the Bank's senior management has taken any position in the controlling shareholder or any other entities controlled by the controlling shareholder; neither has any member of the financial staff of the Bank taken any position concurrently in the controlling shareholder or any other entities controlled by the controlling shareholder.

In terms of assets, the Bank has the ownership or use right of the land and buildings as well as intellectual property rights such as trademarks and domain names that are related to its business operation.

In terms of financial matters, the Bank has established its own independent accounting and finance department, independent accounting system and independent financial management framework for independent financial decision making. It has set up its own bank account according to law and shares no bank account with its controlling shareholder. The procedures and requirements in relation to the controlling shareholder's opening of accounts with the Bank are identical to those applicable to any other third party that has opened accounts with the Bank, and the accounts of the controlling shareholder are completely separated from the fund and accounts of the Bank.

In terms of institutional structure, the Bank has established the general meeting, the Board of Directors and the Board of Supervisors, and set up business and management departments as required by its business operation and management. The Bank exercises its discretion on business operation and management independently, and is free from any mix of institutional structure with its controlling shareholder.

## XVII. Independent Non-Executive Directors' Statement on Undertakings Made by CITIC Group and CIFH under the Non-competition Deed

CITIC Group transferred its 70.32% equity interest in CIFH to the Bank on 23 October 2009, thus releasing CIFH from all obligations under the Non-Competition Deed.

The independent non-executive directors of the Bank came to a conclusion on the non-competition undertakings of CITIC Group, holding that CITIC Group honored its non-competition undertakings during the reporting period. CITIC Group produced a statement on performance of its non-competition undertakings under the Non-Competition Deed it entered into with the Bank on 13 March 2007.

## XVIII. Development and Review of Corporate Governance Policies and Practices

The Board of Directors attached great importance to the establishment and improvement of internal rules and regulations relating to corporate governance. In the reporting period, the Bank amended some of these rules and regulations in line with its own real situations and relevant regulatory requirements, including the Rules of Procedures of the Board of Directors, Rules of Procedures of the Strategic Development Committee under the Board of Directors, Rules of Procedures of the Risk Management Committee under the Board of Directors, Rules of Procedures of the Audit and Related Party Transactions Control Committee under the Board of Directors, Rules of Procedures of the Nomination and Remunerations Committee under the Board of Directors, Measures for Management of Related Party Transactions and Measures for Management of Information Disclosure.

As per relevant regulatory requirements, the Bank also formulated a series of policies and regulations, including the Rules of Procedures of the Consumer Rights Protection Committee under the Board of Directors and Administrative Measures on Suspension and Exemption of Information Disclosure. This was an effective improvement to the Bank's regulations on corporate governance and helped lay a sound foundation for scientific effective operation of the Board of Directors and its specialized committees and better disclosure of information.

## XIX. Review and Supervision of Training and Continuing Professional Development of Directors, Supervisors and Senior Management Members

The Board of Directors kept urging the directors and senior management members to participate in relevant trainings for better professional development in general and for directors to enhance their comprehensive quality and capacity for duty performance in particular. During the reporting period, in accordance with CSRC and CBRC requirements, the Board of Directors arranged relevant directors to participate in trainings for directors organized by the CSRC Beijing Bureau. These trainings achieved very good results. At the same time, to meet SEHK requirements on continuing professional development of directors during the reporting period, the Bank subscribed for learning materials including *21st Century Directors* and *Momentum* for its directors, supervisors and senior management members.

The Bank's incumbent and current-period non-incumbent directors, supervisors, and board secretary received the following external trainings:

| Name | Title | Trainer | Training Model | Training Duration (day) |
|---|---|---|---|---|
| Li Qingping | Chairperson, Executive Director | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Chang Zhenming | Non- executive Director | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Sun Deshun | Executive Director, President | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Huang Fang | Non- executive Director | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Wan Liming | Non- executive Director | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Wu Xiaoqing | Independent Non-executive Director | PwC China Finance Academy | Concentrated lecturing, workshop | 2 |
| Wong Luen Cheung Andrew | Independent Non-executive Director | PwC China Finance Academy | Concentrated lecturing, workshop | 1 |
| He Cao | Independent Non-executive Director | SSE PwC China Finance Academy | Concentrated lecturing, workshop | 3 |
| Chen Lihua | Independent Non-executive Director | SSE PwC China Finance Academy | Concentrated lecturing, workshop | 3 |
| Zhu Xiaohuang | Non- executive Director (non-incumbent) | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Zhang Xiaowei | Non-executive Director (non-incumbent) | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Cao Guoqiang | Chairman of the Board of Supervisors | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Shu Yang | Shareholder Representative Supervisor | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Jia Xiangsen | External Supervisor | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Wen Shuping | Employee Representative Supervisor | CSRC Beijing Bureau | Concentrated lecturing | 1 |
| Lu Wei | Secretary to the Board of Directors | SSE | Concentrated lecturing | 5 |

As per relevant regulatory requirements, the Bank compiled the *Correspondence for Directors and Supervisors* and *References for Directors and Supervisors* on both regular and non-regular basis to help the directors and supervisors gain a comprehensive understanding of the business momentum, strategic implementation, risk control, internal control and compliance of the Bank. The directors reviewed the reports and other written materials provided to them regarding latest developments in the Bank's business operation and the banking industry as well as relevant legal and regulatory requirements. Below is a summary of the incumbent directors' continuing professional development during the reporting period.

| Name | Trainings on business, director duties and corporate governance | Monthly updates and other reading materials on latest developments in the Bank's business operation and the banking industry as well as relevant legal and regulatory requirements |
|---|---|---|
| Li Qingping *(Chairperson, Executive Director)* | ✓ | ✓ |
| Chang Zhenming *(Non-executive Director)* | ✓ | ✓ |
| Sun Deshun *(President, Executive Director)* | ✓ | ✓ |
| Huang Fang *(Non-executive Director)* | ✓ | ✓ |
| Wan Liming *(Non-executive Director)* | ✓ | ✓ |
| Wu Xiaoqing *(Independent Non-executive Director)* | ✓ | ✓ |
| Wong Luen Cheung Andrew *(Independent Non-executive Director)* | ✓ | ✓ |
| He Cao *(Independent Non-executive Director)* | ✓ | ✓ |
| Chen Lihua *(Independent Non-executive Director)* | ✓ | ✓ |
| Qian Jun *(Independent Non-executive Director)* | ✓ | ✓ |

Mr. Lu Wei, Board Secretary and Company Secretary of the Bank participated in relevant professional trainings organized by the regulators, completing more than 15 hours training during the reporting period, compliant with relevant regulatory requirements of SEHK.

## XX. Review and Supervision of the Company's Policies and Practices for Compliance with Legal and Regulatory Requirements

The Board of Directors attaches great importance to the Bank's compliance with domestic and overseas laws and regulations and regulatory requirements. With the Compliance Policies of China CITIC Bank considered and adopted by the Board of Directors, the Bank established and improved bank-wide compliance risk management framework, and clarified responsibilities for compliance risk management. This not only guaranteed lawful compliant operation of the Bank in accordance with laws and regulations but also played an important role in publicizing the compliance concept and promoting a compliance culture in the Bank.

## XXI. Formulation and Review of the Code of Conduct for Employees and Directors of the Bank and the Compliance Supervision thereof

To regularize employee conduct and improve employee quality, the Bank formulated its Employee Code of Conduct under the guidance of the Board of Directors, stipulating professional ethics, professional discipline, professional image, office environment, and work atmosphere of its employees to encourage compliance with the code of conduct.

In the reporting period, the Bank re-examined and amended its Rules of Procedures of the Board of Directors and the rules of procedures of the specialized committees under the board taking into account the latest regulatory requirements. The amended rules of procedures further defined the requirements on directors regarding their duty performance and facilitated the directors to play a better professional role. In addition, the Bank strictly implemented its Handbook on Duty Performance of Directors and Supervisors, enhancing such performance management in accordance with the corresponding provisions set out in the handbook.

## XXII. Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code, set out in Appendix 14 to the Listing Rules of SEHK throughout the year ended 31 December 2016, except for the following:

According to Code A.1.3 of the Corporate Governance Code, the meeting notice of the Board of Directors shall be given at least 14 days before each regular board meeting, while a 10-day notice to directors and supervisors shall be given for regular board meetings according to Article 176 of the Articles of Association. The Bank adopted the 10-day prior notice for regular board meetings in its Articles of Association because a 10-day prior notice is deemed sufficient according to applicable PRC laws.

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend the general meetings of the Bank due to other work arrangements. Please refer to "Corporate Governance Report: Convening of General Meetings during the Reporting Period" of this announcement for detailed information.

According to Code A.5.6 of the Corporate Governance Code, the Nomination and Remuneration Committee (or the Board of Directors) should have a policy on membership diversity of the Board of Directors, and should disclose the policy or a summary of the policy in the corporate governance report. The current Board of Directors of the Bank comprises members of different gender, age, culture, education background and professional experience. The Board of Directors has formulated the Policy on Diversification of Board Membership to comply with the requirement of Code A.5.6 of the Corporate Governance Code.

On 24 June 2016, Mr. Yuan Ming discontinued his independent non-executive directorship at the Bank, and therefore was no longer chairman and member of the Audit and Related Party Transactions Control Committee or member of the Nomination and Remuneration Committee of the Board of Directors. To comply with the requirements on the composition of such committees as set out in the Listing Rules of Hong Kong Listing Rules and the Corporate Governance Code, the Bank committed itself to reelecting members to these specialized committees of the board. On 23 September 2016, it officially appointed Ms. Wu Xiaoqing to be chairperson and Mr. He Cao to be member of the Audit and Related Party Transactions Control Committee respectively, and Ms. Chen Lihua to be member of the Nomination and Remuneration Committee. The gaps were thus effectively filled. As at the end of the reporting period, the Bank was in compliance with all the requirements on the composition of specialized board committees as set out in the Hong Kong Listing Rules and the Corporate Governance Code.

Given the changes in the external business environment and regulatory requirements in general, and changes in the business scopes and scales of banks in particular, there is no end to improvement of internal control of banks. Therefore, the Bank will follow the requirements of external regulators, the work requirements of listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

## XXIII. Management of Investor Relations

The Bank built a multi-layer investor communication and service system. To begin with, the Bank maintained comprehensive in-depth interaction with its investors through channels and approaches such as results releases, road shows, meeting with visiting investors, investor forums, investor hotline and the SSE e-interaction platform. In addition, the Bank put in place a preliminary database covering information about institutional investors, individual investors and potentials investors, and used the platform to provide timely targeted differentiated services to different investors with different information needs. In addition, the Bank earnestly listened to recommendations from investors, proactively followed researches and opinions of relevant institutions as well as issues of concern to investors, analyzed trends of development and mainstream viewpoints of the capital market, and timely transmitted valuable market concerns and opinions to its process of strategy formulation and business management.

In the reporting period, the Bank held annual results releases in Beijing and Hong Kong SAR, interim results release in Beijing and Q3 results release via teleconference. It also organized road shows in mainland China, Hong Kong SAR and other countries and regions. The management carried out face-to-face communication with more than 300 important institutional investors at home and abroad to guide the market for reasonable prediction of the Bank's outlook and in-depth understanding of the Bank's investment value. For the whole year, the Bank communicated with capital market participants for more than 2,000 person-times cumulatively by both online and offline means such as meeting with visiting investors and interacting with investors with the use of internet platforms. All these helped the Bank boost its communication with investors.

## XXIV. Information Disclosure and Management of Insider Information

The Bank makes information disclosure in compliance with the regulatory requirements of the CBRC, CSRC and the places where it is listed, and publishes periodic reports and interim announcements according to law, to ensure timely, fair, accurate, truthful and complete information disclosure, and safeguard legitimate rights and interests of investors and other stakeholders. When disclosing information, the Bank makes sure that it applies the more stringent of the relevant information disclosure requirements to guarantee equal treatment of all investors.

For the reporting period, the Bank published over 100 interim announcements and disclosed periodic reports at the SSE and the SEHK. As such, the Bank made public to the market, in a timely manner, important information pertaining to its financial performance, significant changes in its corporate information related party transactions and its material investment and finance projects.

The Bank formulated its Measures for Management of Insider Information and Information Insiders. In practice, it managed insider information and information insiders, standardized the process of information transmission and strengthened the management of insider information in strict accordance with regulatory requirements of the places where it is listed and its own internal rules. These efforts reinforced insider information management at the Bank. The Bank was not aware of any incident of trading of the Bank's shares by persons in possession of inside information prior to the disclosure of the announcement nor was there any incident of administrative penalty issued against the Bank by regulatory authorities due to insider trading during the reporting period.

## XXV. Internal Control Assessment

The purpose of the Bank's internal control is to ensure lawfulness and compliance of business, safety of assets, and truthfulness and completeness of financial reports and other information, improve business efficiency and effectiveness, and promote implementation of the development strategy. The Board of Directors authorized the internal audit function to self-assess the effectiveness of internal control design and operation in accordance with relevant requirements like the Basic Standards for Enterprise Internal Control, Guidelines for Assessment of Enterprise Internal Control, Guidelines for Internal Control of Commercial Banks, and the requirements of the Bank's rules and assessment measures on internal control. The internal audit function produced the 2016 Report of China CITIC Bank Corporation Limited on Assessment of Internal Control, holding that the Bank's internal control was valid as of 31 December 2016 (record date). In the course of the assessment exercise, the Bank was not aware of any material defects in its internal control. The Board of Supervisors reviewed the 2016 Report of China CITIC Bank Corporation Limited on Assessment of Internal Control and held no objection to the content of the report.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this announcement for the 2016 Report of China CITIC Bank Corporation Limited on Assessment of Internal Control (including statement of the board of directors and the board of supervisors on responsibilities in relation to internal control).

## XXVI. Development of Internal Control and Major Measures Adopted

During the reporting period, the Bank adopted the following major measures to develop its internal control.

Improved internal control mechanisms: The Bank formulated rules such as the Policy on Compliance Risk Management and Administrative Measures for Rectification and Correction to upgrade its work in compliance risk and anti-money laundering management. The Bank also revised its Administrative Measures for Internal Control and Compliance Management at Sub-ranches to improve the sub-branch mechanisms in this regard. Special regulations such as the Measures for Coordination of Domestic and Overseas Businesses and the Administrative Measures for Development of Domestic Sub-branches were formulated in alignment with business lines to refine business mechanisms and standardize process management.

Intensified prevention and control of case risk: The Bank attached great importance to the screening of case risk, and carried out such screenings in line with the principle of "business-specific responsibility, full coverage and risk control". Focusing on the key areas of credit lending, bill business, counter services and credit reference management, the Bank rectified problems found in the screenings one by one, traced root causes, and thereby effectively prevented and dissolved case risk.

Toughened internal examination and special screening of employee conduct: Under unified regulatory deployment, the Bank carried out the "Looking Back" special examination to "reinforce internal management and control, reinforce external regulation, curb irregular operation, and curb offences and crimes". As a result, the Bank proactively revealed irregularities and potential risks, made timely corrections and rectifications, and held responsible personnel accountable. In particular, the Bank continuously screened employee accounts bank-wide for risk of abnormal fund transactions. In particular, the Bank strictly screened for irregular actions and transactions such as unauthorized sale of non-CNCB products, irregular agency wealth management, involvement in private lending, and irregular provision of guarantees. Such screening further enhanced business compliance of the Bank.

Improved internal control measures: The Bank put in place multiple pertinent measures at the same time to enhance its internal control. These measures targeted different types of risks and business areas, and covered credit risk, market risk, liquidity risk, operation risk, safe production of information system and management of financial statements consolidation. The Bank also re-combed and mapped key business processes, covering all key risk points, and produced relevant control measures afterward, effectively materializing businesses and standardizing operations.

Further enhanced authorization management: By formulating the Measures for Management of Authorization of Board of Directors and refining a series of institutionalized standardization measures such as the Measures for Management of President Authorization, the Bank implemented the program on board authorization, intensified routine management of authorization and reinforced development of the authorization system under the tier-one legal person structure. These efforts laid the institutional foundation for existing authorization management. In addition, the Bank improved its matrix authorization framework, and reinforced its support for authorization of newly established units and innovative businesses in strict compliance with the principles of comprehensive authorization, limited quantifiable authorization and differentiated authorization. Through re-check on authorization, dynamic adjustment of authorization, authorization assessment, and routine guidance and management of authorization, the Bank effectively promoted implementation of authorization bank-wide.

Strengthened compliance review: The Bank continued to reinforce compliance review. Compliance review of the whole year recorded 760 cases, 1,950 review comments and an overall comment/recommendation adoption rate of 96%. As such, compliance review effectively helped manage and control compliance risk of business innovation and supported business innovation and development of the Bank across the board. The emphasis on compliance review and normative review of internal regulations enabled the Bank to internalize external requirements and standardize its own rules and measures. The establishment of the compliance consultancy mechanism enabled the Bank to provide its units/departments and employees at all levels with advices and suggestions on matters involving compliance risk, which in turn led to proactive and effective compliance.

Made more efforts to rectify problems for real effect: Pursuant to the risk-focus principle, the branches and sub-branches of the Bank effectively pushed forward point-to-point rectification of problems for real effect; while the Head Office carried out rectification of root causes, i.e., enhanced top-level design by refining regulations, standardizing processes, improving mechanisms and optimizing systems, and produced rectification and risk prevention measures for the branches and sub-branches. These gave rise to a virtuous cycle going from problem detection to self-conscious rectification and resulted in timely reporting of rectification progress to the regulators as well as the Bank's Board of Directors and Board of Supervisors.

Expanded channels for information exchange and communication: The Bank made full use of its intranet as an information platform. Among others, it edited and distributed internal exchange materials such as the *Bank-wide Work Dynamics*, *Marketing Bulletin*, *Bulletin on Integrated Management* and *Theoretical Studies* to create the platform for business and theoretical exchanges. In addition, the Bank employed multiple means such as official issuance of documents, video training, online university, and compilation of case studies to better disseminate outstanding internal control case studies and advanced business experiences.

## XXVII. Internal Audit

In accordance with its work positioning of "risk whistle blowing, supervisory assessment, and adding value to management", and guided by the Bank's Five-year Plan on Audit Development, the internal audit function of the Bank steadily promoted reform of the audit system, and completed the vertical audit framework of "one department and eight centers" during the reporting period. As a result, the Bank was able to reinforce regional supervision and assessment, promote the development of rules and regulations, optimize the information system platform, consolidate internal management, and upgrade independence and effectiveness of audit.

The Bank made continuous efforts to reinforce internal audit of key units, key risk areas, key operation and management components and personnel at key posts, and strengthen supervisory assessment of rectification of problems detected in internal control. In addition, the Bank organized special audit of multiple areas including credit grant, revenues and expenditures, inter-bank business, wealth management (asset management) and information technology, and carried out full audit of some branches in combination with economic responsibility audit. Further, the Bank made full use of off-site audit approaches to detect audit trails and tighten routine monitoring. The Bank's innovation in organizing audit projects and tougher total-process control of audit quality further enhanced audit efficiency and effectiveness.

## XXVIII. External Audit of Internal Control

For the reporting period, the Bank engaged PricewaterhouseCoopers to audit the effectiveness of its internal control over financial reporting as at 31 December 2016 in accordance with relevant requirements of the Guidelines on Audit of Enterprise Internal Control and the professional standards for PRC certified public accountants. Based on the audit findings, PricewaterhouseCoopers presented to the Bank its audit report on internal control. For details, please refer to the announcement published by the Bank on the official websites of SSE (http://www.sse.com.cn), SEHK (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this announcement.

As per the audit opinion on the Bank's internal control over financial reporting set out in its audit report on internal control, PricewaterhouseCoopers is of the view that the Bank maintained, in all material aspects, effective internal control over its financial reporting as at 31 December 2016 in accordance with the Basic Standards for Enterprise Internal Control and other relevant requirements.

### XXIX. Responsibility Statement of the Board of Directors on Risk Management, Internal Control and Compliance Management

The Board of Directors bears the ultimate responsibility for the Bank's risk management, internal control and compliance management and is responsible for reviewing the effectiveness of such systems. Considering that the above-mentioned risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, the Board of Directors can only provide reasonable and not absolute assurance that the above-mentioned systems and internal control can prevent any material misstatement or loss. For details on the Bank's risk management, please refer to "Management Discussion and Analysis – Risk Management" of this announcement.

## CLOSURE OF REGISTER OF MEMBERS

The 2016 Annual General Meeting will be held on Friday, 26 May 2017. The Bank's register of shareholders will be closed from Wednesday, 26 April 2017 to Friday, 26 May 2017 (both dates inclusive) and from Friday, 2 June 2017 to Wednesday, 7 June 2017 (both dates inclusive).

In order to qualify for attending and voting at the 2016 Annual General Meeting of the Bank, unregistered holders of H shares of the Bank should ensure that all share transfer documents together with the relevant share certificates must be lodged with the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 25 April 2017.

In order to qualify for receiving the final dividend proposed by the Bank, which is subject to the shareholders' approval at the forthcoming 2016 Annual General Meeting of the Bank, holders of H share of the Bank should ensure that all share transfer documents together with the relevant share certificates must be lodged with the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the address specified above no later than 4:30 p.m. on Thursday, 1 June 2017.

If the Bank's proposal for final dividend distribution is approved by the shareholders at the forthcoming 2016 Annual General Meeting, the Bank will engage Bank of China (Hong Kong) Trustees Ltd. as the receiving agent in Hong Kong for payment of the H share dividend. The final dividends will be distributed by the receiving agent to the H shareholders of the Bank as shown on the Bank's register of members on Wednesday, 7 June 2017.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

Both the Chinese and English versions of this Results Announcement are available on the websites of the Bank (www.citicbank.com) and SEHK (www.hkexnews.hk). The 2016 Annual Report of the Bank containing all the information required by the Hong Kong Listing Rules will be published on the websites of the Bank (www.citicbank.com) and SEHK (www.hkexnews.hk) in due course. In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail. The Bank also prepared the 2016 Annual Report in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (www.citicbank.com) and SSE (www.sse.com.cn).

# FINANCIAL REPORT

## Auditor's Opinion

PricewaterhouseCoopers, the Group's external auditors, have audited the consolidated financial statements of the Group for the year ended 31 December 2016, and expressed the following audit opinion: "In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance."

## Financial Statements

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2016*
*(Amounts in millions of Renminbi unless otherwise stated)*

| | *Notes* | **Year ended 31 December 2016** | 2015 |
|---|---|---|---|
| Interest income | | **213,474** | 215,661 |
| Interest expense | | **(107,336)** | (111,228) |
| **Net interest income** | *3* | **106,138** | 104,433 |
| Fee and commission income | | **45,360** | 37,639 |
| Fee and commission expense | | **(3,080)** | (1,965) |
| **Net fee and commission income** | *4* | **42,280** | 35,674 |
| Net trading gain | | **3,547** | 3,635 |
| Net gain from investment securities | | **1,682** | 1,192 |
| Net hedging gain | | **–** | 1 |
| Other operating income | | **512** | 610 |
| **Operating income** | | **154,159** | 145,545 |
| Operating expenses | | **(47,272)** | (50,602) |
| **Operating profit before impairment** | | **106,887** | 94,943 |
| Impairment losses on | | | |
| – Loans and advances to customers | | **(45,715)** | (35,120) |
| – Others | | **(6,573)** | (4,917) |
| **Total impairment losses** | | **(52,288)** | (40,037) |
| Revaluation gain on investment properties | | **8** | 27 |
| Share of profit of associates | | **1** | 53 |
| **Profit before tax** | | **54,608** | 54,986 |
| Income tax expense | *5* | **(12,822)** | (13,246) |
| **Profit for the year** | | **41,786** | 41,740 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

*For the year ended 31 December 2016*
*(Amounts in millions of Renminbi unless otherwise stated)*

| | Notes | Year ended 31 December **2016** | 2015 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Equity holders of the Bank | | **41,629** | 41,158 |
| Non-controlling interests | | **157** | 582 |
| **Profit for the year** | | **41,786** | 41,740 |
| **Other comprehensive (loss)/income, net of tax:** | | | |
| Items that may be reclassified subsequently to profit or loss when specific conditions are met (net of tax): | | | |
| – Fair value changes on available-for-sales financial assets | | **(6,627)** | 4,275 |
| – Exchange difference on translating foreign operations | | **1,897** | 1,364 |
| – Others | | **–** | 3 |
| Items that will not be reclassified to profit or loss (net of tax): | | | |
| – Net changes on the measurement of defined benefit plan | | **5** | (6) |
| – Others | | **–** | 8 |
| **Other comprehensive (loss)/income, net of tax** | | **(4,725)** | 5,644 |
| **Total comprehensive income for the year** | | **37,061** | 47,384 |
| **Total comprehensive income attribute to:** | | | |
| Equity holders of the Bank | | **36,903** | 46,575 |
| Non-controlling interests | | **158** | 809 |
| **Earnings per share attributable to the ordinary shareholders of the Bank** | | | |
| Basic and diluted earnings per share *(RMB)* | *6* | **0.85** | 0.88 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2016*

*(Amounts in millions of Renminbi unless otherwise stated)*

| | *Notes* | **31 December 2016** | 31 December 2015 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | | **553,328** | 511,189 |
| Deposits with banks and non-bank financial institutions | | **208,641** | 80,803 |
| Precious metals | | **3,372** | 1,191 |
| Placements with and loans to banks and non-bank financial institutions | | **167,208** | 118,776 |
| Financial assets at fair value through profit or loss | | **64,911** | 26,220 |
| Derivative financial assets | *7* | **47,366** | 13,788 |
| Financial assets held under resale agreements | | **170,804** | 138,561 |
| Interest receivables | | **32,922** | 30,512 |
| Loans and advances to customers | *8* | **2,802,384** | 2,468,283 |
| Available-for-sale financial assets | | **534,533** | 373,770 |
| Held-to-maturity investments | | **217,498** | 179,930 |
| Investments classified as receivables | | **1,035,728** | 1,112,207 |
| Investments in associates | | **1,111** | 976 |
| Property, plant and equipment | | **17,834** | 15,983 |
| Intangible assets | | **840** | 802 |
| Investment properties | | **305** | 325 |
| Goodwill | | **914** | 854 |
| Deferred tax assets | | **12,697** | 7,981 |
| Other assets | | **58,654** | 40,141 |
| **Total assets** | | **5,931,050** | 5,122,292 |
| **Liabilities** | | | |
| Borrowings from central banks | | **184,050** | 37,500 |
| Deposits from banks and non-bank financial institutions | | **981,446** | 1,068,544 |
| Placements from banks and non-bank financial institutions | | **83,723** | 49,248 |
| Derivative financial liabilities | *7* | **45,059** | 11,418 |
| Financial assets sold under repurchase agreements | | **120,342** | 71,168 |
| Deposits from customers | | **3,639,290** | 3,182,775 |
| Accrued staff costs | | **8,819** | 8,302 |
| Taxes payable | | **6,364** | 4,693 |
| Interest payable | | **37,155** | 38,159 |
| Provisions | | **244** | 2 |
| Debt securities issued | | **386,946** | 289,135 |
| Deferred tax liabilities | | **11** | 10 |
| Other liabilities | | **53,105** | 41,652 |
| **Total liabilities** | | **5,546,554** | 4,802,606 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 31 December 2016*

*(Amounts in millions of Renminbi unless otherwise stated)*

| | *Notes* | **31 December 2016** | 31 December 2015 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | | **48,935** | 48,935 |
| Preference shares | | **34,955** | – |
| Capital reserve | | **58,636** | 58,636 |
| Other comprehensive (loss)/income | | **(1,142)** | 3,584 |
| Surplus reserve | | **27,263** | 23,362 |
| General reserve | | **73,911** | 64,555 |
| Retained earnings | | **136,666** | 118,668 |
| **Total equity attributable to equity holders of the Bank** | | **379,224** | 317,740 |
| Non-controlling interests | | **5,272** | 1,946 |
| **Total equity** | | **384,496** | 319,686 |
| **Total liabilities and equity** | | **5,931,050** | 5,122,292 |

Approved and authorised for issue by the board of directors on 22 March 2017.

**Li Qingping**
*Chairperson*

**Sun Deshun**
*President*

**Fang Heying**
*Vice President and Chief Financial Officer*

**Li Peixia**
*General Manager of Finance Department*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2016*

*(Amounts in millions of Renminbi unless otherwise stated)*

| | | Equity attributable to equity holders of the Bank | | | | | | | Non-controlling interests | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | Share capital | Preference shares | Capital reserve | Other comprehensive income/(loss) | Surplus reserve | General reserve | Retained earnings | Ordinary shareholders in subsidiaries | Other equity instruments holders | Total equity |
| As at 1 January 2016 | | 48,935 | - | 58,636 | 3,584 | 23,362 | 64,555 | 118,668 | 121 | 1,825 | 319,686 |
| (i) Net profit | | - | - | - | - | - | - | 41,629 | 11 | 146 | 41,786 |
| (ii) Other comprehensive (loss)/income | | - | - | - | (4,726) | - | - | - | 1 | - | (4,725) |
| Total comprehensive income | | - | - | - | (4,726) | - | - | 41,629 | 12 | 146 | 37,061 |
| (iii) Proceed from issuance of preference shares | | - | 34,955 | - | - | - | - | - | - | - | 34,955 |
| (iv) Proceeds from other equity instruments holders | | - | - | - | - | - | - | - | - | 3,324 | 3,324 |
| (v) Profit appropriations | | | | | | | | | | | |
| – Appropriations to surplus reserve | *10* | - | - | - | - | 3,901 | - | (3,901) | - | - | - |
| – Appropriations to general reserve | *10* | - | - | - | - | - | 9,356 | (9,356) | - | - | - |
| – Dividend distribution to ordinary shareholders of the Bank | *10* | - | - | - | - | - | - | (10,374) | - | - | (10,374) |
| – Dividend distribution to non-controlling interest | | - | - | - | - | - | - | - | (10) | - | (10) |
| – Dividend distribution to other equity instruments holders | | - | - | - | - | - | - | - | - | (146) | (146) |
| As at 31 December 2016 | | 48,935 | 34,955 | 58,636 | (1,142) | 27,263 | 73,991 | 136,666 | 123 | 5,149 | 384,496 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the year ended 31 December 2016*
*(Amounts in millions of Renminbi unless otherwise stated)*

| | | Equity attributable to equity holders of the Bank | | | | | | Non-controlling interests | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | Share capital | Capital reserve | Other comprehensive (loss)/ income | Surplus reserve | General reserve | Retained earnings | Ordinary shareholders in subsidiaries | Other equity instruments holders | Total equity |
| As at 1 January 2015 | | 46,787 | 49,296 | (1,833) | 19,394 | 50,447 | 95,586 | 5,844 | 1,825 | 267,346 |
| (i) Net profit | | – | – | – | – | – | 41,158 | 445 | 137 | 41,740 |
| (ii) Other comprehensive income | *14* | – | – | 5,417 | – | – | – | 227 | – | 5,644 |
| Total comprehensive income | | – | – | 5,417 | – | – | 41,158 | 672 | 137 | 47,384 |
| (iii) Changes in ownership interests in subsidiaries without change of control | | – | (400) | – | – | – | – | (6,395) | – | (6,795) |
| (iv) Proceeds from shares issuance | | 2,148 | 9,740 | – | – | – | – | – | – | 11,888 |
| (v) Profit appropriations | | | | | | | | | | |
| – Appropriations to surplus reserve | *10* | – | – | – | 3,968 | – | (3,968) | – | – | – |
| – Appropriations to general reserve | *10* | – | – | – | – | 14,108 | (14,108) | – | – | – |
| – Dividends distribution to other equity instruments holders | | – | – | – | – | – | – | – | (137) | (137) |
| As at 31 December 2015 | | 48,935 | 58,636 | 3,584 | 23,362 | 64,555 | 118,668 | 121 | 1,825 | 319,686 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2016*
*(Amounts in millions of Renminbi unless otherwise stated)*

| | Year ended 31 December 2016 | 2015 |
|---|---|---|
| **Operating activities** | | |
| Profit before tax | **54,608** | 54,986 |
| Adjustments for: | | |
| – revaluation loss on investments, derivatives and investment properties | **1,068** | 519 |
| – investment gain | **(812)** | (111) |
| – net (gain)/loss on disposal of property, plant and equipment | **(62)** | 9 |
| – unrealised foreign exchange loss | **850** | 104 |
| – impairment losses | **52,288** | 40,037 |
| – depreciation and amortisation | **2,703** | 2,454 |
| – interest expense on debt securities issued | **14,052** | 8,382 |
| – dividend income from equity investment | **(70)** | (10) |
| – income tax paid | **(14,155)** | (14,749) |
| | **110,470** | 91,621 |
| ***Changes in operating assets and liabilities:*** | | |
| (Increase)/decrease in balances with central banks | **(46,833)** | 20,959 |
| Decrease/(increase) in deposits with banks and non-bank financial institutions | **5,967** | (2,400) |
| Increase in placements with and loans to banks and non-bank financial institutions | **(49,368)** | (34,393) |
| (Increase)/decrease in financial assets at fair value through the profit or loss | **(37,851)** | 1,382 |
| Increase in financial assets held under resale agreements | **(32,196)** | (2,757) |
| Increase in loans and advances to customers | **(369,112)** | (358,952) |
| Decrease/(increase) in investments classified as receivables | **75,619** | (459,657) |
| Increase/(decrease) in borrowings from central banks | **146,550** | (12,550) |
| (Decrease)/increase in deposits from banks and non-bank financial institutions | **(87,181)** | 380,182 |
| Increase in placements from banks and non-bank financial institutions | **33,747** | 29,350 |
| Decrease in financial liabilities at fair value through profit or loss | **–** | (573) |
| Increase in financial assets sold under repurchase agreements | **49,172** | 29,550 |
| Increase in deposits from customers | **443,232** | 323,142 |
| Increase in other operating assets | **(30,769)** | (29,169) |
| Increase in other operating liabilities | **7,364** | 3,430 |
| Subtotal | **108,341** | (112,456) |
| **Net cash flows from/(used in) operating activities** | **218,811** | (20,835) |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

*For the year ended 31 December 2016*
*(Amounts in millions of Renminbi unless otherwise stated)*

| | Year ended 31 December 2016 | 2015 |
|---|---|---|
| **Investing activities** | | |
| Proceeds from disposal and redemption of investments | **545,658** | 638,920 |
| Proceeds from disposal of property, plant and equipment, land use rights, and other assets | **109** | 22 |
| Cash received from equity investment income | **80** | 69 |
| Payments on acquisition of investments | **(714,490)** | (775,111) |
| Payments on acquisition of equipment and other assets | **(7,708)** | (6,427) |
| Net cash paid for acquisition of a subsidiary | **–** | (27) |
| Net cash paid for acquisition of an associate | **(100)** | – |
| **Net cash flows used in investing activities** | **(176,451)** | (142,554) |
| **Financing activities** | | |
| Cash received from share capital issuance | **–** | 11,888 |
| Cash received from preference shares | **34,955** | – |
| Cash received from other equity instruments issued | **3,324** | – |
| Cash received from debt securities issued | **604,406** | 310,966 |
| Cash paid for redemption of debt securities issued | **(507,840)** | (153,296) |
| Interest paid on debt securities issued | **(14,192)** | (8,420) |
| Dividends paid | **(10,530)** | (137) |
| Cash paid for transactions with non-controlling interests | **–** | (6,772) |
| **Net cash flows from financing activities** | **110,123** | 154,229 |
| **Net increase/(decrease) in cash and cash equivalents** | **152,483** | (9,160) |
| Cash and cash equivalents as at 1 January | **226,364** | 228,375 |
| Effect of exchange rate changes on cash and cash equivalents | **6,509** | 7,149 |
| **Cash and cash equivalents as at 31 December** | **385,356** | 226,364 |
| **Cash flows from operating activities include:** | | |
| Interest received | **213,544** | 207,745 |
| Interest paid | **(94,307)** | (102,040) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Amounts in millions of Renminbi unless otherwise stated)*

## 1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing, China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

The Bank operates under financial services certificate No. B0006H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and unified social credit code 91110000101690725E issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, finance leasing and other non-banking financial services.

As at 31 December 2016, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong") and other overseas countries and regions.

For the purpose of these consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated financial statements were approved by the Board of Directors of the Bank on 22 Mar 2017.

## 2 Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

## 2 Statement of compliance (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

### *(a) New and amended standards adopted by the Group*

The Group has adopted the following new or amendments to the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current year and relevant to the Group.

| | |
|---|---|
| Amendments to IFRS 11 | Accounting for acquisition of Interests in Joint Operations |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortization |
| Amendments to IFRSs | Annual Improvements to IFRSs 2012 – 2014 cycle |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to IAS 1 | Disclosure Initiative |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements |

*Amendments to IFRS 11: Acquisition of Interests in Joint Operations*

The amendments to IFRS 11 – Joint Arrangements provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

*Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments to IAS 16 – Property, Plant and Equipment, clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments to IAS 38 – Intangible Assets, establish a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances.

## 2 Statement of compliance (continued)

### *(a) New and amended standards adopted by the Group (continued)*

*Amendments to IFRSs: Annual Improvements to IFRSs 2012 – 2014 cycle*

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations regarding methods of disposal, the amendments to IFRS 7 – Financial Instruments: Disclosures regarding servicing contracts, the amendments to IAS 19 – Employee Benefits regarding discount rates, the amendments to IAS 34 – Interim Financial Reporting regarding disclosure of information.

*Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception*

The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10. The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

The amendments to IFRS 12 clarify an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 shall present the disclosures relating to investment entities required by IFRS 12.

The amendments to IAS 28 allow an entity which is itself not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a policy choice to retain the fair value measurement applied by the associate or joint venture, or to unwind the fair value measurement and perform a consolidation at the level of the associate or joint venture for their subsidiaries.

*Amendments to IAS 1:Disclosure Initiative*

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

## 2 Statement of compliance (continued)

### *(a) New and amended standards adopted by the Group (continued)*

*Amendments to IAS 27: Equity Method in Separate Financial Statements*

The IASB has amended IAS 27 – Separate Financial Statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group used equity method to account for investment in associate in separate financial statements. The adoption of this new amendment does not have a significant impact on the Bank's financial statements.

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

### *(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2016*

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendments to IAS 12 | Income Taxes | 1 January 2017 |
| Amendments to IAS 7 | Statement of Cash Flows | 1 January 2017 |
| Amendments to IFRS 12 | IASB Annual Improvements 2014 – 2016 cycle | 1 January 2017 |
| Amendments to IAS 28 | IASB Annual Improvements 2014 – 2016 cycle | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 9 | Financial Instruments | 1 January 2018 |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | 1 January 2018 |
| Amendments to IAS 40 | Transfer of Investment Property | 1 January 2018 |
| Amendments to IFRS 2 | Share – based Payment | 1 January 2018 |
| IFRS 16 | Leases | 1 January 2019 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture | The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred indefinitely. |

*Amendments to IAS 12:Income Taxes*

The IASB has issued amendments to IAS 12 – Income taxes. These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

## 2 Statement of compliance (continued)

### *(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2016 (continued)*

*Amendments to IAS 7:Statement of Cash Flows*

The IASB has issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

*Amendments to IFRS 12: IASB Annual Improvements 2014 – 2016 cycle*

The IASB Annual Improvements 2014 – 2016 Cycle include the amendments to IFRS 12 -Disclosure of Interest in Other Entities. These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, expect for those summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests which are classified as held for sale or discontinued operations in accordance with IFRS 5. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

*Amendments to IAS 28: IASB Annual Improvements 2014 – 2016 cycle*

The IASB Annual Improvements 2014 – 2016 Cycle include the amendments to IAS 28 – Investments in Associates and Joint Ventures. These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

*IFRS 15: Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group anticipates that the adoption of this new standard will not have a significant impact on the Group's consolidated financial statements.

## 2 Statement of compliance (continued)

### *(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2016 (continued)*

*IFRS 9: Financial Instruments*

The complete version of IFRS 9 – Financial Instruments was issued in July 2014. It replaces the guidance in IAS 39 – Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI in which case the accumulated fair value changes in OCI will not be recycled to the profit or loss in the future. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. IFRS 9 requires an entity to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that quality for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

## 2 Statement of compliance (continued)

### *(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2016 (continued)*

*IFRS 9: Financial Instruments (continued)*

The Group is analyzing its business models, loans and other financial instruments' contract terms and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adoption of IFRS 9. Given the nature of the Group's operations, it is expected to have an impact on the classification of financial instruments, the calculation, amount and timing of its allowances for impairment losses for financial assets as well as the nature and extend of financial instruments disclosure. Implementation of IFRS 9 will also have an impact on the risk management organization, process and key functions, budgeting and performance review, as well as the Information Technology systems. The Group is starting to collect and prepare the information related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training.

The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Group's operating results and financial position has not yet been quantified.

*Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

On 12 September 2016, the IASB issued amendments to IFRS 4, Insurance Contracts, Applying IFRS 9 Financial Instruments with IFRS 4, which provides two alternative measures to address the different effective dates of IFRS 9 and the forthcoming insurance contracts standard. These measures include a temporary option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of the forthcoming insurance contracts standard and the annual reporting periods beginning on or after 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before the forthcoming insurance contracts standard is applied. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

## 2 Statement of compliance (continued)

### *(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2016 (continued)*

*Amendments to IAS 40: Transfer of Investment Property*

On 8 December 2016, the IASB issued amendments to IAS 40-Transfer of Investment Property. These amendments specify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred; They also clarify that the list of circumstances set out in IAS40 is non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list. The examples have been expanded to include assets under construction and development and not only transfers of completed properties. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

*Amendments to IFRS 2:Share – based Payment*

On 20 June 2016, the IASB issued an amendment to IFRS 2, "Share-based Payment", addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

## 2 Statement of compliance (continued)

### *(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2016 (continued)*

*IFRS 16: Leases*

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 'Leases', and related interpretations.

IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or the lease is short-term, in the consolidated statement of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the consolidated statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the consolidated statement of cash flows.

The standard will affect primarily the accounting for group's operating leases when group as a lessee. As at 31 December 2016, the group has non-cancellable operating lease commitments of RMB13,348 million (Note 54 (d)). The Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects that, as a lessor, there will be no significant impact on the financial information.

## 2 Statement of compliance (continued)

### *(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2016 (continued)*

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

These amendments address an inconsistency between the requirements in IFRS 10 – Consolidated Financial Statements and those in IAS 28 – Investment in Associates and Joint Ventures in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

### *(c) Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")*

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No.36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No.46), the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No.70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from credit business, fee income on financial services and trading of financial products at 6%, instead of business tax at 5% prior to 1 May 2016.

In accordance with "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No.140) and "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No.2), managers of asset management products shall pay VAT for the taxable activities during the operation after 1 July 2017.

After the implementation of the VAT Pilot Programs, the Group's interest income, fee and commission income and trading gain of financial products are presented net of their respective VAT in the consolidated financial statements.

## 3 Net interest income

| | Year ended 31 December **2016** | 2015 |
|---|---|---|
| ***Interest income arising from (Note (i)):*** | | |
| Deposits with central banks | **7,566** | 7,502 |
| Deposits with banks and non-bank financial institutions | **1,722** | 1,325 |
| Placements with and loans to banks and non-bank financial institutions | **3,724** | 2,925 |
| Financial assets held under resale agreements | **857** | 3,998 |
| Investments classified as receivables | **45,820** | 45,638 |
| Loans and advances to customers | | |
| – corporate loans | **92,655** | 97,956 |
| – personal loans | **36,858** | 34,907 |
| – discounted bills | **2,705** | 3,214 |
| Investments in debt securities | **21,562** | 18,190 |
| Others | **5** | 6 |
| Subtotal | **213,474** | 215,661 |
| ***Interest expense arising from:*** | | |
| Borrowings from central banks | **(2,686)** | (994) |
| Deposits from banks and non-bank financial institutions | **(32,629)** | (35,792) |
| Placements from banks and non-bank financial institutions | **(1,470)** | (742) |
| Financial assets sold under repurchase agreements | **(861)** | (561) |
| Deposits from customers | **(55,630)** | (64,749) |
| Debt securities issued | **(14,052)** | (8,382) |
| Others | **(8)** | (8) |
| Subtotal | **(107,336)** | (111,228) |
| Net interest income | **106,138** | 104,433 |

*Note:*

(i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB626 million for the year ended 31 December 2016 (Year ended 31 December 2015: RMB656 million).

## 4 Net fee and commission income

| | Year ended 31 December **2016** | 2015 |
|---|---|---|
| **Fee and commission income:** | | |
| Bank card fees | **19,324** | 13,419 |
| Commission for wealth management services | **7,114** | 5,808 |
| Agency fees and commission *(Note (i))* | **6,128** | 3,711 |
| Consultancy and advisory fees | **5,777** | 6,972 |
| Commission for custodian business and other fiduciary | **2,566** | 2,228 |
| Guarantee fees | **2,384** | 3,131 |
| Settlement and clearance fees | **1,396** | 1,747 |
| Others | **671** | 623 |
| **Total** | **45,360** | 37,639 |
| **Fee and commission expense** | **(3,080)** | (1,965) |
| **Net fee and commission income** | **42,280** | 35,674 |

*Note:*

(i) Agency fees and commission represent fees earned for sale of bonds, investment funds and insurance products, and provision of entrusted lending activities.

## 5 Income tax

### *(a) Recognised in the statement of profit or loss and other comprehensive income*

| | Year ended 31 December **2016** | 2015 |
|---|---|---|
| Current tax | | |
| – Mainland China | **14,920** | 12,992 |
| – Hong Kong | **407** | 304 |
| – Overseas | **24** | 41 |
| Deferred tax | **(2,529)** | (91) |
| Income tax | **12,822** | 13,246 |

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rates of taxation prevailing in the regions in which the Group operates respectively.

## 5 Income tax (continued)

### *(b) Reconciliation between income tax expense and accounting profit*

| | Year ended 31 December **2016** | 2015 |
|---|---|---|
| Profit before tax | **54,608** | 54,986 |
| Income tax calculated at PRC statutory tax rate | **13,652** | 13,747 |
| Effect of different tax rates in other regions | **(245)** | (196) |
| Tax effect of non-deductible expenses | **396** | 431 |
| Tax effect of non-taxable income | | |
| – interest income arising from PRC government bonds | **(882)** | (699) |
| – others | **(99)** | (37) |
| Income tax | **12,822** | 13,246 |

## 6 Earnings per share

Earnings per share information for the year ended 31 December 2016 and 2015 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

The Bank issued non-cumulative preference shares during the year ended 31 December 2016, No cash dividend on preference shares was declared in the financial year of 2016.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2016, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

| | Year ended 31 December **2016** | 2015 |
|---|---|---|
| Profit for the year attributable to equity holders of the Bank | **41,629** | 41,158 |
| Less: profit for the year attributable to preference shareholders of the Bank | **–** | – |
| Profit for the year attributable to ordinary shareholders of the Bank | **41,629** | 41,158 |
| Weighted average number of shares (in million shares) | **48,935** | 46,787 |
| Basic and diluted earnings per share (in RMB) | **0.85** | 0.88 |

## 7 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals and interest rate markets related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments, are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. As at 31 December 2016 and 31 December 2015, the Group did not hold any other financial instruments that were subject to master netting arrangements or similar agreements.

## 7 Derivatives (continued)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures were settled daily and the corresponding payments or receipts were included in deposits with banks and non-bank financial institutions as at 31 December 2016 and 31 December 2015. Accordingly, the amount of mark-to-market gain or loss of unexpired futures contracts included in derivative financial instruments above was nil.

| | **31 December 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Nominal amount** | **Assets** | **Liabilities** | Nominal amount | Assets | Liabilities |
| Hedging instruments *(Note (c))* | | | | | | |
| – interest rate derivatives | **14,068** | **201** | **23** | 11,144 | 237 | 38 |
| Non-Hedging instruments | | | | | | |
| – interest rate derivatives | **842,387** | **3,164** | **2,790** | 593,379 | 1,054 | 957 |
| – currency derivatives | **2,612,557** | **42,232** | **40,045** | 1,600,764 | 11,489 | 10,119 |
| – precious metal derivatives | **77,385** | **1,769** | **2,201** | 18,763 | 1,008 | 304 |
| – other derivatives | **–** | **–** | **–** | 5,222 | – | – |
| Total | **3,546,397** | **47,366** | **45,059** | 2,229,272 | 13,788 | 11,418 |

### (a) *Nominal amount analyzed by remaining maturity*

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Within three months | **962,420** | 814,085 |
| Between three months and one year | **2,298,022** | 1,299,448 |
| Between one year and five years | **283,656** | 113,995 |
| Over five years | **2,299** | 1,744 |
| Total | **3,546,397** | 2,229,272 |

### (b) *Credit risk weighted amounts*

The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission ("CBRC") in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 31 December 2016, the total amount of credit risk weighted amount for counterparty was RMB37,134 million.

## 7 Derivatives (continued)

### *(c) Fair value hedge*

A subsidiary of the Group utilises fair value hedge to eliminate the effect of fair value changes of financial assets and financial liabilities caused by market interest rate fluctuations. Interest rate swap contracts are used for hedging interest risks arising from available-for-sale debt securities, certificates of deposit and subordinated bonds issued.

## 8 Loans and advances to customers

### *(a) Analysed by nature*

| | *Notes* | **31 December 2016** | 31 December 2015 |
|---|---|---|---|
| Corporate loans | | | |
| – loans | | **1,811,765** | 1,749,543 |
| – discounted bills | | **75,047** | 92,745 |
| – finance lease receivables | *(e)* | **34,509** | 17,879 |
| Subtotal | | **1,921,321** | 1,860,167 |
| Personal loans | | | |
| – residential mortgages | | **433,210** | 268,926 |
| – business loans | | **111,949** | 105,770 |
| – credit cards | | **237,712** | 175,801 |
| – others | | **173,735** | 118,116 |
| Subtotal | | **956,606** | 668,613 |
| Gross balance | | **2,877,927** | 2,528,780 |
| Less: Allowance for impairment losses | *9* | | |
| – individually assessed | | **(25,448)** | (15,345) |
| – collectively assessed | | **(50,095)** | (45,152) |
| Subtotal | | **(75,543)** | (60,497) |
| Net balance | | **2,802,384** | 2,468,283 |

## 8 Loans and advances to customers (continued)

### *(b) Analysed by assessment method of allowance for impairment losses*

| | **31 December 2016** | | | | |
|---|---|---|---|---|---|
| | **Loans and advances for which allowance is collectively assessed** | **Identified impaired loans and advances *(Note (i))*: for which allowance is collectively assessed** | **Identified impaired loans and advances *(Note (i))*: for which allowance is individually assessed *(Note (ii))*** | **Total** | **Gross impaired loans and advances as a % of gross total loans and advances** |
| Gross loans and advances | **2,829,347** | **10,579** | **38,001** | **2,877,927** | **1.69%** |
| Less: Allowance for impairment losses | **(41,988)** | **(8,107)** | **(25,448)** | **(75,543)** | |
| Net balance | **2,787,359** | **2,472** | **12,553** | **2,802,384** | |

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | Loans and advances for which allowance is collectively assessed | Identified impaired loans and advances *(Note (i))*: for which allowance is collectively assessed | Identified impaired loans and advances *(Note (i))*: for which allowance is individually assessed *(Note (ii))* | Total | Gross impaired loans and advances as a % of gross total loans and advances |
| Gross loans and advances | 2,492,730 | 8,011 | 28,039 | 2,528,780 | 1.43% |
| Less: Allowance for impairment losses | (39,306) | (5,846) | (15,345) | (60,497) | |
| Net balance | 2,453,424 | 2,165 | 12,694 | 2,468,283 | |

## 8 Loans and advances to customers (continued)

### *(b) Analysed by assessment method of allowance for impairment losses (continued)*

*Notes:*

(i) Identified impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses which are assessed individually or collectively (portfolios of homogeneous loans and advances).

(ii) Loans and advances to customers of the Group for which allowance for impairment losses was individually assessed

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Secured portion | **19,060** | 14,412 |
| Unsecured portion | **18,941** | 13,627 |
| Total | **38,001** | 28,039 |
| Individual allowance for impairment losses | **(25,448)** | (15,345) |
| Net balance | **12,553** | 12,694 |
| Maximum exposure covered by pledge and collateral held | **18,643** | 13,748 |

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

## 8 Loans and advances to customers (continued)

### *(c) Movements of allowance for impairment losses*

| | **Year ended 31 December 2016** | | | |
|---|---|---|---|---|
| | | **Impaired loans and advances** | | |
| | **Loans and advances for which allowance is collectively assessed** | **for which allowance is collectively assessed** | **for which allowance is individually assessed** | **Total** |
| As at 1 January 2016 | **39,306** | **5,846** | **15,345** | **60,497** |
| Impairment allowance on loans charged | **2,662** | **6,918** | **38,845** | **48,425** |
| Reversal of impairment for the year | **–** | **(405)** | **(2,305)** | **(2,710)** |
| Unwinding of discount on allowance | **–** | **–** | **(564)** | **(564)** |
| Transfer in *(Note (i))* | **20** | **–** | **255** | **275** |
| Write-offs | **–** | **(4,657)** | **(26,295)** | **(30,952)** |
| Recovery of loans and advances written off in previous year | **–** | **405** | **167** | **572** |
| As at 31 December 2016 | **41,988** | **8,107** | **25,448** | **75,543** |

| | Year ended 31 December 2015 | | | |
|---|---|---|---|---|
| | | Impaired loans and advances | | |
| | Loans and advances for which allowance is collectively assessed | for which allowance is collectively assessed | for which allowance is individually assessed | Total |
| As at 1 January 2015 | 36,469 | 3,954 | 11,153 | 51,576 |
| Impairment allowance on loans charged | 2,818 | 5,670 | 28,933 | 37,421 |
| Reversal of impairment for the year | – | (358) | (1,943) | (2,301) |
| Unwinding of discount on allowance | – | – | (592) | (592) |
| Transfer in *(Note (i))* | 19 | – | 13 | 32 |
| Write-offs | – | (3,778) | (22,461) | (26,239) |
| Recovery of loans and advances written off in previous year | – | 358 | 242 | 600 |
| As at 31 December 2015 | 39,306 | 5,846 | 15,345 | 60,497 |

*Note:*

(i) Transfer in includes the effect of exchange rate.

## 8 Loans and advances to customers (continued)

### *(d) Overdue loans analysed by overdue period*

| | **31 December 2016** | | | | |
|---|---|---|---|---|---|
| | **Overdue within three months** | **Overdue between three months and one year** | **Overdue between one year and three years** | **Overdue over three years** | **Total** |
| Unsecured loans | **3,985** | **5,576** | **2,750** | **300** | **12,611** |
| Guaranteed loans | **7,776** | **11,649** | **7,136** | **115** | **26,676** |
| Loans with pledged assets | | | | | |
| – loans secured by collateral | **22,689** | **17,191** | **8,560** | **561** | **49,001** |
| – pledged loans | **1,592** | **2,765** | **1,046** | **62** | **5,465** |
| Total | **36,042** | **37,181** | **19,492** | **1,038** | **93,753** |

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years | Total |
| Unsecured loans | 3,425 | 3,063 | 2,508 | 297 | 9,293 |
| Guaranteed loans | 8,907 | 5,285 | 5,105 | 230 | 19,527 |
| Loans with pledged assets | | | | | |
| – loans secured by collateral | 21,579 | 12,142 | 6,341 | 274 | 40,336 |
| – pledged loans | 3,087 | 1,595 | 1,000 | 62 | 5,744 |
| Total | 36,998 | 22,085 | 14,954 | 863 | 74,900 |

*Note:* Overdue loans represent loans of which the principal or interest are overdue one day or more.

## 8 Loans and advances to customers (continued)

### *(e) Finance lease receivables*

Finance lease receivables transactions are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. These contracts usually run for an initial period from 1 to 25 years. The total minimum finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

| | **31 December 2016** | | 31 December 2015 | |
|---|---|---|---|---|
| | **Present value of minimum finance leases receivables** | **Minimum finance leases receivables** | Present value of minimum finance leases receivables | Minimum finance leases receivables |
| Within one year (including one year) | **7,677** | **8,459** | 3,543 | 4,388 |
| One year to two years (including two years) | **6,514** | **7,761** | 3,689 | 4,343 |
| Two years to three years (including three years) | **6,279** | **6,766** | 3,212 | 3,678 |
| Over three years | **14,039** | **16,762** | 7,435 | 8,171 |
| Gross balance | **34,509** | **39,748** | 17,879 | 20,580 |
| Less: Allowance for impairment losses | | | | |
| – individually assessed | **(2)** | | (3) | |
| – collectively assessed | **(643)** | | (214) | |
| Net balance | **33,864** | | 17,662 | |

## 9 Movements of allowance for impairment losses

| | Year ended 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | **As at 1 January** | **Charge for the year** | **Reversal for the year** | **Write-offs** | **Others** *Note (i)* | **As at 31 December** |
| Deposits with bank and non-bank financial institutions | **–** | **34** | **–** | **–** | **–** | **34** |
| Placements with and loans to banks and non-bank financial institutions | **8** | **–** | **–** | **–** | **1** | **9** |
| Interest receivables | **2,134** | **5,452** | **(419)** | **(3,296)** | **35** | **3,906** |
| Loans and advances to customers | **60,497** | **48,425** | **(2,710)** | **(30,952)** | **283** | **75,543** |
| Available-for-sale financial assets | **160** | **45** | **(2)** | **–** | **(41)** | **162** |
| Held-to-maturity investments | **41** | **2** | **–** | **–** | **(41)** | **2** |
| Investments classified as receivables | **885** | **871** | **–** | **–** | **–** | **1,756** |
| Other assets | **1,999** | **742** | **(70)** | **(387)** | **76** | **2,360** |
| Total | **65,724** | **55,571** | **(3,201)** | **(34,635)** | **313** | **83,772** |

| | Year ended 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| | As at 1 January | Charge for the year | Reversal for the year | Write-offs | Others *Note (i)* | As at 31 December |
| Placements with and loans to banks and non-bank financial institutions | 8 | – | – | – | – | 8 |
| Interest receivables | 1,390 | 3,398 | (457) | (2,223) | 26 | 2,134 |
| Loans and advances to customers | 51,576 | 37,421 | (2,301) | (26,239) | 40 | 60,497 |
| Available-for-sale financial assets | 97 | 63 | (6) | – | 6 | 160 |
| Held-to-maturity investments | 41 | – | (4) | – | 4 | 41 |
| Investments classified as receivables | 156 | 729 | – | – | – | 885 |
| Other assets | 882 | 1,379 | (90) | (178) | 6 | 1,999 |
| Total | 54,150 | 42,990 | (2,858) | (28,640) | 82 | 65,724 |

*Note:*

(i) Others include unwinding of interest on impaired financial assets, recovery of loans written off and effect of exchange differences during the year. Besides allowance for impairment losses above, the Group also charged impairment losses against off-balance sheet items.

## 10 Profit appropriations and retained earnings

### *(a) Profit appropriations and distributions other than dividends declared during the year*

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Appropriations to | | |
| – surplus reserve | **3,901** | 3,968 |
| – general reserve | **9,356** | 14,108 |
| As at 31 December | **13,257** | 18,076 |

In accordance with the approval from the Board of Directors dated 22 March 2017, the Bank appropriated RMB3,901 million to statutory surplus reserve fund and RMB9,020 million to general reserve for the year of 2016. The Group's subsidiaries Lin'an rural bank and CFLL made appropriations to general reserve in accordance with relevant regulatory requirements.

***(b)*** In accordance with the resolution approved in the Annual General Meeting of the Bank on 26 May 2016, a total amount of approximately RMB10,374 million (RMB212 cents per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 25 July 2016.

***(c)*** On 22 March 2017, the Board of Directors proposed a cash dividend of RMB2.15 per 10 shares in respect of the year ended 31 December 2016. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB10,521 million is payable to those on the register of ordinary shareholders as at the relevant record date. This proposal is a non-adjusting event after the reporting period and has not been recognised as liability as at 31 December 2016.

***(d)*** As at 31 December 2016, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB87 million (31 December 2015: RMB50 million), of which RMB38 million (2015: RMB16 million) was the appropriation made by the subsidiaries for the year ended 31 December 2016. Such statutory surplus reserves in the retained earnings cannot be distributed.

## 11 Commitments and contingent liabilities

### *(a) Credit commitments*

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptance.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Acceptance comprises undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptance to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| **Contractual amount** | | |
| Loan commitments | | |
| – with an original maturity within one year | **8,446** | 7,089 |
| – with an original maturity of one year or above | **66,490** | 69,949 |
| Subtotal | **74,936** | 77,038 |
| Guarantees | **163,157** | 133,567 |
| Letters of credit | **86,499** | 92,164 |
| Acceptances | **535,313** | 631,431 |
| Credit card commitments | **215,845** | 149,138 |
| Total | **1,075,750** | 1,083,338 |

### *(b) Credit commitments analysed by credit risk weighted amount*

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Credit risk weighted amount of credit commitments | **337,216** | 391,878 |

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

## 11 Commitments and contingent liabilities (continued)

### *(c) Capital commitments*

(i) The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Contracted for | **7,297** | 7,119 |
| Authorised but not contracted for | **2,748** | 113 |

(ii) As announced by the Bank dated 17 November 2015, the Board of Directors approved the proposed cooperation between the Bank and Baidu to establish a direct bank. The relevant matters relating to the establishment of the direct bank are subject to the approvals of regulatory authorities. The registered capital of the direct bank was RMB2 billion and the Bank subscribed 70% of the registered capital. As at the date of this report, the Bank has fully paid for the consideration and the approval from CBRC has been received.

(iii) As announced by the Bank dated 17 November 2015, the Board of Directors approved the establishment of an asset management company (with a proposed name of China CITIC Bank Asset Management Corporation Limited) by the Bank subject to the approvals of relevant regulatory authorities. The proposed registered capital of this asset management company was RMB2 billion.

### *(d) Operating lease commitments*

The Group leases certain property, plant and equipment under operating leases, which typically run for an initial period from one to five years and may include an option to renew the leases when all terms are renegotiated. As at 31 December, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Within one year | **2,917** | 2,864 |
| After one year but within two years | **2,454** | 2,553 |
| After two years but within three years | **2,137** | 2,173 |
| After three years but within five years | **3,354** | 3,510 |
| After five years | **2,486** | 3,699 |
| Total | **13,348** | 14,799 |

## 11 Commitments and contingent liabilities (continued)

### *(e) Outstanding contingencies including litigation and disputes*

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes. Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

As at 31 December 2016, the Group was involved in certain pending litigation with gross claims of RMB517 million (as at 31 December 2015: RMB394 million). Based on the opinion of internal and external legal counsels, the Group had made a provision of RMB243 million (as at 31 December 2015: RMB2 million) against these litigation (Note 42).

### *(f) Bonds redemption obligations*

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

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Redemption commitment for treasury bonds | **12,723** | 13,371 |

The original maturities of these bonds vary from one to five years. Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

### *(g) Underwriting obligations*

As at 31 December 2016, the Group had no unexpired securities underwriting commitment (as at 31 December 2015: Nil).

## 12 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both assets and intangible assets) whose estimated useful lives are over one year.

### *(a) Business segments*

The Group has the following main business segments for management purpose:

*Corporate Banking*

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

*Personal Banking*

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

## 12 Segment reporting (continued)

### (a) Business segments (continued)

*Treasury Business*

This segment conducts capital markets operations, inter-bank operations, which, specifically, includes inter-bank money market transactions, repurchase transactions, and investments and trading in debt instruments. Furthermore, treasury business segment also carries out derivatives and forex trading both for the group and for customers.

*Others and Unallocated*

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

During the year, the Group reallocated international businesses and investment banking businesses, from treasury business segment to corporate banking segment. The related comparative figures have been restated accordingly.

| | Year ended 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | **Corporate Banking** | **Personal Banking** | **Treasury Business** | **Others and Unallocated** | **Total** |
| External net interest income/ (expense) | **56,027** | **28,624** | **25,781** | **(4,294)** | **106,138** |
| Internal net interest income/ (expense) | **14,221** | **(12,346)** | **(16,766)** | **14,891** | **–** |
| **Net interest income** | **70,248** | **16,278** | **9,015** | **10,597** | **106,138** |
| Net fee and commission income/ (expense) | **13,677** | **23,533** | **6,468** | **(1,398)** | **42,280** |
| Other net income *(Note (i))* | **1,714** | **364** | **626** | **3,037** | **5,741** |
| **Operating income** | **85,639** | **40,175** | **16,109** | **12,236** | **154,159** |
| **Operating expenses** | | | | | |
| – depreciation and amortisation | **(1,099)** | **(470)** | **(760)** | **(374)** | **(2,703)** |
| – others | **(17,520)** | **(21,535)** | **(1,346)** | **(4,168)** | **(44,569)** |
| Impairment losses | **(44,341)** | **(7,322)** | **(217)** | **(408)** | **(52,288)** |
| Revaluation gain on investment properties | **–** | **–** | **–** | **8** | **8** |
| Share of gain from associates | **–** | **–** | **–** | **1** | **1** |
| **Profit before tax** | **22,679** | **10,848** | **13,786** | **7,295** | **54,608** |
| Income tax | | | | | **(12,822)** |
| **Profit for the year** | | | | | **41,786** |
| **Capital expenditure** | **2,811** | **1,182** | **1,955** | **840** | **6,788** |

## 12 Segment reporting (continued)

### *(a) Business segments (continued)*

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | **Corporate Banking** | **Personal Banking** | **Treasury Business** | **Others and Unallocated** | **Total** |
| **Segment assets** | **2,566,820** | **1,034,645** | **1,775,788** | **539,989** | **5,917,242** |
| Interest in associate | **–** | **–** | **100** | **1,011** | **1,111** |
| Deferred tax assets | | | | | **12,697** |
| **Total asset** | | | | | **5,931,050** |
| **Segment liabilities** | **3,223,082** | **809,320** | **1,261,472** | **252,669** | **5,546,543** |
| Deferred tax liabilities | | | | | **11** |
| **Total liabilities** | | | | | **5,546,554** |
| **Off-balance sheet credit commitments** | **859,905** | **215,845** | **–** | **–** | **1,075,750** |

| | Year ended 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | Corporate Banking | Personal Banking | Treasury Business | Others and Unallocated | Total |
| External net interest income/ (expense) | 53,354 | 24,602 | 29,936 | (3,459) | 104,433 |
| Internal net interest income/ (expense) | 15,213 | (9,003) | (18,640) | 12,430 | – |
| **Net interest income** | 68,567 | 15,599 | 11,296 | 8,971 | 104,433 |
| Net fee and commission income | 14,194 | 17,077 | 4,639 | (236) | 35,674 |
| Other net income/(expense) *(Note (i))* | 2,553 | 657 | 2,424 | (196) | 5,438 |
| **Operating income** | 85,314 | 33,333 | 18,359 | 8,539 | 145,545 |
| **Operating expenses** | | | | | |
| – depreciation and amortisation | (1,020) | (369) | (702) | (363) | (2,454) |
| – others | (18,159) | (25,337) | (1,223) | (3,429) | (48,148) |
| Impairment losses | (35,921) | (2,902) | (216) | (998) | (40,037) |
| Revaluation gain on investment properties | – | – | – | 27 | 27 |
| Share of gain from associates | – | – | – | 53 | 53 |
| **Profit before tax** | 30,214 | 4,725 | 16,218 | 3,829 | 54,986 |
| Income tax | | | | | (13,246) |
| **Profit for the year** | | | | | 41,740 |
| Capital expenditure | 3,045 | 1,094 | 2,126 | 684 | 6,949 |

## 12 Segment reporting (continued)

### *(a) Business segments (continued)*

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | Corporate Banking | Personal Banking | Treasury Business | Others and Unallocated | Total |
| **Segment assets** | 2,267,448 | 799,410 | 1,584,881 | 461,596 | 5,113,335 |
| Interest in associate | – | – | – | 976 | 976 |
| Deferred tax assets | | | | | 7,981 |
| **Total asset** | | | | | 5,122,292 |
| **Segment liabilities** | 2,728,042 | 568,089 | 1,239,707 | 266,758 | 4,802,596 |
| Deferred tax liabilities | | | | | 10 |
| **Total liabilities** | | | | | 4,802,606 |
| **Off-balance sheet credit commitments** | 934,200 | 149,138 | – | – | 1,083,338 |

*Note:*

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

### *(b) Geographical segments*

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

– "Yangtze River Delta" refers to the following areas where tier-1 branches and subsidiaries of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an CITIC Rural Bank;

– "Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

– "Bohai Rim" refers to the following areas where tier-1 branches and subsidiaries of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

## 12 Segment reporting (continued)

### (b) *Geographical segments (continued)*

– "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

– "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

– "Northeastern" region refers to the following areas where tier-1 branches of the Group is located: Shenyang, Changchun and Harbin;

– "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

– "Overseas" includes all the operations of CNCB Investment, CIFH and its subsidiaries.

For the year ended 31 December 2016, the Group reclassified elimination from presenting separately to each relevant geographical segments. The related comparative figures have been restated accordingly.

| | Year ended 31 December 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta and West Strait | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| External net interest income | 19,616 | 13,893 | 9,343 | 15,409 | 15,132 | 3,084 | 25,884 | 3,777 | 106,138 |
| Internal net interest income/(expense) | 1,802 | 2,444 | 11,224 | (587) | (1,613) | (852) | (12,366) | (52) | - |
| Net interest income | 21,418 | 16,337 | 20,567 | 14,822 | 13,519 | 2,232 | 13,518 | 3,725 | 106,138 |
| Net fee and commission income | 5,308 | 3,270 | 5,644 | 2,746 | 3,152 | 404 | 20,319 | 1,437 | 42,280 |
| Other net income *(Note (i))* | 857 | 490 | 882 | 313 | 271 | 46 | 2,065 | 817 | 5,741 |
| **Operating income** | 27,583 | 20,097 | 27,093 | 17,881 | 16,942 | 2,682 | 35,902 | 5,979 | 154,159 |
| **Operating expense** | | | | | | | | | |
| – depreciation and amortisation | (415) | (272) | (464) | (333) | (405) | (104) | (579) | (131) | (2,703) |
| – others | (8,067) | (5,456) | (8,017) | (5,451) | (5,163) | (1,143) | (8,671) | (2,601) | (44,569) |
| Impairment losses | (9,391) | (7,671) | (9,431) | (9,954) | (7,152) | (1,355) | (6,851) | (483) | (52,288) |
| Revaluation gain on investment properties | - | - | - | - | - | - | - | 8 | 8 |
| Share of gain from associates | - | - | - | - | - | - | - | 1 | 1 |
| **Profit before tax** | 9,710 | 6,698 | 9,181 | 2,143 | 4,222 | 80 | 19,801 | 2,773 | 54,608 |
| Income tax | | | | | | | | | (12,822) |
| **Profit for the year** | | | | | | | | | 41,786 |
| Capital expenditure | 2,159 | 636 | 204 | 728 | 472 | 106 | 2,308 | 175 | 6,788 |

## 12 Segment reporting (continued)

### *(b) Geographical segments (continued)*

| | 31 December 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta and West Strait | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| **Segment assets** | **1,143,563** | **887,856** | **1,273,550** | **657,675** | **573,399** | **85,967** | **1,010,909** | **284,323** | **5,917,242** |
| Interest in associate | - | - | - | - | - | - | - | 1,111 | 1,111 |
| Deferred tax assets | | | | | | | | | 12,697 |
| **Total assets** | | | | | | | | | **5,931,050** |
| **Segment liabilities** | **1,134,943** | **883,235** | **1,258,132** | **656,226** | **568,835** | **85,161** | **723,128** | **236,883** | **5,546,543** |
| Deferred tax liabilities | | | | | | | | | 11 |
| **Total liabilities** | | | | | | | | | **5,546,554** |
| Off-balance sheet credit commitment | **211,676** | **117,938** | **118,178** | **193,363** | **110,711** | **17,171** | **208,682** | **28,031** | **1,075,750** |

| | Year ended 31 December 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta and West Strait | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| External net interest income | 18,909 | 11,853 | 14,581 | 14,734 | 14,491 | 2,273 | 24,808 | 2,784 | 104,433 |
| Internal net interest income/(expense) | 1,751 | 3,030 | 6,689 | 285 | (1,158) | 55 | (10,754) | 102 | – |
| Net interest income | 20,660 | 14,883 | 21,270 | 15,019 | 13,333 | 2,328 | 14,054 | 2,886 | 104,433 |
| Net fee and commission income | 4,920 | 2,776 | 4,857 | 3,197 | 3,173 | 504 | 15,274 | 973 | 35,674 |
| Other net income *(Note (i))* | 1,326 | 556 | 653 | 437 | 402 | 79 | 844 | 1,141 | 5,438 |
| **Operating income** | 26,906 | 18,215 | 26,780 | 18,653 | 16,908 | 2,911 | 30,172 | 5,000 | 145,545 |
| **Operating expense** | | | | | | | | | |
| – depreciation and amortisation | (391) | (262) | (429) | (285) | (317) | (93) | (468) | (209) | (2,454) |
| – others | (9,255) | (6,009) | (8,734) | (6,484) | (6,002) | (1,310) | (8,243) | (2,111) | (48,148) |
| Impairment losses | (7,833) | (12,101) | (6,263) | (3,604) | (4,734) | (1,310) | (3,642) | (550) | (40,037) |
| Revaluation gain on investment properties | – | – | – | – | – | – | – | 27 | 27 |
| Share of gain from associates | – | – | – | – | – | – | – | 53 | 53 |
| **Profit before tax** | 9,427 | (157) | 11,354 | 8,280 | 5,855 | 198 | 17,819 | 2,210 | 54,986 |
| Income tax | | | | | | | | | (13,246) |
| **Profit for the year** | | | | | | | | | 41,740 |
| Capital expenditure | 850 | 242 | 574 | 661 | 1,254 | 80 | 3,190 | 98 | 6,949 |

## 12 Segment reporting (continued)

### *(b) Geographical segments (continued)*

| | 31 December 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta and West Strait | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| **Segment assets** | 1,099,638 | 752,930 | 1,114,437 | 617,426 | 557,507 | 93,262 | 639,057 | 239,078 | 5,113,335 |
| Interest in associate | – | – | – | – | – | – | – | 976 | 976 |
| Deferred tax assets | | | | | | | | | 7,981 |
| **Total assets** | | | | | | | | | 5,122,292 |
| **Segment liabilities** | 1,090,233 | 750,275 | 1,098,983 | 609,982 | 551,901 | 92,311 | 396,293 | 212,618 | 4,802,596 |
| Deferred tax liabilities | | | | | | | | | 10 |
| **Total liabilities** | | | | | | | | | 4,802,606 |
| Off-balance sheet credit commitment | 246,678 | 136,897 | 222,720 | 175,503 | 116,600 | 26,043 | 141,993 | 16,904 | 1,083,338 |

*Note:*

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

## 13 Structured entities

### *(a) Unconsolidated structured entities held by the Group*

The Group invests other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

## 13 Structured entities (continued)

### *(a) Unconsolidated structured entities held by the Group (continued)*

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2016 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position under which relevant assets are recognised:

| | **31 December 2016** | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | | | | **Maximum loss exposure** |
| | **Held-to-maturity investments** | **Available for sale financial assets** | **Investments classified as receivables** | **Total** | |
| Wealth management products issued by banks | **–** | **22** | **458,390** | **458,412** | **458,412** |
| Investment management products managed by non-bank financial institutions | **–** | **–** | **452,966** | **452,966** | **452,966** |
| Trust investment plans | **–** | **–** | **126,128** | **126,128** | **126,128** |
| Asset-backed securities | **1,527** | **9,747** | **–** | **11,274** | **11,274** |
| Investment funds | **–** | **20,737** | **–** | **20,737** | **20,737** |
| Total | **1,527** | **30,506** | **1,037,484** | **1,069,517** | **1,069,517** |

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | | | | Maximum loss exposure |
| | Held-to-maturity investments | Available for sale financial assets | Investments classified as receivables | Total | |
| Wealth management products issued by banks | – | 10 | 147,605 | 147,615 | 147,615 |
| Investment management products managed by non-bank financial institutions | – | – | 825,016 | 825,016 | 825,016 |
| Trust investment plans | – | – | 139,971 | 139,971 | 139,971 |
| Asset-backed securities | 5,306 | 5,152 | – | 10,458 | 10,458 |
| Investment funds | – | 422 | – | 422 | 422 |
| Total | 5,306 | 5,584 | 1,112,592 | 1,123,482 | 1,123,482 |

The maximum exposures to risk in the above wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities managed by securities companies and trust investment funds are the carrying value of the assets held by the Group at the reporting date. The maximum exposures to risk in the asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items under which these assets are presented in the consolidated statement of financial position.

## 13 Structured entities (continued)

### *(b) Unconsolidated structured entities sponsored and managed by the Group*

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

As at 31 December 2016, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB956,504 million (31 December 2015: RMB659,118 million).

During the year ended 31 December 2016, the Group's interest in these wealth management products included fee and commission income of RMB7,032 million (2015: RMB5,808 million); interest income of RMB1,813 million (2015: RMB390 million) and interest expense of RMB1,013 million (2015: RMB228 million).

As at 31 December 2016, the carrying amounts of the Group's fee and commission receivables and interest receivables being recognised in the consolidated statement of financial position was RMB949 million (31 December 2015: RMB387 million).

As at 31 December 2016, the placements from the Group with these wealth management products sponsored by the Group amounted to RMB62,000 million (31 December 2015: RMB25,266 million), while the placements from these wealth management products to the Group amounted to RMB20,000 million (31 December 2015: Nil). During the year ended 31 December 2016, the amount of maximum exposure of the placements from the Group with these wealth management products sponsored by the Group was RMB57,401 million (2015: RMB36,675 million), and the amount of maximum exposure of the placements from these wealth management products to the Group was RMB20,000 million (2015: RMB7,561 million). These transactions were conducted under normal business terms and conditions.

As at 31 December 2016, assets of these wealth management products amounting to RMB205,416 million (as at 31 December 2015: RMB72,549 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

**13 Structured entities (continued)**

*(c) Principal guaranteed wealth management products sponsored and managed by the Group*

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial assets and financial liabilities items in accordance with the Group's accounting policies based on the nature of the assets and liabilities.

**14 Events after the reporting period**

(i) On 5 January 2017, the Bank received the approval from CBRC for the Bank to prepare for the establishment of a direct bank, CITIC Baixin Bank Corporation Limited ("Baixin Bank"). Baixin Bank will be engaged in direct banking business as a separate legal entity with limited licence. The Bank and Fujian Baidu Bo Rui Netcom Science and Technology Co., Ltd subscribed, as promoters, 1,400,000,000 ordinary shares and 600,000,000 ordinary shares, respectively, which represents 70% and 30% of the subscribed capital of Baixin Bank. The Bank has fully paid for the consideration as at the date of this report. Baixin Bank will not engage in financial services during the preparation period.

(ii) On 22 March 2017, the Board of Directors proposed a cash dividend and submitted it to the ordinary shareholders at the Annual General Meeting for approval (Note 10).

# DEFINITIONS

| | |
|---|---|
| Articles of Association | Articles of Association of China CITIC Bank Corporation Limited |
| Auditors | PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong |
| Baixin Bank | CITIC Baixin Bank Corporation Limited |
| Bank/Company/China CITIC Bank/CITIC Bank/CNCB | China CITIC Bank Corporation Limited |
| BBVA | Banco Bilbao Vizcaya Argentaria S.A. |
| BFAE | Binhai (Tianjin) Financial Assets Exchange Company Limited |
| Board of Directors/Board | Board of Directors of the Bank |
| Board of Supervisors | Board of Supervisors of the Bank |
| CBRC | China Banking Regulatory Commission |

| | |
|---|---|
| Central Bank/PBOC | The People's Bank of China |
| China AMC | China Asset Management Co., Ltd. |
| China Construction Bank | China Construction Bank Corporation |
| China Securities | China Securities Co., Ltd. |
| China Tobacco | China Tobacco Corporation |
| CIAM | CITIC International Assets Management Limited |
| CIFH | CITIC International Financial Holdings Limited |
| CITIC Corporation Limited | CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014) |
| CITIC Environment | CITIC Environment Investment Group Co., Ltd. |
| CITIC Financial Leasing | CITIC Financial Leasing Co., Ltd. |
| CITIC Group | CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011) |
| CITIC Industrial Investment | CITIC Industrial Investment Group Co., Ltd. |
| CITIC Limited | CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014) |
| CITIC Press | CITIC Press Group Limited |
| CITIC Securities | CITIC Securities Co., Ltd. |
| CITIC Trust | CITIC Trust Co., Ltd. |
| CITIC-CP Asset Management | CITIC-CP Asset Management Company Limited |
| CITIC-Prudential Fund Management | CITIC-Prudential Fund Management Company Limited |
| CITIC-Prudential Life Insurance | CITIC-Prudential Life Insurance Company Ltd. |
| CNCB Investment | CNCB (Hong Kong) Investment Co., Ltd. (formerly China Investment and Finance Limited) |

| | |
|---|---|
| CNCBI | CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited) |
| Commercial Banks Law | Law of the People's Republic of China on Commercial Banks |
| Company Law | Company Law of the People's Republic of China |
| CSRC | China Securities Regulatory Commission |
| Group | China CITIC Bank Corporation Limited and its subsidiaries |
| HKSFC | Hong Kong Securities and Futures Commission |
| Hong Kong Listing Rules | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Joint-stock Banks | Including China CITIC Bank, China Merchants Bank, China Minsheng Bank, Industrial Bank, Shanghai Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank, Guangdong Development Bank, China Zheshang Bank, China Bohai Bank and Evergrowing Bank |
| Lin'an CITIC Rural Bank | Zhejiang Lin'an CITIC Rural Bank Limited |
| MOF | Ministry of Finance of the People's Republic of China |
| NSSF | National Council for Social Security Fund |
| PRC Accounting Standards | PRC Accounting Standards for Enterprises |
| PricewaterhouseCoopers | PricewaterhouseCoopers Zhong Tian LLP |
| SEHK | The Stock Exchange of Hong Kong Limited |
| SSE | Shanghai Stock Exchange |
| State Council | State Council of the People's Republic of China |
| The reporting period | From 1 January 2016 to 31 December 2016 |
| Tianan Property Insurance | Tianan Property Insurance Company Limited of China |
| Xin Hu Zhong Bao | Xin Hu Zhong Bao Co., Ltd. |

Geographical segments of the Group and the Bank as disclosed in this announcement, and as defined for financial reporting purposes, are as follows:

"Yangtze River Delta" refers to the following areas where tier-1 branches and subsidiaries of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an CITIC Rural Bank;

"Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

"Bohai Rim" refers to the following areas where tier-1 branches and subsidiaries of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan; and CITIC Financial Leasing Co., Ltd, the subsidiary.

"Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

"Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

"Northeastern" region refers to the following areas where tier-1 branches of the Group are located: Shenyang, Changchun and Harbin;

"Head Office" refers to the headquarters of the Bank and the Credit Card Center; and

"Overseas" includes all the operations of CNCB Investment, CIFH and its subsidiaries.

Unless otherwise specially noted, the denomination currency used in this announcement is Renminbi. This announcement is compiled both in Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

By order of the Board of
**China CITIC Bank Corporation Limited**
**Li Qingping**
*Chairperson*

Beijing, the PRC
22 March 2017

*As at the date of this announcement, the executive directors of the Bank are Ms. Li Qingping (Chairperson) and Mr. Sun Deshun (President); the non-executive directors are Mr. Chang Zhenming, Ms. Huang Fang and Mr. Wan Liming; and the independent non-executive directors are Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew, Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun.*